

# Automation's Role in Financial Wellness

Employers should be looking for ways to take the guesswork out of financial wellness, writes Jennifer Benz.

By Jennifer Benz-Workforce

I was so fortunate to graduate from college debt-free. But I never put pen to paper as to how my starting salary would stack up against the cost of living in Hoboken, New Jersey. In no time, I had five-digit credit card debt and seemingly no end in sight to the monthly payments.

Despite recklessly spending money I didn't have, I did make one incredibly wise financial decision: enrolling in my company's 401(k) plan the moment I started working.

I reflect on this story often, especially when I'm talking about and working on financial wellness projects. What my employer did at the time set me on the right course. If I was starting my career today, that same 401(k) guidance might also come with smart budgeting tools that may have kept me out of debt. Maybe!

But few people start their careers working for companies with a generous 401(k) plan and hands-on new-hire orientation, let alone with a crash course in employee benefits. (Yes, my first job was doing employee benefits communication!) And few people have rising income levels that allow them to recover from bad financial decisions as I was able to.

For far too many Americans, financial success is left up to chance. And, for many people, the cards are just plain stacked against them. This is why financial wellness has captured employers' attention the past few years — why we're seeing it in the headlines, and why, as an industry, we should be doing so much more to help.

A recent cover story in *The Atlantic* led with a survey from the Fed, which asked people how they would pay for a \$400 emergency. “The answer: 47 percent of respondents said that either they would cover the expense by borrowing or selling something, or they would not be able to come up with the \$400 at all.”

Four hundred dollars.

These statistics, along with what employers are seeing firsthand from employees, depict the financial stress people are facing. There is tremendous interest among employers to affect change through financial wellness programs:

Eighty-three percent of all employers, and 97 percent of large employers, say they feel at least somewhat responsible for the financial wellness of their employees, according to the Bank of America Merrill Lynch 2015 workplace benefits report.

Of the 250 large employers surveyed in Aon’s 2015 “Hot Topics in Retirement” study, more than 90 percent said they want to introduce or expand financial wellness programs this year.

But where to invest? And which financial wellness programs will be effective? For answers to these questions, many companies are starting with an audit of their existing benefits and looking for ways to better promote the tools and resources already at employees’ fingertips. This is a good place to start. Many benefits go unused, and the majority of employers struggle to communicate their programs more than a couple of times a year, which leads to low engagement. Taking a fresh look at how you name programs and how you help employees understand their value can go a long way.

Additionally, there’s been an explosion of new “financial wellness” companies vying for your attention and benefits dollars. Many have incredibly smart, user-friendly products and services.

While financial wellness is getting so much attention, we also have the opportunity as an industry to ask: What else can we automate? It isn't enough to look at which new programs or ideas can help educate employees; we should also be looking for ways to take the guesswork out of financial wellness and create paths that lead to the best financial outcomes.

We need only to look at the tremendous success of auto-enrollment and auto-escalation in 401(k) plans as a model for improving short-term decision-making and long-term outcomes. This model has shown — and behavioral economists have proven — that changing the defaults and automating good decisions is a very effective way to change outcomes.

Plenty of other financial areas would benefit from automated systems and programs. For example, how could automatic budgeting and bill pay help people manage day-to-day finances? Could we automate emergency savings to help employees get the cushion that so few have? What about automatic emergency loans that keep people out of debt and away from predatory check-cashing lenders? Could we automate the confusion out of flexible spending accounts, health savings accounts and other plans?

As the interest in financial wellness gains momentum, let's look to build a system that sets up everyone for success.

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