

Does Financial Wellness At Work Really Work?

It's no secret that financial literacy levels in the US are dangerously low and many people lack confidence in their ability to effectively manage their personal finances. The promising news is there is a small but rapidly growing segment of the financial planning profession that is ready to change how people approach the decision making process for financial matters. The primary goal is to go beyond providing basic financial education and to focus on the achievement of optimal financial wellness through behavioral change.

What exactly is “financial wellness?”

The term “financial wellness” has emerged in recent years as a descriptor of an individual's overall financial health and well-being. However, [financial wellness](#) consists of more than just our perceptions and feelings about our own financial health. The concept of [authentic financial wellness](#) is measured by a combination of factors including the overall satisfaction with our current financial situation, actual financial behaviors (i.e., budgeting, saving, paying off credit card balances in full), financial attitudes, financial knowledge, and objective financial status. Financial Finesse defines [financial wellness](#) as a state of

well-being where an individual has achieved minimal financial stress, established a strong financial foundation, and created an ongoing plan to help reach future financial goals.

Who provides financial wellness?

As my colleague Cynthia Meyer pointed out last week in *The Unlikely Place Where Women Are Finding Relief From Financial Stress*, companies are increasingly offering financial wellness programs as an employee benefit. A recent [Bank of America Merrill Lynch report](#) indicated that over 90% of large employers plan on implementing or expanding some type of financial wellness program. This is a promising sign for both employees and companies because [workplace financial wellness](#) programs give employees access to financial education and guidance, increase employee morale, and have been proven to improve employee financial well-being. A growing body of academic research demonstrates the association of financial wellness with reduced financial stress levels, an increased sense of retirement preparedness, and overall life satisfaction.

The process of helping people reach important financial life goals does more than help out individual employees – it also helps the organizations they work for. Companies have a vested interest in promoting financial wellness initiatives because financial wellness is also linked to higher worker productivity, reduced absenteeism on the job, and reduced health

care costs. In fact, workplace financial education programs have a high return on investment for corporations implementing these programs with some estimates indicating up to a 3 to 1 return on investment.

Workplace financial programs have the potential to completely transform how people manage their personal finances and prepare for important goals like getting out of debt, buying a home, or preparing for retirement. However, while financial wellness programs are now purportedly offered on a widespread basis, it is important to recognize that not all programs are the same. Here are some questions to ask when evaluating a financial wellness program:

Is it an “*unbiased*” financial wellness program?

An unfortunate reality is that some financial services companies simply use the concept of “financial wellness” as a marketing strategy. The term is most commonly misused by firms selling financial products, managing assets or providing investment advice. Other companies use “financial wellness” to promote payday lending programs or to allow employees to purchase items they don’t currently have enough to pay for. There are even large financial organizations that have creatively changed job titles to include the term financial wellness for the same product-focused roles.

A key factor when a company claims to be an unbiased financial wellness program is finding out if all of their revenue comes directly from providing financial wellness services. Anything else raises the issue of potential conflicts of interest. This is a similar issue faced by financial planners working in [abroken system](#) where they may not have to abide by a fiduciary standard of care for clients.

For example, a sign of bias may be a situation when a professional leading financial education programming has the potential of being compensated if he or she sells investment or insurance products to attendees. That's why many employers are rightfully concerned when a 401(k) provider or local financial planning professional is facilitating workshops webinars or individual meetings with employees. If that professional is acting in a fiduciary role, there's less concern they have any potential conflict of interest. But in the purest form of unbiased financial wellness, it is the employer or sponsoring organization itself paying for the services of an outside professional that isn't paid by product or service sales.

What type of services does the program offer?

The types of services offered as part of a financial wellness program also vary significantly in most cases. At the most basic level, they could include financial education materials either available in print or online.

However, another example of the misuse of the term is when so-called “financial wellness” programs are simply packaged as financial technology solutions such as a website with static calculators, reading modules and videos. These tools and apps are all useful to some degree, but without a personalized plan and customized coaching for the employee, these resources tend to be underutilized and not impactful.

More advanced financial wellness programs offer in-person workshops, webinars, and telephone counseling. Some even offer participants the ability to meet individually with a CFP® professional in a confidential setting either in person or virtually. In this day and age of online video conferencing and screen sharing tools, professionals have the ability to meet with people all across the country and be as effective and in many cases more efficient with their time working with these employees.

How does the program measure success?

Financial wellness programs need to go beyond where traditional financial education and literacy programs stop and focus on actual results and behavioral change. Historically, the most prevalent barometer of financial success has been related to the tracking of investment performance and net worth statements. However, helping others achieve optimal financial wellness should be the primary objective and this

means so much more than investment portfolio performance or a net worth statement.

A comprehensive assessment of financial wellness is a more appropriate method to assess our overall financial well-being. Financial wellness includes both objective and subjective components. This means that actual financial behaviors and results are measured in addition to assessing how people feel about their own current financial situation and their associated financial attitudes.

In essence, authentic financial wellness assesses how people are actually doing in their financial lives. This is often measured in objective terms and presents itself in the form of income, net worth, debt-to-income ratios, savings ratios and other assessments of financial status. For example, simply identifying that someone has an emergency safety net in place can be a reliable measurement tool. But the most comprehensive measures of financial wellness also assess financial knowledge (actual and perceived) and satisfaction with one's financial situation. At the end of the day, we all have our own definition of what "financial wellness" means to us on an individual level.

So can financial wellness at work really work?

Companies can play an important role in offering financial wellness services to their employees but in

order for financial wellness programs to be successful, they must always be unbiased (this means no hidden agenda and no conflicts of interest) and delivered by professionals with a comprehensive knowledge base. In addition, they need to do more than educate. Authentic financial wellness programs should inspire people to take meaningful steps to improve their entire financial lives.