

To Succeed, Financial Wellness Programs Need to Motivate Participants

Education on its own is simply not enough.

To truly help participants, financial wellness programs need to advance beyond mere education to truly motivate participants to take action to improve their financial outlook, according to Cerulli Associates.

“Many employees in today’s workforce are struggling with competing financial priorities, and they will often express these concerns to their employer,” says Dan Cook, a research analyst with Cerulli. “Plan sponsors have taken note. Nearly one-third, 32%, identify improving the financial wellness of employees as a top priority for their 401(k) plan.”

But rather than focusing on moving the needle for participants, most plan sponsors are focused on their return on investment (ROI), which can be hard to measure, according to Cerulli. “Plan sponsors have a broad range of goals for financial wellness programs,” Cook continues. “Some goals, such as increasing 401(k) contribution rates, are straightforward. Other goals, such as improving financial literacy, increasing workplace productivity and decreasing employee stress, are more nebulous and/or difficult to directly attribute to a financial wellness initiative.”

The way to help employees improve their financial situation, according to Cerulli, is for plan sponsors to move past ROI to make their financial wellness programs action-oriented. “Individuals must be triggered to enact changes that impact their financial lives in a positive way,” Cook explains. “As such, providers must consistently collect data to identify engagement strategies that resonate most with specific groups and craft digital experiences through which a participant’s ‘next best action’ is only one or two clicks away.”

Cerulli says that participants' primary sources of financial stress are health care expenses, cited by 30.5%, followed by not having enough money saved for retirement (25.7%), paying monthly bills (10.7%), not having enough emergency savings (10.6%), credit card debt (8.4%) and student loan debt (4.7%).

Cerulli says that health savings accounts (HSAs) could help participants with their health care expenses, but few participants are knowledgeable about them, particularly that they can use them to invest. Sponsors should educate participants about using HSAs as a retirement benefit, Cerulli says, starting with their triple tax advantages. As well, sponsors should not just try to educate participants about HSAs at the annual benefit enrollment period but, rather, throughout the year.

Cerulli also says that when making changes to their 401(k), older participants prefer to interact with people in a call center, and younger ones prefer chat features. As to what motivates people to open up a 529 college savings plan, 69.1% say it is their own research. Only 15.1% do so because of the advice of a financial professional, so there is work that can be done here.

By Lee Barney