JULY 2021 | WWW.DCIIA.ORG

DCIIA
Defined Contribution Institutional Investment Association
RETIREMENT RESEARCH CENTER

Design of Financial Wellness Programs: What Do Employees Want and Whom Do They Trust?

Contributors

Heather Balley, AllianceBernstein

Warren Cormier, DCIIA Retirement Research Center

Kerry Sette, Voya Financial

INTRODUCTION

Lack of financial resiliency is a pressing issue for American workers, one that needs to be considered from all possible angles. Financial wellness programs may be able to help, but employers must consider many factors when implementing and refining a financial wellness program within their organization's larger benefits suite, including offering topics and formats that engage and resonate with employees to create real value and improved outcomes. This paper will explore employee awareness and engagement challenges, and illuminate how employees' trust in, and comfort levels with, those delivering the program can affect their participation and the program's success.

WHAT ARE FINANCIAL WELLNESS PROGRAMS?

Financial wellness programs are ones intended to educate employees about managing their finances, with the ultimate goal of increasing their financial well-being. Typically offered by employers, these programs offer education and advice on such topics as budgeting, college funding, financial planning and managing debt. They are considered supplemental to the companies' 401(k) retirement educational programs.

DCIIA's Retirement Research Center (RRC) recently undertook a study to better evaluate employees' awareness of financial wellness programs offered by their employers, as well as how employees want to receive guidance/advice and what topics are of most interest to them. This study also looked at employees' preferred methods of delivery of guidance/advice and which entities they prefer to have deliver the guidance and advice. It also considered trust in, and comfort with, the sources of financial wellness offerings. The RRC surveyed more than 2,000 individuals for this study.

Defined Contribution Institutional Investment Association (DCIIA)
2001 K Street NW, 3rd Floor North, Washington DC 20006

CONSIDERATIONS FOR EMPLOYER-SPONSORED FINANCIAL WELLNESS PROGRAMS

One roadblock for employers considering how to implement a successful and impactful financial wellness program is ensuring that their employees are aware of, and utilize (via preferred channels) the program; this is obviously essential in order to improve employee outcomes and financial well-being. Other considerations for employers include whether to use in-house or vendor-supplied programs, what types of offerings to promote and what topics to address. With greatly varying industry definitions as to what constitutes a successful program, it is helpful for employers to consider the following as they embark on such a program or as they review the efficacy of an existing program:

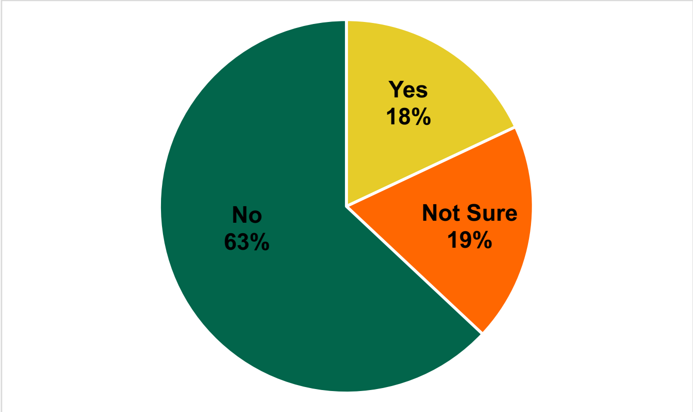
- Does offering a financial wellness program align with the larger goals of our organization? Do we consider a financial wellness program to be an investment in our employees? Will offering a financial wellness program assist with employee productivity, retention and even talent acquisition?
- Research shows that financial stress lowers employees' productivity at work (a topic not addressed here), indicating the importance and value of these programs for both employees and employers. Employers should strive to find partners/providers that are trusted sources and that can offer the types of services their employees prefer, delivered in a manner preferred by their employees.
- Notably, the topic that receives the highest interest score from employees is "financial planning." Awareness and usage of financial wellness programs are higher among respondents who report that they are participating in their employer-sponsored retirement plan, perhaps indicating a real opportunity to leverage the existing retirement plan to garner interest in and usage of the financial wellness program.
- When offering a financial wellness program, it is important that employers support and promote it as a valuable benefit for employees, and encourage employees to review and use its key programs. By drawing on this study's findings, employers can implement a program that employees will find useful—and that will lead them to have trust in the financial advice that they receive.

ACCESS TO AND DELIVERY OF EMPLOYEE FINANCIAL EDUCATION AND ADVICE PROGRAMS

Even as employer adoption of financial wellness programs increases, employee awareness and engagement continue to be primary challenges. As shown in **Exhibit 1**, access to employee financial education and advice programs is generally low, with only about two in ten employees reporting that such programs are offered through their employer. Another two out of ten employees report that they are unsure if such programs are offered. Low levels of program awareness can of course result in low usage and adoption rates. On average, financial wellness program users are white and male and have higher household incomes, which highlights the opportunity and need (e.g., lack of accessibility) among at-risk populations such as women, people of color and those with lower incomes. Of those employees who report having access to a financial wellness program through their employer, only 8% say that they utilize such a program. This illustrates how important it is for employers to promote and encourage the usage of these programs.

Exhibit 1

Does Your Employer Offer a Program Focused on Educating and Advising Employees about Financial Matters?



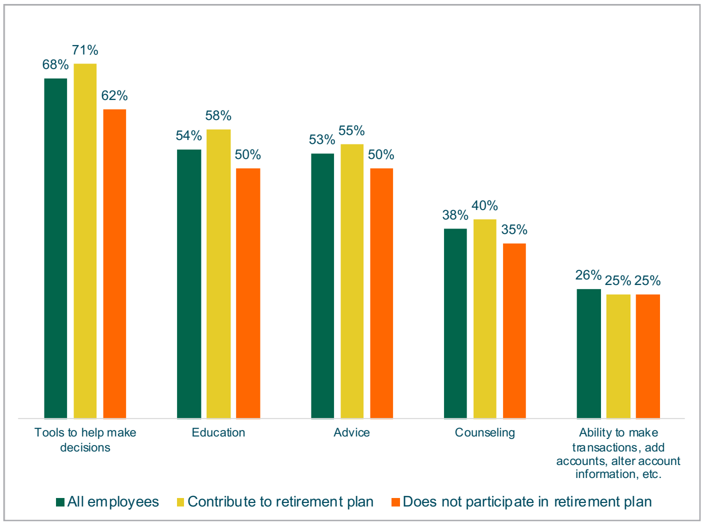
Most recently, the COVID-19 crisis posed considerable challenges for employers trying to rationalize the benefits that they offer employees. With budgets stretched and every dollar scrutinized, tough choices loom for DC plan offerings, as well as for programs like ones focused on financial wellness. There has been extensive industry debate, even before the COVID-19 pandemic, among employers grappling with success and ROI metrics regarding such program offerings. Conversely, some research shows that employers are fortifying their efforts regarding financial wellness programs. After the COVID-19 pandemic has ended, it will be interesting to learn what measures employers have taken to address the need for a more robust financial wellness outreach.

Financial wellness programs are more important than ever in a post-COVID-19 world, especially for those who have been financially affected by the pandemic. See the Appendix for more detail.

Most respondents want financial education/advice programs to provide tools to help them make important decisions. As shown in **Exhibit 2**, this preference is significantly higher among those who participate in a retirement plan, compared with those who do not participate (71% vs. 62%). In a close tie for the second most requested offering are general education (54%) and advice (53%). A bit further down the list is the desire for counseling services and the ability to make transactional changes in an account, which may indicate that some employees are looking for help but still want to make their own decisions, on their own time. When asked how the employer could help them, employees prefer that their employer bring in financial experts to provide training and education (52%), as well as bring in financial experts to use employees' personal financial information to give them advice (37%).

Exhibit 2

Interest in Financial Wellness Program Offerings (among all)
(% selected)

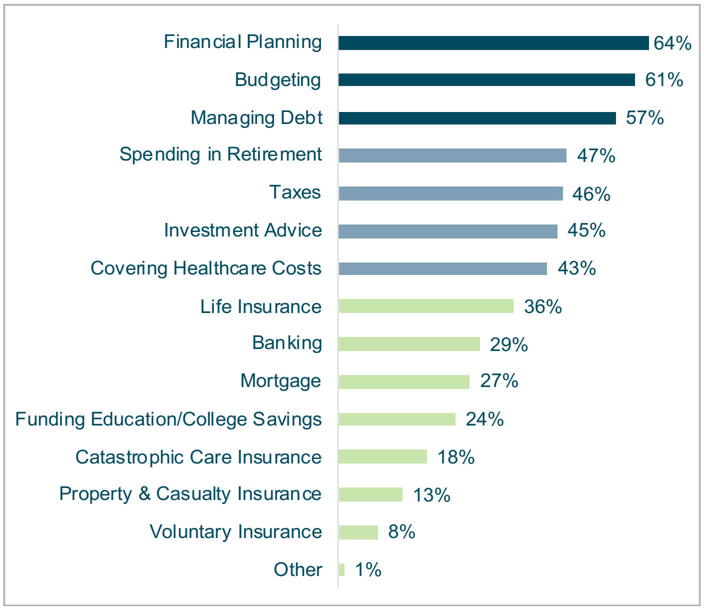


As shown in **Exhibit 3**, employees consider financial planning, budgeting and managing debt the ideal topics to include in employee financial education/advice programs, with interest in them appearing to be somewhat influenced by life-stage factors and household income. For example, budgeting and mortgage education were the favorite topics among the 23–38 aged cohort. For mid-career employees (ages 39–54), covering healthcare costs, saving for college, investment advice and life insurance were at the top of the list. Spending in retirement and catastrophic-care coverage garnered the highest interest among pre-retirees constituting the two oldest employee groupings. Higher-earning households (HHI$75K+) were interested in topics such as financial planning, taxes and college funding. Offering diverse topics that appeal to the various interests of an organization's employee population should be a cornerstone of any successful financial wellness program.

As employers consider creating financial wellness programs, looking at their employee demographics, current market conditions and other environmental factors (e.g., COVID-19) should come into play as they think about topics *and* delivery methods.

Exhibit 3

Ideal Topics to Include in Program (among all)
(% selected)

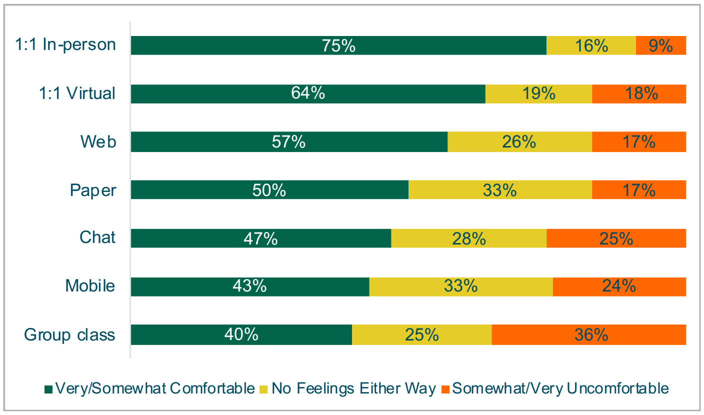


While this list of ideal financial wellness topics is extensive, it is by no means exhaustive. Other topics of interest include emergency savings, support for caregivers and help with student loans.

As shown in **Exhibit 4**, one-on-one meetings (virtual or in-person) have the highest appeal for employees seeking financial education/advice, while group settings, chat and mobile communication rank lowest among delivery methods. It is likely that COVID-19 may have had a positive impact on virtual delivery methods.

Exhibit 4

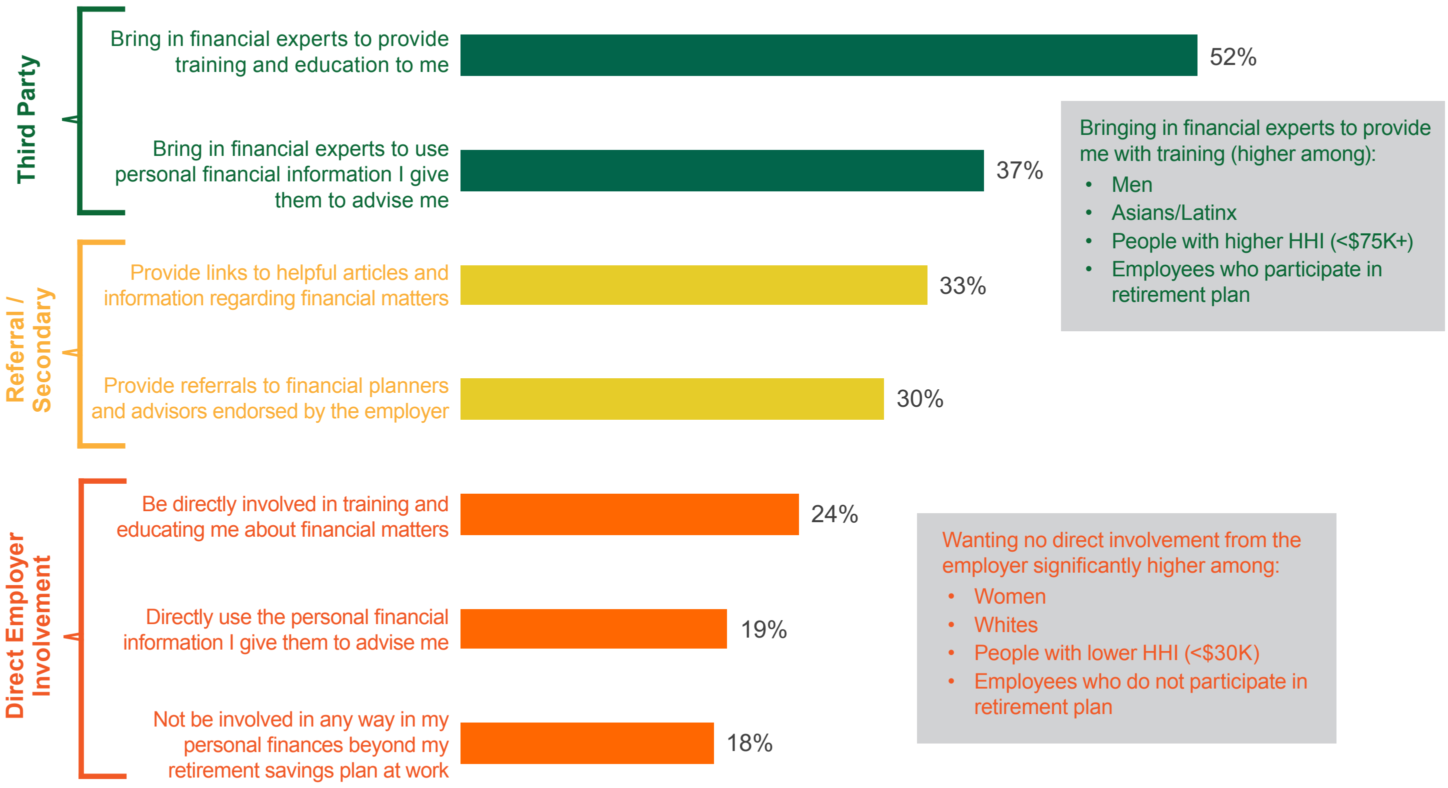
Level of Comfort with Program Delivery (among all)



As shown in **Exhibit 5**, respondents are most open to their employer bringing in financial advisors to provide training and education, and are least open to direct involvement from their employer. Respondents are also receptive to third-party channels for education and advice that are provided through the workplace, but are less open to direct employer involvement (e.g., employers providing advice and sharing information). Similarly, respondents are more open to having access through the workplace to financial advisors that provide financial education or advice but, again, less open to this option if it comes with direct involvement from their employer. Overall, employers are a less trusted source of financial education/advice program delivery than independent financial-services companies (e.g., an investment company, a company that administers the employer's workplace savings plan, or an advisory firm). Notably, although a workplace savings plan provider is an outside source, it is hired by the employer, which could provide the benefit of being separate but also aligned with the vision and goals of the employer. Those participating in a retirement plan are more likely to prefer virtual, mobile and group class methods for program delivery. Comfort level with one-on-one/in-person and one-on-one/virtual program delivery is higher across higher-income households and for males than for other cohorts. Providing options in delivery mediums is therefore crucial when assembling financial wellness/advice programs.

Exhibit 5

Role of Employer in Making Financial Decisions (among all)
(% selected)



TRUST AND COMFORT IN THE SOURCES THAT PROVIDE FINANCIAL WELLNESS PROGRAMS

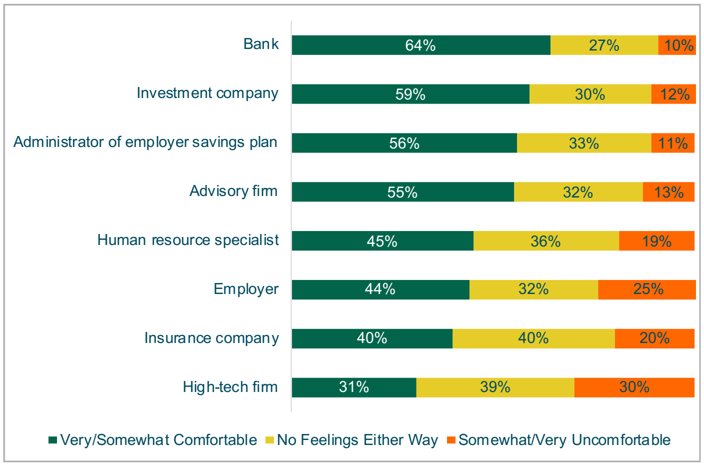
Obstacles to instituting successful financial wellness programs can arise when employers underestimate the role that trust and comfort play in their employees' willingness to receive the program's information in a workplace setting and receive it from the entities chosen to deliver the information to them.

In general, respondents are more likely to feel comfortable using each of the sources listed in this research for financial education/advice than they are trusting that their employers are acting in the employees' best interests. Overall, comfort and trust are higher among men who are younger (23–38), among those participating in a retirement plan, and among employees who are more ethnically diverse.

As shown in **Exhibit 6**, trust (i.e., confidence that the firm is acting in employees' best interest) is notably highest with banks, investment companies, workplace savings plan providers and advisory firms. When it comes to comfort and trust, employers in general and human resources staff rank below financial-services companies, including those that are selected by the employer to administer its employer-sponsored retirement savings plan. Trust and comfort are lowest with high-tech firms (e.g., Google), which could be due to awareness of possible cybersecurity issues (e.g., potential data breaches) and/or hesitancy in sharing personal information (i.e., how shared data will be used). Receiving information from employers (44%) and HR professionals (45%) ranked in the middle, in terms of trust and comfort.

Exhibit 6

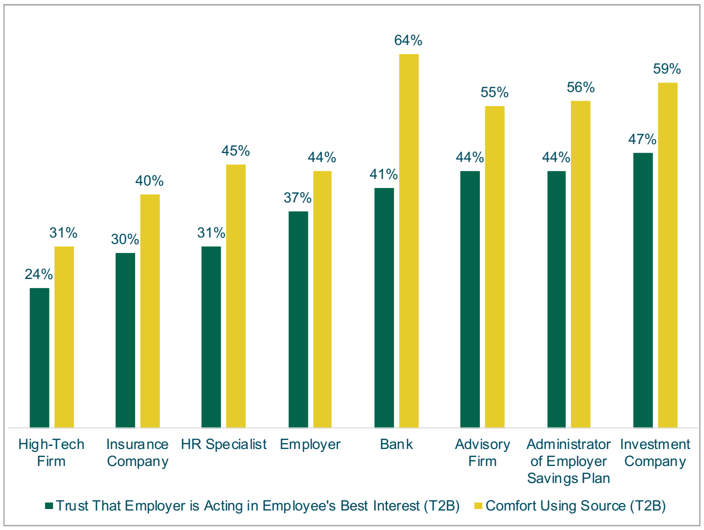
Comfort with Potential Wellness Program Sources (among all)



Trust is hard to achieve among employees who express interest in wanting help in managing their finances. Ironically, as shown in **Exhibit 7**, trust levels (i.e., the belief that the source is acting in one's best interest) are considerably lower than comfort with using the same sources for financial education/advice programs.

Exhibit 7

Trust and Comfort with Source (among all)
(Top 2 Box: % Completely/A Great Deal)



Again, employers and HR specialists fell into the middle of the pack in terms of whom employees trust to deliver financial wellness and advice programs to them (37% and 31%, respectively). Interestingly, employer (and HR specialist) trust is greater among men than women (42% vs. 32%) and among younger age cohorts. In fact, employer trust declines steadily as employees get older:

Age 21–22:	68%
Age 23–38:	46%
Age 39–54:	37%
Age 55–70:	25%

Also interesting, but not surprising, is that employee trust levels decline progressively for those with poorer financial situations. For example, 44% of those who classify themselves as being comfortable financially trust their employers, compared with 33% who are just getting by, and 22% of those who are struggling to make ends meet. The people who trust their employers the least are the ones who need help the most.

CONCLUSION

Knowledge is power, and financial wellness programs offered via the employer setting can be a meaningful tool in aiding employees on their road to financial well-being. Whether a financial wellness program is currently offered or is being considered, employers should think through their reasons for offering such a program and the needs of their employee demographic, in order to achieve the greatest success. Offering a financial wellness program that delivers information in varied mediums and on varied topics is certain to cover the vastly different circumstances of individual employees. This research has revealed that the number of employees who partake (or don't partake) in these voluntary programs is largely tied to their trust in, and comfort levels with, the source of the offering. Promoting a financial wellness program in a holistic, nonpunitive setting—one that is inclusive of varying financial acumen and personal economic situations--will be key to its success. Clearly, employees need the help, and offering a financial wellness program can assist in getting them on the path to better financial outcomes — a win for everyone.

APPENDIX

Financial wellness programs are more important than ever in a post-COVID-19 world, especially for those who have been financially affected by the pandemic. Relevant statistics from recent research by Voya and AllianceBernstein are shown below.

Research was conducted June 3-4, 2021.

- More than one-third (36%) of Americans have been negatively impacted financially by the COVID-19 pandemic.
- More than 2-in-10 (22%) say they have been unable to save during the pandemic especially those with lower household incomes (<$50K, 33%), not employed (34%) and those who say COVID-19 negatively impacted their financial situation (30%).
- Those not saving attribute it to living paycheck to paycheck (28%) and/or due to an income decrease during COVID-19 (21%).
- As a result of the COVID-19 pandemic, there is a strong focus on improving overall financial wellness as more than 8-in-10 (82%) agree that *"financial wellness is a main focus for me/my family"*.[1]

Research was conducted March 12-15, 2021.

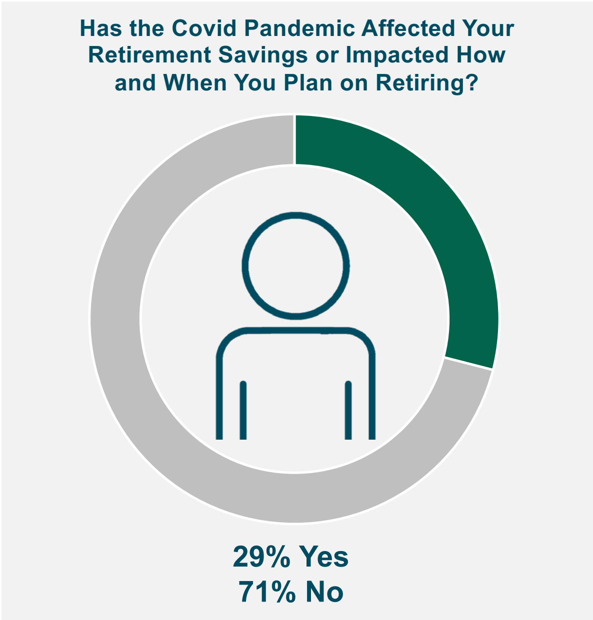
- Almost half (46%) of Americans have been negatively impacted financially by the COVID-19 pandemic – most notably, younger consumers age 18-34 (57%), those with lower HHI <$50K, 57%), and women (50%).
- 38% of Americans report an impact to their household employment status (e.g., reduced hours, lost job/laid off, salary reduction, furloughed) as a result of COVID-19.
- Almost 1-in-10 have chosen to leave their job due to external responsibilities (e.g., caregiving, homeschooling, etc.) – highest among those working in Healthcare (19%), Caregivers (14%), and consumers ages 18-49 (11%).
- Reliance on savings is the leading source for covering expenses due to COVID-19. Reliance on retirement accounts (e.g., loan/withdrawal, COVID-related distribution) have also decreased across the board. That said, 16% have taken some type of loan / withdrawal as a result of COVID-19. [Note: Retirement accounts includes employer-sponsored retirement account and/or another retirement plan.]
- Two-thirds (65%) of those who took a loan / withdrawal believe they are now behind in saving for retirement.[2]

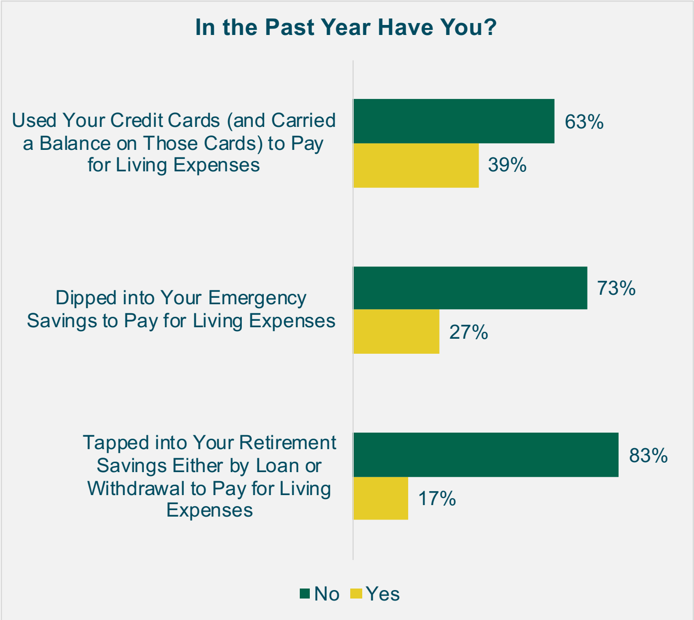
Research was conducted June 29-30, 2020.

- Only 40% plan to retire at the same time they did prior to COVID-19, while another 40% are unsure. Those who are uncertain about their retirement date are more likely to be from lower income households (<$50K, 52%) and not currently working (59%).[3]

Exhibit 8

Covid Effect on Retirement Savings[4]





Endnotes

[1] Voya Financial survey conducted through Ipsos on the Ipsos eNation omnibus online platform among 1,005 adults aged 18+ in the U.S. Research was conducted June 3-4, 2021.

[2] Voya Financial survey conducted through Ipsos on the Ipsos eNation omnibus online platform among 1,005 adults aged 18+ in the U.S. Research was conducted March 12-15, 2021.

[3] Voya Financial survey conducted through Ipsos on the Ipsos eNation omnibus online platform among 1,002 adults aged 18+, featuring 797 non-retired, in the U.S. Research was conducted June 29-30, 2020.

[4] AllianceBernstein, *Inside the Minds of Plan Participants*, 2021

Voya Financial, Alliance Bernstein, Ipsos and DCIIA RRC are not affiliated.

ABOUT THE DCIIA RRC

DCIIA's Retirement Research Center conducts rigorous, industry-informed research that is grounded in a practical approach focused on actionable insights. We adhere to a disciplined research methodology, governance and validation process. Our goal is to serve the industry as a reliable, unbiased, and authoritative research resource supporting improved retirement security—be it through plan design, institutional practices, investment solutions, or behavioral interventions. To learn more, visit: **www.dciia.org/page/RRCHome**.

ABOUT DCIIA

Founded in 2010, the Defined Contribution Institutional Investment Association (DCIIA) is a non-profit association dedicated to enhancing the retirement security of America's workers. To do this, DCIIA fosters a dialogue among the leaders of the defined contribution community who are passionate about improving defined contribution outcomes. DCIIA's diverse group of members include investment managers, consultants and advisors, law firms, record keepers, insurance companies, plan sponsors and other thought leaders who are collectively committed to the best interests of plan participants. For more information, visit: **www.dciia.org**.

Defined Contribution Institutional Investment Association
RETIREMENT RESEARCH CENTER