Financial Literacy Programs in the Workplace

Good for Employees and the Bottom Line

By Shele Bannon, Kelly Ford, and Linda Meltzer

While current economic conditions appear to be showing signs of improvement, 83% of American workers continue to be impacted by personal financial issues ("2013 Research Report on Employee Financial Stress," *Financial Finesse*, June 2013). They often look to their employer for help in navigating their personal financial issues. As trusted advisors, CPAs are in an ideal position to help their clients educate their employees. In a 2013 survey by Pricewaterhouse-Coopers, 23% of employees admitted that financial issues have been a distraction at work, and 19% had spent five hours or more per week dealing with their personal finances (Kent E. Allison, "Employee Financial Wellness Survey 2013 Results," June 2013). This impacts employee productivity; employee financial stress can cost up to $5,000 per employee per year (Dan Kadlec, "Proof That Workplace Financial Education Works," Time.com, July 2012).

Approaches to improving financial literacy include client services, community service, and general workforce outreach. CPA firms across the country are working with clients to design and deliver financial literacy programs that will benefit employees and enhance profits.

This article focuses on how CPAs can leverage their professional expertise to improve financial literacy. The many benefits to both a company and their workforce are detailed, and the potentially substantial savings resulting from providing financial education are calculated. The knowledge and skills that individuals need to make informed decisions are discussed, as well as how to integrate these competencies into effective resources and programs. Finally, there is an overview of effective programs and practices from award-winning workplace financial education programs. The *Exhibit* summarizes how all these topics are integrated.

The Role of CPAs

CPAs are in an advantageous position to improve financial literacy. The wide disparity in providers of financial education underscores the importance of high-quality sources of unbiased financial information. Consumers are at risk of receiving education from providers that are trying to promote an image or sell products; this can result in decisions that are not in their best interest. CPAs have an opportunity to provide reliable and objective information, becoming a vital component in this critical effort.

Providing employees with information to become financially knowledgeable will not only result in a healthier workforce, but also improve an employer's bottom line. The workplace is the most opportune arena for financial education. Employee financial strength equates to company profits through increased productivity, retention, commitment, motivation, and morale. It also decreases healthcare costs and absenteeism. Financial literacy education is increasingly being seen as an important employee benefit on par with healthcare. Both employers and employees are realizing its multiple benefits.

The authors have recognized several benefits of financial literacy education in the workplace by consolidating information from several sources, including the following:

- AICPA (Survey by Harris Interactive for National Financial Literacy Month, April 2012)
- Society for Human Resource Management ("Changes Organizations Have Made in Light of 2008 Financial Challenges to the U.S. Economy," 2008; "2010 Employee Benefits, Examining Employee Benefits in the Midst of a Recovering Economy," 2011)
- Emerge Financial Wellness (http://www.emergebenefit.com)
- MetLife ("Employee Benefits Trends Study"), FINRA ("Financial Capability in the United States, Report of Findings from the 2012 National Financial Capability Study," May 2013; Robert Clark, Melinda Sandler Morrill, and Steven Allen, "Evaluating Employer-Provided Financial Education Programs for Pre-Retirees," June 2011)
- National Foundation for Credit Counseling ("Father Knows Best—Or Does He?," June 15, 2010; "National Financial Literacy Survey Reveals Silver Lining," April 13, 2010; "2010 Consumer Financial Literacy Survey Final Report," conducted by Harris Interactive, April 2010)
- Certified Financial Planner Board of Standards and Consumer Federation of America (Princeton Survey Research Associates International, "2012 Household Financial Planning Survey," July 23, 2012)
- The University of Minnesota ("Benefits of Workplace Comprehensive Financial Education," 2012).

Employers' Benefits

Studies have shown that common benefits experienced by employers include increased productivity, reduced health insurance costs, and increased retention and employee engagement.

- ***Increased productivity.*** Financially confident employees are more productive employees. Productivity is reduced by unscheduled absences, such as employees who take a personal day due to financial issues. Typical examples include employees that take more frequent breaks to cope with the stress or spend time dealing with personal financial issues. Reducing absenteeism is a key goal for all employers. According to the "2009 Survey on the Total Financial Impact of Employee Absence," conducted by Mercer and Kronos Inc., unscheduled absences cost employers about 8.7% of their payroll. While financial literacy programs cannot eliminate all absences, a company could conservatively save approximately 0.63% of their annual payroll per year by increasing employee productivity.
- ***Health insurance cost savings.*** The "Debt Stress Index," developed by Paul J. Lavarkas of Ohio State in 2009, found a direct correlation between ongoing debt and stress. Healthcare costs per employee rose from $10,982 in 2011 to $11,664 in 2012 ("Performance in an Era of Uncertainty, Employer Survey on Purchasing Value in Health Care," Towers Watson/National Business Group on Health, 2012). Due to continually increasing premiums, employers are taking preventative action to manage these costs.
- ***Increased retention and employee engagement.*** Workers who have been provided financial literacy education have identified their employers as trustworthy sources of information. In turn, this promotes organizational pride and increased morale, resulting in work satisfaction, reduced turnover, and the attraction of qualified workers. Employees report that they make better financial decisions after participating in financial education workshops. In one study, 91% of workers found the intervention to be effective, 74% had reduced stress, 67% had improved health, 39% had less absenteeism and 36% had improved work productivity ("Employee Personal Financial Distress and How Employers Can Help," Research Works, February 2009).

Although it is difficult to quantify this employer benefit, the best estimate of return on investment (ROI) is 3:1, as found on the Personal Financial Employee Education Foundation (PFEEF) website (http://www.pfeef.org/roi/roi-model.html). This ROI is calculated using three primary components: increased productivity due to decreased absenteeism, healthcare savings, and increased employee retention. The PFEEF ROI calculator reflects an annual cost savings of approximately 1.17% of a company's annual payroll; this consists of 0.63% for productivity, 0.09% for healthcare, and 0.45% for increased retention.

Employers' Cost of Education

Financial literacy providers' fees range from $100 to $150 per eligible employee. These costs will vary depending upon whether employers want to develop programs internally, hire a CPA firm to design education modules, or hire a CPA firm to both design and deliver the programs.

Employees' Benefits

■ ***Improve decision making and increase confidence.*** By increasing their knowledge and skills, employees gain a sense of control over their lives, enjoy higher standards of living, and in turn become more productive.

■ ***Build assets and reduce debt.*** Effective programs educate employees about maximizing their savings, reducing their credit card debt, and managing their mortgage debt. A substantial number of program participants in a Federal Reserve study benefited. There was a 50% increase in the employees who paid off their credit card balances in full. Total installment debt decreased 14.5%, compared to the national average of 5.8% for the same period. Flexible spending account participation increased from 45% to 70% (Kelly Edmiston, Mary Gillet-Fisher, and Molly McGrath, "Weighing the Effects of Financial Education in the Workplace," Federal Reserve Bank of Kansas City and Atlanta, January 2011).

■ ***Improve understanding and utilization of employee benefits.*** Education allows employees to take advantage of their employer's benefit offerings. Employees who thoroughly understand benefit programs place a higher value on them. They are also able to maximize resources to better achieve their financial goals. Examples include saving for a home, a child's education, and retirement.

■ ***Retirement cost of living.*** Approximately half of workers have not calculated how much they will need for retirement ["2010 Retirement Confidence Survey: Confidence Stabilizing, But Preparations Continue to Erode," Employee Benefit Research Institute (EBRI)]. Those who attended financial edu-

EXHIBIT
Summary of Financial Literacy Education Programs

Topics	Course Delivery	Benefit to Employer	Benefit to Employee	Most Effective Programs
Budgeting/money management	Interactive workshops during work hours	Increased productivity	Improved decision making	CF Industries
			Reduced stress	
Debt management/ credit rating	Seminars	Increased productivity	Improved decision making	
	Company website links	Decreased absenteeism	Reduce debt	
	Counselors available	Reduced health care costs	Reduced stress	
Saving for family needs	Independent Investment advisors	Reduced costs	Build assets	American Express
	Seminars		Reduced stress	
Retirement planning	Presentation outlining overall benefits	Increased retention	Build assets	NYSE Euronext
	Breakout sessions on individual basis	Increased employee engagement	Understand retirement cost of living	
		Compliance with ERISA 404C	Reduced stress and better health	
		Increased perceived value of benefits		
Selection of benefit options	Company presentations	Reduced costs	Increased confidence	CF Industries
	Individual breakout sessions	Increased utilization and perceived benefit		
	Ongoing training			

cation workshops reported greater contributions to their retirement plan than did nonparticipants. Participants exhibited a 13% increase in retirement savings and a 70.3% increase in 401(k) balances; by contrast, during the same time period, the entire nation saw a 27% drop in balances (Edmiston 2011).

Financial Literacy Course Development

Given the aforementioned evidence that financial literacy training is an important component in successful and well-rounded business organizations, CPA firms should seize the opportunity to develop and implement training programs. In essence, there appears to be a largely untapped additional revenue source for accounting firms. A CPA firm can directly develop multiple delivery options or provide guidance to their clients in developing their own programs. CPA firms should inform employers of the potential benefits to be derived from providing workshops geared toward increasing employee financial literacy. These benefits include the ability of the employer to attract and retain valued employees. Financial competency needs to encompass a broader base of knowledge to include skills such as saving; budgeting; using credit; and college, tax, and retirement planning ("2011 Workplace Leaders in Financial Education Awards," AICPA and Society for Human Resource Management, https://www.wlife.org).

Topics for financial literacy courses could include very basic skills, such as how to develop a household budget. Other more advanced topics could include how to save for an emergency fund, managing credit card balances or mortgage payments, whether to lease or buy a car, finding the best mortgage, planning for retirement, and investment strategies.

Many individuals find financial topics confusing and can easily become overwhelmed when making personal financial decisions. This is not surprising, as it has only been in recent years that financial literacy has been recognized as a necessary life skill that should be taught in school. According to *USA Today*, beginning in the fall of 2012, incoming high school freshmen will be required to take a one-credit course outlining the ABCs of economics and personal finance. Virginia joins a handful of states, including Missouri, Tennessee, and Utah, that mandate a class in financial education. Combined with grassroots efforts by nonprofits and financial institutions, this represents a nationwide push to increase financial literacy (Casey McDermott, "States Start to Require Courses in Financial Literacy," *USA Today*, Aug. 14, 2011, http://usatoday30.usatoday.com/money/perfi/basics/2011-08-12-personal-finance-courses_n.htm).

CPA firms should identify the kind of financial literacy topics that would best serve a client's employees. The logical starting point would be to evaluate the financial education needs and interests of its employees as well as determine their current level of understanding. Fairly simple ways of gathering this information would be through the use of surveys or suggestion boxes.

Once the employer is aware of existing employees' needs, it might be prudent at first to limit training programs to areas where the company has made specific benefit options available to employees. Common examples would be the varying choices employees face when choosing to participate in either company pensions or health insurance plans. This traditional approach could begin with a structured presentation outlining the overall benefits and options in the plan, followed up by less formal breakout sessions geared toward addressing specific employee questions.

Once an employer has implemented this phase of financial literacy training and begun to recognize the resulting benefits, the employer may be ready to expand the program. As employees' lives evolve through both personal and financial changes, so will their need for different financial literacy skills. CPA firms could develop seminars for onsite presentation at their client's facilities, based on various financial topics deemed to be important to employees. Surveys enabling employees to assess both their level of stress and level of satisfaction with their current financial condition can also be created. Utilizing these surveys is an excellent way for employees to monitor their financial condition and determine if they need to modify their current budget to meet their goals. A specific example of such a survey is the Personal Financial Wellness Scale developed by the Personal Finance Employee Education Foundation (PFEEF; http://www.pfeef.org/scale/scale-uses-and-policies.html). Another option is to partner with other employers to provide a more diverse range of topics to a wider group of employees.

Many companies that do provide financial literacy training find that not all employees buy into it. In the companies that offer such training, only 61% of employees participate (Paul Brucker, "Should You Offer Your Employees Basic Financial Literacy Training?," Alliant Credit Union, 2011). A creative way to encourage employee participation and increase the likelihood of a valuable interactive discussion is to incorporate these seminars into a working breakfast or lunch. Information can be distributed to employees through the company website, online links to financial self-help websites, on-site financial management, and planning counselors' articles or brochures.

Concerns

Some HR managers are reluctant to offer financial literacy education and training. Employers may be concerned about the high cost, or about liability issues for providing poor financial advice. There may also be fears about employers becoming unnecessarily intrusive into their employees' personal financial matters.

Liability and privacy issues are legitimate concerns. Such concerns depend upon what companies are offering their employees. Financial literacy programs range from general information to resources that include financial counseling for employees facing the detrimental effects of poor debt management. The latter may involve one-on-one sessions, and employers may outsource these needs to organizations that are accredited by the National Foundation of Credit Counseling, so that privacy and confidentiality is assured. An additional method to manage this risk is to add a disclaimer for any outside sources. Employers can also provide online, limited-access self-help tools to cover more sensitive issues.

According to the International Foundation of Employee Benefit Plans ("Trends in Benefits for 2012"), 43% of U.S. companies provide employees with financial literacy literature or workshops; today, 59% of corporations offer some type of financial retirement planning assistance. Retirement counseling, in particular, is available at 91% of those places, more than double the 43% from the IFEBP's 2009 survey. The most outstanding of those companies have won awards for their financial literacy workplace programs.

Effective Programs and Practices

Many organizations—corporate, not-for-profit, and government—have instituted financial education programs that have been recognized with awards. The Workplace Leader in Financial Education award (WLFE) was created in 2011 by the AICPA and SHRM to highlight the importance of financial wellness in the workplace. Nine inaugural winners were cited for strong results, innovation, effective tactics, and increasing employee financial wellness, a few of which are discussed below.

American Express. This top-ranked company has received accolades for its employee benefits packages, specifically its wellness, work-life balance, and financial education programs. American Express altered its approach in May 2008 to get better employee responsiveness (Jim Fickess, "Revamped Communications Strategy Boosts Employee and Financial Health," Worldatwork-Workspan, 2011). American Express developed the company's employee benefit plans and its financial education program, Smart Saving, which was launched in 2010. Its guiding principle is that better financial health leads to better physical health and productivity. It aims to increase the usage and perceived value of benefits offerings as well as to increase employee engagement and retention.

To get more "buy-in" from employees to its Smart Saving program, American Express tailored messages to specific audience segments by utilizing surveys of employee needs. The most common message was the importance of estate planning. Three categories of savers were defined as:

- *Need the basics.* About 30–40% of American Express workers live paycheck to paycheck and need the basics of financial education. American Express encouraged these workers to participate in the company's retirement program, which has a 5% employer match. Although initially concerned they couldn't afford to put dollars into the retirement plan, employees were informed about discounts they could get from various businesses through American Express's negotiated agreements, which would reduce spending and enable saving.
- *Not saving enough.* Other employees know the basics but need help to increase their savings. American Express offered incentives towards saving for these employees.
- *Advanced.* A small group of American Express employees was already doing well in their financial planning; for them, the Smart Savings program encouraged more participation in the company's 401(k) plan and deferred savings plans, as well as support for the utilization of the financial wellness hotline (Fickess 2011).

NYSE Euronext. This institution is committed to financial efforts through its Corporate Responsibility program as well as philanthropic giving by its foundation. NYSE Euronext streamlines its 401(k) plans, holds workplace financial fitness education training and seminars, has a consumer website designed to provide tools, and hosts its own financial literacy week ("Promoting Employee Wellbeing," NYSE Euronext). In 2011, NYSE Euronext launched the first phase of its Workplace Financial Fitness Toolkit. The toolkit, designed by a group of experts from a wide range of fields, helps employees implement their financial fitness recommendations. The toolkit is tailored to individual employees with a simple quiz that divides the recommendations into three stages; basic, intermediate, and advanced. The company has also partnered with Vanguard and MetLife to provide financial education in a broad array of categories, increasing financial literacy among a larger workforce.

Similar to the WLIFE award, the PFEEF has recognized seven "exemplary employers" for their quality workplace financial education programs to both employers and employees. The programs are cited for their multifaceted nature in reducing financial distress and increasing personal financial well-being while increasing voluntary contributions to employer-sponsored retirement programs. CF Industries' financial literacy program was recognized as PFEEF's top "exemplary employer" and is described below.

CF Industries. This subsidiary of CF Industries Holdings Inc. (CFI) is one of the largest manufacturers and distributors of nitrogen and phosphate fertilizer products in North America. CF Industries has been an early adopter of financial literacy for its employees in crisis for over 15 years. Its programs, which partner with leading financial experts, include budgeting, on-site retirement consulting, employee emergency funds, and credit counseling. Based on a 1998 study, the EDSA Group is recognized for its proven results-driven program (Thomas E. Garman and Aimee D. Prawitz, "Education to Promote Employee Financial Well-Being: What Role for Employers?," 2008). Those employees who participate reported better health and financial wellness, changed their investment strategy, and felt they were making better financial decisions. The study pointed to better morale, productivity, increased benefits utilization, and better savings. One of the most significant money-saving results was a major increase in participation in flexible spending accounts, saving employees on their taxes as well as reducing the employer's matching FICA taxes on those contributions. CF Industries' financial education program includes workshops, one-to-one education during and after work hours, and a comprehensive online tool (PFEEF 2011).

Increased Satisfaction and Confidence

Financial educational programs in the workplace have demonstrated significant success. Well-planned quality programs that emphasize the basics of personal finance do impact personal financial behavior. Employees who participate in these programs not only show higher levels of financial literacy; they also highly value the education they receive. This results in greater confidence in their financial situation and, in turn, increases satisfaction with their workplace. The above guidelines for the development of a workplace financial program, as well as examples from effective programs and practices, provide CPAs with the resources to design, shape, and tailor programs to their specific client or company's needs. ❑

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