

Benefits Planning Brief

What is Benefits Planning?

Traditional benefits communication is like giving new technology, such as a computer, to an employee and handing them an owner's manual. Some employees will read the manual cover to cover and be able to train themselves on how to use it, but most will never fully understand or fully utilize the technology. Just like with training on a new computer, employees need training on their benefits. Employees are often unsure which benefits are best for them, which options they should select, how to enroll, and how to apply them to their lives. Unlike traditional benefits communication which simply provides resources to employees to inform them of what benefits are available, **benefits planning makes benefits tangible by teaching employees how to manage their benefits in a way that builds wealth and helps them reach financial goals.**

The Growing Trend toward Benefits Planning

Since early 2010, our business has grown from 38% of engagements related to benefits planning to nearly 60%. It has become the core service we provide as unbiased financial educators. Our clients prefer to use an unbiased third party partner to deliver workshops, webcasts, one-on-one consultations and other services to educate their employees on how to apply and manage their benefits to meet their personal financial needs.

Virtually all inquiries we've received over the last 60 days have been from large and medium sized employers interested in delivering benefits planning programs to their employees.

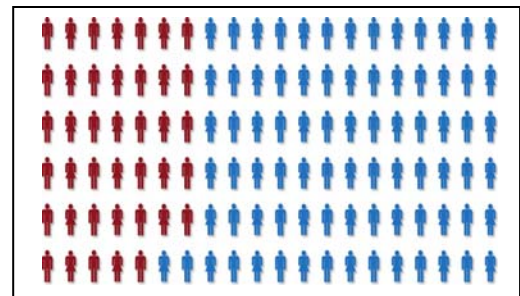
Companies are seeking benefits planning to:

- Communicate new benefits after acquisitions
- Increase enrollment in retirement plans
- Clarify misconceptions on benefits
- Communicate healthcare and other benefits changes

Current Benefits Environment

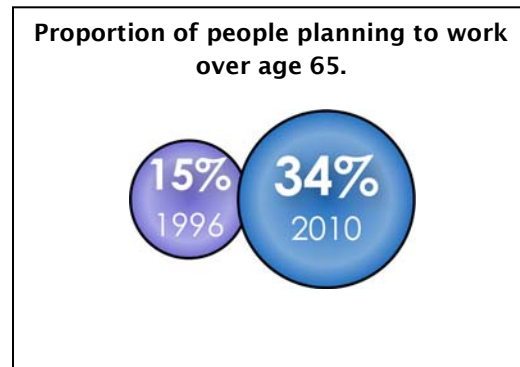
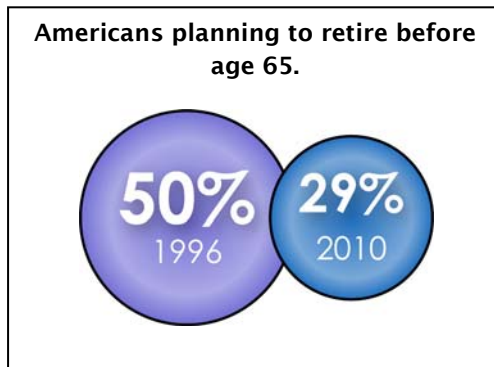
There is more pressure on employees to bear the weight of rising retirement and healthcare costs.

- A recent study by the Kaiser Family Foundation found that nearly a third of employers either reduced the scope of health benefits or increased the share of cost covered by their employees.¹



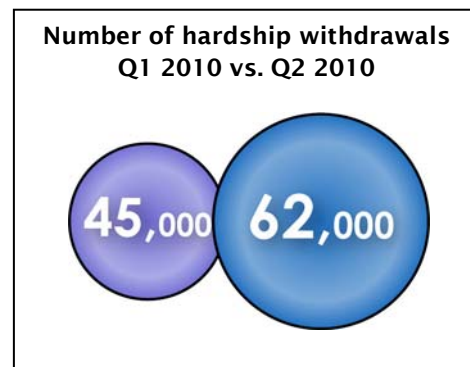
¹<http://ehbs.kff.org/pdf/2010/8086.pdf>

- The percentage of Americans planning to retire before age 65 has dropped from 50% in 1996 to 29% in 2010. The proportion of people planning to work until after age 65 has increased steadily from 15% in 1996 to 34% in 2010.²



Employees are struggling financially and are not fully utilizing their benefits.

- The percentage of workers who have virtually no money in savings and investments has increased over the past 12 months.³
- Fidelity Investments reported an increase in the number of 401(k) participants that initiated either a loan or a hardship withdrawal. According to the report, 62,000 participants initiated a hardship withdrawal in the second quarter of 2010, as compared to 45,000 participants who initiated one during the prior quarter.⁴



Benefits Planning Program Results

With benefits planning programs in place, our clients have been able to:

- Significantly increase retirement plan participation and deferral rates, even in cases where employers reduced or eliminated retirement plan matches.
- Increase employees' satisfaction with benefits, despite making cuts to benefits and/or freezing wages.
- Prevent unionization at plants that were considered at risk by clarifying benefits available to employees.
- Retain employees on the verge of quitting.
- Improve morale after unpopular mergers and successfully integrate employees into parent company benefits.

²<http://www.gallup.com/poll/127514/Americans-Projected-Retirement-Age-Continues-Creep-Up.aspx>

³<http://www.ebri.org/pdf/FFE158.30Mar10.Final.pdf>

⁴<http://www.fidelity.com/inside-fidelity/employer-services/fidelity-q2-401k-data>

Benefits Planning vs. Benefits Communication

Companies today are in a position to provide employees with ongoing guidance on their benefits. Programs have been successful in many areas that benefit both employees and the company—short term and long term.

This chart illustrates the advantages Company B experiences because it has put a benefits planning program in place, compared with Company A, which is using traditional benefits communication. These companies are hypothetical, but results are representative of the impact a successful benefits planning program can achieve versus traditional benefits communication.

	Company A	Company B
Program includes:	<ul style="list-style-type: none"> • Auto-enrollment and auto-escalation for easy participation in retirement plan. • Resources and tools on intranet. • Periodic communication on benefits at open enrollment periods, and once or twice throughout the year. 	<ul style="list-style-type: none"> • Auto-enrollment and auto-escalation for easy participation in retirement plan. • Resources and tools on intranet. • Ongoing employee benefits education from an unbiased third party.
Short Term:	<ul style="list-style-type: none"> • Employees are generally unclear on their benefits with only periodic communication. • Low utilization because employees don't understand how to apply their benefits. • Regular requests for hardship withdrawals and loans from retirement plan. 	<ul style="list-style-type: none"> • Employees are generally clear on their benefits with regular communication. • High utilization, typically above national averages. • Minimal requests for hardship withdrawals and loans from retirement plan.
Long Term:	<ul style="list-style-type: none"> • High turnover; employees have misconceptions that other companies offer better benefits packages. • Recruiting issues—company can't compete with better benefits programs. • Facing potential lawsuits from employees who felt the company was not responsible in retirement plan design. • Employees unable to retire because they haven't understood how to save or manage their benefits. Younger employees can't move up the ladder. • Paying high costs for employee healthcare. 	<ul style="list-style-type: none"> • Low turnover, even when other companies offer better benefits, employees are generally loyal because company has proven a commitment to helping employees. • Strong employee culture. • Competitive advantage of obtaining more seasoned employees from companies like Company A. • Employees are able to retire and younger employees can move up. • Low risk for lawsuits. • Low healthcare costs; employees have less stress, and therefore less disease and illnesses.

About Financial Finesse

Financial Finesse is the leading provider of unbiased financial and benefits education programs to organizations nationwide. They provide a variety of content on all financial topics through workshops, a financial helpline, one-on-one sessions, and an online learning platform, all delivered and developed by CERTIFIED FINANCIAL PLANNER™ professionals. For more information, visit www.financialfinesse.com.

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