

How to Measure ROI of Your Financial Education Programs

One of the most common questions we receive from HR managers is how to measure the return on investment (ROI), or the success, of their financial education programs.

Is it enough that employees say they like and appreciate the program or do there have to be tangible results? What benchmarks should they be tracking to ensure that the program is worth the money they are spending on it?

There are a number of ways to track the success of your financial education program. Here are some of the most common "hard data" measurements:

Decline in number of payroll advances and 401(k) loans: A good financial education program should ultimately help employees to better manage their money. After 1 year, you should see a significant decline in the number of payroll advances and 401(k) loans.

Decline in compensation related turnover: Employee turnover can be attributed to many factors, but compensation-related turnover is often due to poor money management skills. Studies show that employees who effectively manage their money are up to 4 times as likely to be satisfied with their compensation as those who do not.

When you do exit interviews, seek to determine the number one reason that employees are leaving. After 2 years of broad-based financial education, you should start to see an increase in pay satisfaction among your employees and a decrease in the percentage of employees who leave for higher paying jobs.

Higher satisfaction ratings on annual surveys gauging employees' appreciation of benefits: Outside of increasing employer contributions into your retirement plans, financial education is the most important thing you can do to increase employees' appreciation of your benefits.

In companies that offer pension plans, often a significant minority of employees don't even realize they will receive a pension. We've worked at companies where this number is as high as 30 percent when we start our financial education programs. Once we are able to show the value of this benefit in real dollar amounts, employees' attitudes about their compensation and benefits change dramatically.

The same thing applies to defined contribution plans. Employees need to see how these plans will impact their lives and their family's lives. A strong education program will show, not tell, the value of your retirement benefits and the results will show in annual satisfaction surveys about your benefits.

Even with these measurements, there are a lot of intangible signs a program is working and these shouldn't be ignored. Thank you notes from your employees, especially those that are hard to please, are as important as any hard data on the program's effectiveness. As is the case with most benefits,



the best programs measure success in multiple ways, through hard data and anecdotal data. No one measurement is sufficient, but all are important.

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