



The Dawning of an Industry

Financial education is vital to navigate today's tough times

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With gas prices and foreclosures at an all-time high, debt levels soaring, and paltry savings rates that Americans are infamous for, consumers are in dire need of financial help—so much so that financial education is becoming an industry. Yes, an industry. This dawning of a new industry is best evidenced by the fact that numerous financial education firms have popped up over the last several years and because venture capital firms are eager to buy stakes in such companies. Liz Davidson knows this first hand. The financial education company she founded, Financial Finesse, was recently approached by a VC firm looking to grab a share of her business (she declined the offer).

More and more employees, too, are demanding financial education services at the workplace, and companies are answering their call. “There are some highly intelligent, wise business leaders who recognize that basic financial education is good for the employees, and [the company’s] bottom line,” says Thomas Garman, president of the Personal Finance Employee Education Foundation (PFEEF).

Legislation is also supporting financial education. Case in point: the Pension Protection Act (PPA) of 2006. “If you get really deep into the [PPA], the interpretation could be that it’s pro advice as opposed to education,” says Davidson with Financial Finesse, “but what [the legislation is] doing is creating a greater awareness of the importance of communicating with employees about their investment options and providing them with guidance and information.”

More and more financial professionals also prefer these days to provide financial education instead of pushing products. “The whole financial services field is evolving and changing,” says Alice Whinnery, president of the LFE Institute in Springfield, Missouri, which provides workplace financial literacy workshops via various types of financial professionals. “A lot of our instructors and money coaches are looking to use their financial expertise but do it from an educational viewpoint, not product sales.” Indeed money coaching, Whinnery says, is actually an “expansion” of financial education and has become an industry unto itself.

Whinnery says recent stats from the Federal Reserve found that employees spend 28 hours per month on the job thinking about their finances, asking employer’s questions that many times they can’t answer, and researching ways to address their financial concerns throughout the year. “This is prompting companies to say, ‘How can we get the employees some help?’” Whinnery says. “Employers are sponsoring money coaching for employees not only because it provides ‘Safe Harbor’ protection under ERISA, but because it’s so effective at keeping employees’ focused on their jobs.”

Indeed, financial education is “so much more than planning for retirement or investing,” she adds. “The biggest challenge is not where to invest their assets, but how do they make it past the next payday and where can they

find money to save and invest.” That’s why money coaching “has emerged as the solution,” she says.

The Mainstreaming of Money Coaching?

Whinnery says LFE’s corporate clients started asking for money coaching services about 10 years ago, but “there just wasn’t an economical way to offer it back then.” Today, however, there is: via e-mail—because it’s not only inexpensive, but confidential and time efficient. Because there’s such demand for money coaching in the corporate world, she anticipates it will become mainstream within the next five to seven years. IBM, she notes, recently committed \$50 million (over a two-year period) toward money coaching and secured advisors from Fidelity and Ayco, an insurance company.

LFE was set to roll out in early September an extensive 30-module program that once completed results in participants being awarded the Certified Workplace Money Coaching (CWMC) designation for money coaches. The company created the CWMC designation “because there just wasn’t anywhere financial professionals could go to learn the specialized field of workplace money coaching,” Whinnery says.

LFE acts as a referral source for employers, and provides a swath of financial educators and money coaches hailing from all corners of the financial services world—financial planners, advisors, mortgage brokers, CPAs, tax advisors, credit counselors, bankers, and realtors. But Whinnery says more and more advisors are dropping their licenses to become financial educators and money coaches. The advisors are compensated by the companies—and pretty well at that. Whinnery says companies will pay an advisor between \$200 and \$250 per employee per year, and advisors can typically handle 3,000 to 5,000 employees. “That’s a very lucrative practice,” she says. However, whether it’s financial education workshops or money coaching, “you can’t get into it just for the money, you have to have a passion for it.”

Not Easy, but Rewarding

Nancy Anderson, a resident financial planner with Financial Finesse, agrees that being a financial educator is not easy. “We have to be very accurate with everything we say, even more when you’re on a recorded helpline call or you’re doing a workshop for a client,” Anderson says. “We need high-quality people doing the education.” Advisors must also know how to walk that fine line between advice and education. “People are used to getting advice and they often want you to tell them what to do,” Anderson says. “So we just say, ‘I don’t give advice but let me give you the pros and cons of each decision that you might make so you can make a better decision.’” Founder and CEO Davidson adds that the line between advice and education has become less blurry because large employers, particularly, “are very clear whether they want education or whether they want advice. They are very clear on the difference—that education is giving people tools and frameworks to make decisions and guidance to make those decision but not recommending specific stocks, mutual funds, insurance policies, or securities.”

Anderson is also Financial Finesse’s Think Tank director, and says the company performs two types of research: one from the helpline calls and one from the workshops. While the primary research Financial Finesse compiles is from the helpline, the company, via its employee CFPs, also does 1,000 workshops per year. “The planners are now going to capture the top three questions that we get from the workshops, [including] the average age. We see about 25,000 people per year in workshops so that also can help in capturing trends. Financial Finesse is very interested in helping companies determine what workshops to offer,” Anderson says.

It’s not an easy task for workplace financial education companies to qualify to be on Garman’s Personal Finance Employee Education Foundation best-provider list either. Both LFE and Financial Finesse are on the list, which you can see at www.pfeef.com, but Garman says companies must first prove they “are really doing what they say they are, which is to reduce financial distress, increase financial well-being, and changing the behavior of employees.”

In the last two and a half months, Garman says he’s turned down five companies that wanted to join PFEFF, and he’s currently performing due diligence on three others. Garman says Liz Davidson and her CFPs at Financial Finesse have “been asking the right questions for years and years.” The “company has questionnaires and follows up after so many months and finds out what’s going on.” Other financial educators make sure to “get in the face

of employees,” he says, so they can effect change. For example, Garman says one advisor gets employees’ cell phone numbers and calls them a week after a workshop to ask if they visited their HR department and increased their 401(k) contributions.

The PFEEF web site also provides an array of free research, marketing and other educational materials for financial educators. “The web site is providing everything for financial providers—whether that’s an outside vendor or an employer providing their own workplace financial education—providing everything to them for free,” Garman says. The web site also shows how the foundation does its return on investment (ROI) calculation in eight quick slides. “We have eight slides that show that the basic return is 3 to 1—if they spend \$250 they’ll get back \$750,” Garman says. PFEEF is now working with about six companies “measuring the financial health of the employees and as we go downstream, six months out we’ll measure the health of the employees again as well as their job outcome.”

Because financial education as an industry is still new, with most companies being relatively small, Davidson of Financial Finesse warns prospective employees that “it’s a bit of a cultural change for anyone who’s worked for a large wirehouse or financial planning institution.” The best candidates to be financial educators are those who are “frustrated by the bureaucracy of a large organization and really want more independence and autonomy; if you take comfort in having a lot of structure, then you probably are better off at a larger company.”

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