

Funding Options for Financial Education

Question:

We are not happy with the financial education we get now through our retirement provider as it is sales driven and focused almost exclusively on retirement planning when a lot of our employees need support around basic money management.

However, our CFO is not convinced we should pay a financial education provider to deliver education when the fee we are already paying includes regular retirement workshops and on-site 1x1 consultations. How do we make the case to our CFO that unbiased education is worth paying for?

Answer:

There are three ways to address this:

1. See if the retirement plan provider will subsidize the education from an independent provider. While the education may seem free because it's included in the cost, in reality your retirement plan provider has allocated a portion of the fees you pay towards the education. Depending on the size of your company, you may be able to convince your provider to lower their fees in exchange for not doing the workshops and 1x1s.

If you are considering a financial education firm that has a proven track record for increasing retirement plan participation and deferral rates, your retirement plan provider may be more likely to consider this option. From their point of view, if an independent firm is able to get better results in terms of getting employees to save more for retirement, then they win on two counts:

1. the more money your employees defer into your plan, the more revenue the plan generates for the provider
2. if your company is happy with participation and deferral rates, you are less likely to change retirement plan providers.

2. Retirement education can typically be charged to the plan, meaning that it comes automatically out of the fees participants pay. For a large company, the cost per participant is miniscule with most independent education providers and benefits almost always outweigh costs, since most employees improve their asset allocation and make better investment decisions after receiving the education.

****Important caveat:** Before you implement this option, consult your legal counsel or ERISA attorney as you have a fiduciary responsibility to make sure costs are reasonable for services rendered. Also, the general consensus among ERISA attorneys is that only retirement education programs can be charged to the plan. Education on other financial topics should come from your HR budget.

3. If you are unable to arrange for either #1 or #2 above, find out what metrics your CFO would need to see in order to be convinced the investment is worth it and see if he/she would be open to launching a pilot program and measuring the ROI based on pre-set metrics.

The Ask Financial Finesse Q&A service is designed to provide general information on trends and developments in workplace financial education programs and participant education strategies. Due to the complex nature of financial benefits and/or workplace financial issues, the information contained in this document is not to be construed as advice.

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