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With creativity and the use of behavioral economics principles, financial wellness programs really can change employees' behavior—and help them achieve their financial goals.



How Lessons From Behavioral Finance Can Drive Employees' Financial Wellness

by | **Liz Davidson**

We've all learned by now that 21st-century employees don't respond to text-heavy, one-dimensional benefits communication. An increasing number of organizations are implementing holistic financial wellness programs that aim to help leverage their benefits to achieve employees' financial goals. Employers are devoting significantly more budget dollars, teams, discussions and time toward these programs.

Fifteen years ago, *financial wellness* wasn't even a term yet, let alone a common benefit among organizations. Today, according to a recent Aon Hewitt study, 76% of employers say they are making their employees' financial wellness a priority, 44% of employers are offering online financial advisory services, 35% offer a phone-based financial planning service of some sort and 23% offer one-on-one financial planning sessions.¹

But even with increased focus on helping employees improve their financial wellness, many organizations don't ever make a significant impact. Why is this? Because there is a gaping black hole in how employers are designing, marketing and expanding their programs to keep up with employees' changing education needs.

Not every organization is failing at this, of course; there are many examples of successful programs that are driving better financial behaviors in workforces. A Fortune 500 health care provider is one example. Its financial wellness program has set standards for the industry, winning numerous awards for its financial wellness "brand." Having offered its program for over five years, the organization has figured out how to make it a commodity among its employees, achieving significant return on investment (ROI) from the program in reduced health care claims and turnover and increased deferral rates. In 2012, health care costs dropped by 4.5% for employees who use the program regularly, while costs rose 19.4% for those who had never used it.

Additionally, employees made significant improvements to every area of financial planning over the course of the program's existence, with employees who participated in five or more education services deferring nearly 10% on average in their retirement plans versus the company average of 6.5%.²

Other companies are achieving outstanding ROI and behavioral change in employees' financial wellness as well, by following five key principles.

No. 1: Show, Don't Tell

A concept most successful organizations live by is to *show* people why they need their product or service—not *tell* them. It's no different for financial wellness programs; no one will care about how much a company matches in the

retirement plan or that the company offers a fully funded health savings account (HSA) unless he or she understands *why* these things matter to the bigger financial picture. As straightforward as this seems, most employers aren't actually doing a good job connecting the dots for employees: Only 43% of human resources (HR) professionals say their employees are satisfied with their benefits, and even less, 30%, are satisfied with how employers communicate them.³ Instead of telling employees what they have available, the key is showing them how their benefits can help them achieve financial security.

When employers make their financial wellness programs a core benefit, employees recognize it as an ongoing and fundamental component of the company's culture. In order to do this, the program should act as a hub for all other benefits so employees recognize it as the umbrella for all decisions about benefits and finances—even to the extent of having its own "brand" with recognizable logos or slogans that become as notable to employees as the company's own brand.

The program should also be available in a variety of formats, with a variety of resources. It should be marketed clearly and consistently in a way that provides employees with useful financial tips and guidance so they can make better financial and benefits decisions.

No 2: Make Employees *Earn* the Education

Some of the most effective financial wellness programs are the ones that make employees earn the financial wellness education. In fact, nearly every company that structures its program this way has achieved significantly higher than average participation in its programs—with most experiencing the majority of their workforce participating regularly (see the figure). There are a couple of reasons this structure (in which employees must participate in different tiers of education in order to move on to the next) is so effective:

- **It taps into our nature to want what we can't have.** Our emotional brain center is often what controls our decisions. Chip Heath and Dan Heath, authors of *Switch: How to Change Things When Change Is Hard*, call this the *elephant, rider theory*. Our emotional instincts, cravings and impulses are the elephant which, though controlled by the rider (the more rational and critical-thinking of the two), often overpowers the rider simply with size and sheer force. We have to learn how to get past the elephant and to the rider, but this can be done

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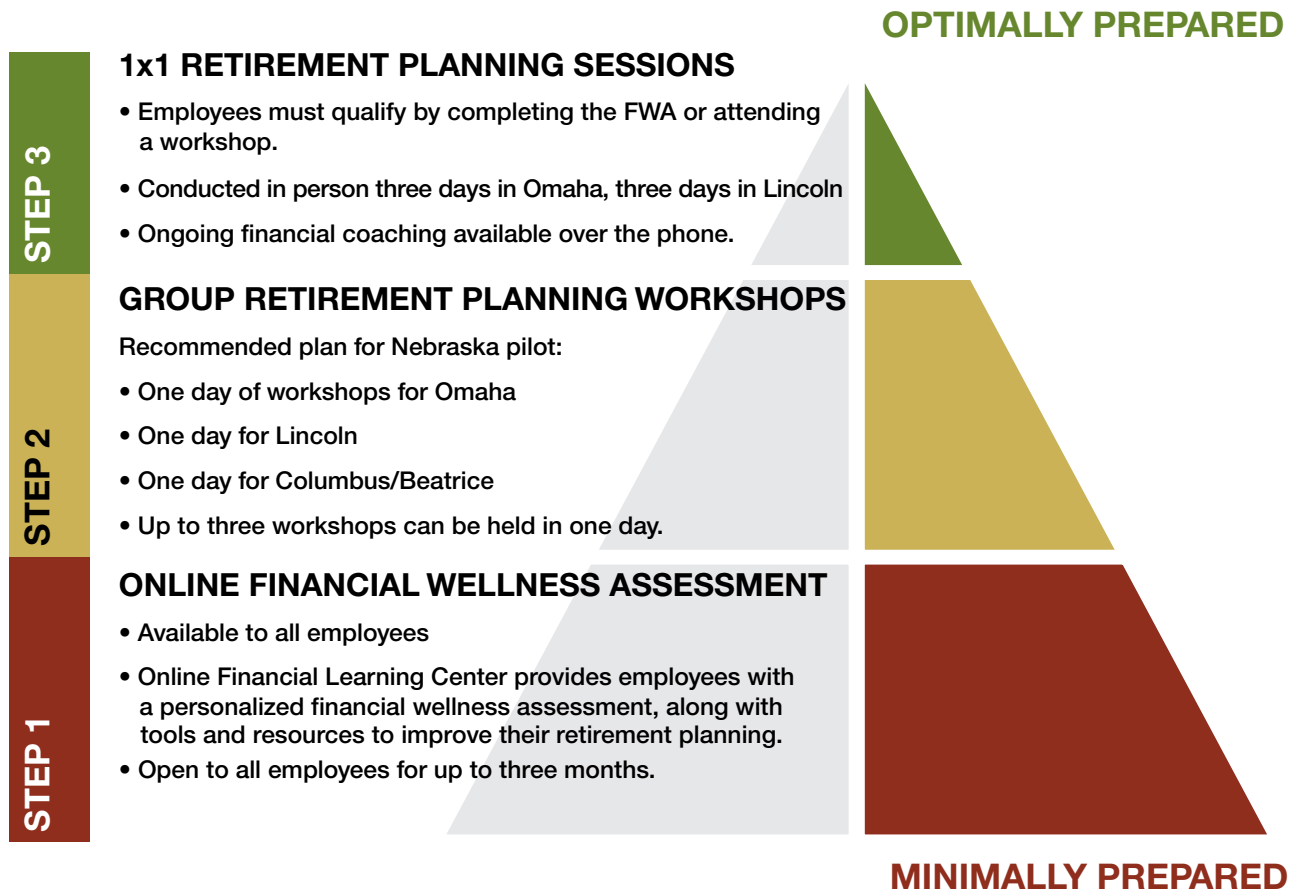
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FIGURE

Tiered Financial Education



Utility company Black Hills' retirement education program was designed in three tiers to encourage employees to work for each level of the education. The company received 85% utilization of the program from its workforce.

only by appealing to both. Setting up a financial wellness program in a way that makes employees earn each level of education taps into our human instinct to want what we can't have. Employees get the message that something is off limits unless they do something to earn it, which motivates them to work for it.

- **It makes something that can seem very abstract actually doable.** Humans have a cognitive bias called *mental accounting* in which we tend to compartmentalize the different financial aspects of our lives. For example, most of us who manage a budget know that it's a best practice to segment our costs of living into different categories.⁴ If you have a budget for groceries and a separate budget for eating out, you're likely going to keep those two completely separate, trying not to go

over the budgets for each area even if it makes more sense from a financial perspective—to spend more on groceries and less on eating out. Unless employers understand how employees approach their finances and how they make decisions around them, they won't be able to relate to how their employees interact with their programs. A tiered system that provides structure and achievable next steps tells this portion of the brain that the goals the emotional center is getting so excited about are actually attainable. Ultimately, this system is set up to reach the employee's habit center, which is a lot smaller than the other two brain centers and a lot more stubborn. If an employer can get to this center, it can lead to true changes in how employees manage their money long term.

takeaways >>

- More organizations are attempting to show employees how their benefits matter in their financial big picture.
- By introducing financial education in tiers, employers don't overwhelm employees, and employees may desire to move to the next level.
- A series of small successes will reinforce using financial education and help employees change their saving habits.
- Employers can drive engagement in a financial education program by identifying potential advocates in the workforce.
- The use of humor and adding games make benefits program communications stand out.

No. 3: Create Small Wins

Earning each step of the program is one example of this—When an employee earns a level of the program, he or she has won something. But an organization can create wins in a variety of ways, not just in how it structures its program. The ultimate wins—the ones that become habits—are those that lead to true improvements in employees' financial behaviors. These wins become part of an employee's *habit loop*, which, as Pulitzer Prize-winning author Charles Duhigg explains, is the three-step process by which people form habits: Small wins make up the third step in the process, which is the reward the brain finds attractive and remembers, reminding itself over and over about it.

A workshop for employees that leaves them with three small action steps—e.g., reduce monthly expenses, increase the retirement deferral rate and adjust the retirement portfolio's asset allocation to bring it more in line with the employee's retirement timelines—that lead to some sort of reward will give employees a very feasible checklist that helps them get to the next step in the process of improving their financial wellness.

The employer that overwhelms employees with too much information, trying to cover every key decision they need to make about their retirement plan and investments in one workshop, likely is going to be very ineffective at getting them to take any actions at all.

No. 4: Develop Champions

When people are excited about something, they talk about it—This is how we have come to know viral marketing. It's incredible how effective this type of marketing is. Employees are more apt to listen to a co-worker who says the program is great than they are to be swayed by a flier that says so.

The movie *The Internship* tracks two dated salesmen (Vince Vaughn and Owen Wilson) who find themselves among thousands of Google intern hopefuls competing for a handful of job positions. Something Google does very well is drive people's desire to work for the company. It has done this by creating champions—people who believe wholeheartedly in Google's mission. Last year, over 40,000 students applied for 1,500 available positions in the firm's internship program.⁵ Of course, the movie displays Hollywood's

dramatically exaggerated version of Google's internship program. Nonetheless, Google has figured out how to create viral impact around its culture with its internship process.

Other employers can do the same with their financial wellness program by identifying who their champions might be. Usually these are the employees who tend to know everyone and often are speaking on behalf of employee groups or co-workers when there is an issue or concern. They tend to have an impact on others because people trust what they have to say. An employer should want to get these advocates excited about its program. How can an organization engage these particular employees? Perhaps it can offer them the chance to try the benefit ahead of its actual launch and take an active role in choosing the topics or resources in it.

These influencers can provide valuable feedback and insight into what employees might respond well to since they tend to be in tune with the workforce's general sentiments about benefits and their employer. A large plan sponsor we work with developed its program with this concept in mind. The plan sponsor sent personal letters to each of its plant managers inviting them to try the program ahead of its official launch. The employer also gave managers the chance to earn education for their locations—gaining their commitment to advocate among their employees to drive program usage.

No. 5: Make It Fun

Organizations are doing more to market their programs so that their messages stand out among the thousands of messages employees receive

daily. A 2013 study by Fidelity found that companies are increasing their budgets for both overall wellness programs and incentives that motivate employees to partake in them; budgets for incentives had more than doubled to \$521 per employee, up from \$260 per employee in 2009.⁶

More often, organizations are turning to humor and other marketing tactics that we're used to seeing from companies like Allstate, Old Navy or Doritos. Sure, every company culture has a different tolerance for "fun," but companies increasingly are letting go of rigid boundaries, allowing their communications around their financial wellness programs to stand out. As a result, these campaigns have been more effective at boosting the percentage of employees who participate in the programs.

A Fortune 500 entertainment company recently did a phenomenal job of this. Its team put together a highly creative and humorous marketing campaign that included a commercial-style video for the program along with e-mails sent to all employees as well as a raffle for an iPad mini, which among its mostly Gen X and millennial workforce was highly sought after. The campaign ended up going viral, and a large portion of the company's employees participated, making it the most successful participation on a launch day we've seen at any company over the past 15 years. Twenty percent of the company's entire workforce was using the program after one week—nearly triple the national average.

The most popular way to add fun to a financial wellness program these days has become *gamification*. Employers deliver the education through an interactive and fun competition—such as a workshop or webcast that groups employees into teams that aim to answer the most financial questions correctly for the prize of bragging rights against the guy in the next cubicle.

An illustration of how well this concept works is seen in the Keas health wellness program designed in 2009 for insurance provider Blue Shield. Wellvolution was launched as a companywide initiative that encouraged employees to stay healthy. The initial results were fine, but Blue Shield pushed for greater returns by integrating gamified applications like "Shape Up Shield" and "Healthrageous" into the program. Both of these applications incorporated game elements such as social interaction and sharing with rewards for completing challenges. The results are impressive: In the four years since its launch, Wellvolution convinced 80% of Blue Shield em-

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ployees to participate in at least one program, decreased the prevalence of employee smoking by 50% and decreased the prevalence of hypertension (high blood pressure) by 66%.⁷

The old saying "build it and they will come" doesn't apply to financial wellness programs, the same way it didn't apply to benefits communications of the past. Employees need guidance that helps them to better understand their benefits, not simply information about what they have available. The good news is that when employers do this effectively, employees show that they significantly improve their financial wellness in a short period of time and, further, become empowered to make the best possible financial decisions for their futures. No matter how you look at it, that's something that employers can be proud of. ●

Endnotes

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