FINANCIAL FINESSE

WORKPLACE FINANCIAL WELLNESS PROGRAMS:

BEST PRACTICES

A MESSAGE FROM FINANCIAL FINESSE FOUNDER AND CEO LIZ DAVIDSON

We live in an incredibly uncertain time, where the American dream for far too many, seems out of reach. Home and college prices have soared, with student loan debt at record highs and home ownership at its lowest level in over 50 years. Despite strong stock market growth, wages have stagnated, traditional pensions are a thing of the past for the vast majority of Americans, and we are now in a position where we must pay more out of pocket to fund our health care and build our retirement nest eggs.

We are facing a strong likelihood of downward mobility, where most young adults could face bleaker financial futures than their parents.

Unless...we change things now.

Unless...we come together and create a movement to take back control of our financial lives.

This movement, which has also become one of the most rapidly growing employee benefits, is financial wellness. Employers can no longer ensure our financial security, but now they can do something potentially more significant: provide the financial guidance employees need to maximize the compensation and benefits they do offer and in doing so, become a partner in their financial security.

I left investment management in 1999 to start the financial wellness movement, by founding the nation's first unbiased workplace financial wellness company. The result is a company fully dedicated to the mission of providing employees with the unbiased information and guidance they need to become and stay financially secure, as an employer-paid benefit, with no financial products or services to sell individual employees. We've impacted millions of lives over the course of the last 17 years and have proven that when delivered effectively, an ongoing financial wellness benefit can transform the financial future of both employees and the organizations they serve.

But we are one firm. To have the kind of national impact that we believe is necessary to reverse the trajectory of downward mobility and create future generations of financially healthy people who are able to weather any economic or political challenges, we must better define and protect financial wellness so other organizations can follow suit. We must ensure that all workforce financial wellness providers act in the best interest of employees by following an established set of standards, or we run the risk of this movement becoming a euphemism for financial services companies, payday lenders, high-interest rate purchasing programs, and others who want to rebrand themselves to gain back trust they have lost.

This bastardization of an industry that has collectively changed so many lives for the better is not only unacceptable, it is dangerous to the financial security of millions of Americans.

As a result, we've created the attached guide to help employers and employees define what financial wellness really means, and determine if their financial wellness provider is acting in their best interest, as part of the movement that we think will be the largest driver in the financial security of Americans now and in the future.

I hope you find this guide useful to understanding and achieving financial wellness, whether it be for your organization or yourself.

Liz Davidson
CEO & Founder, Financial Finesse

OFFICIAL DEFINITION OF FINANCIAL WELLNESS

A state of financial well-being where a person maintains:

- A manageable level of financial stress
- A lifestyle at or below their financial means
- A strong financial foundation including adequate emergency savings, no high-interest debt, and a sufficient insurance and estate plan to protect assets, income, and loved ones
- An ongoing plan to achieve future financial goals

A person who is financially well makes good financial decisions, has a higher level of satisfaction with their current financial situation and a greater level of freedom to pursue life on their own terms.

OFFICIAL DEFINITION OF WORKPLACE FINANCIAL WELLNESS

An employee benefit that provides ongoing access to unbiased financial guidance and coaching, with the intent of helping employees develop better financial habits and behaviors and make informed financial decisions that are in their best interest.

Workplace financial wellness programs must meet the following criteria to be considered a financial wellness benefit, versus financial education or financial advice.

- ☑ Unbiased - free of sales pitches or conflicts of interest, delivered by a financial education company not a financial services firm
- ☑ Designed and delivered by qualified experts who have extensive financial planning experience
- ☑ Delivered as an ongoing process, to provide the support and accountability that employees need in order to make, sustain and build upon positive financial habits and behaviors
- ☑ Holistic and comprehensive in nature - covers all aspects of financial planning from debt management to advanced estate planning
- ☑ Personalized to the employee based on their specific needs
- ☑ Integrates all employee benefits, with guidance on how employees can most effectively manage their benefits as part of their overall financial plans
- ☑ Offered as a benefit available to all employees, regardless of age, income, gender or job classification

THE COST SAVINGS OF AN EFFECTIVE

WORKPLACE FINANCIAL WELLNESS PROGRAM

A highly effective financial wellness program can save an organization well into the millions of dollars for large companies — and that's focusing on the easiest costs to measure: wage garnishments, absenteeism and utilization of FSAs and HSAs. With additional analysis, companies can also measure healthcare costs savings, reduction in costs associated with delayed retirement, employee engagement, productivity, retention, and morale.

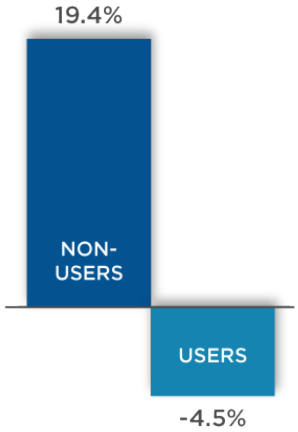
THE STARTING POINT FOR CALCULATING ROI: FINANCIAL FINESSE'S PREDICTIVE MODEL

Our Think Tank has developed a Predictive ROI Model for Workplace Financial Wellness Programs™ which has the ability to estimate the potential cost savings of an incremental shift in the median workforce financial wellness score.

An incremental shift can have a significant impact on a company's bottom line; moving from a financial wellness score of a 4 to a 6 can potentially save a large 50,000-person employer approximately $5.6 million a year.

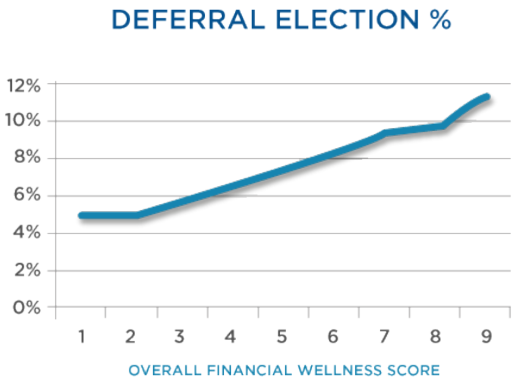
HEALTHCARE COST SAVINGS

Financial wellness programs are correlated with lower healthcare costs. Our own study of a Fortune 100 healthcare company found that employer healthcare costs associated with employees who used the company's financial wellness program decreased by 4.5 percent, while the costs associated with employees who never used the program increased by 19.4 percent. This equated to a cost savings of $271.50 per employee, which for a 50,000-person company could equate to a cost savings of over $13.5 million.

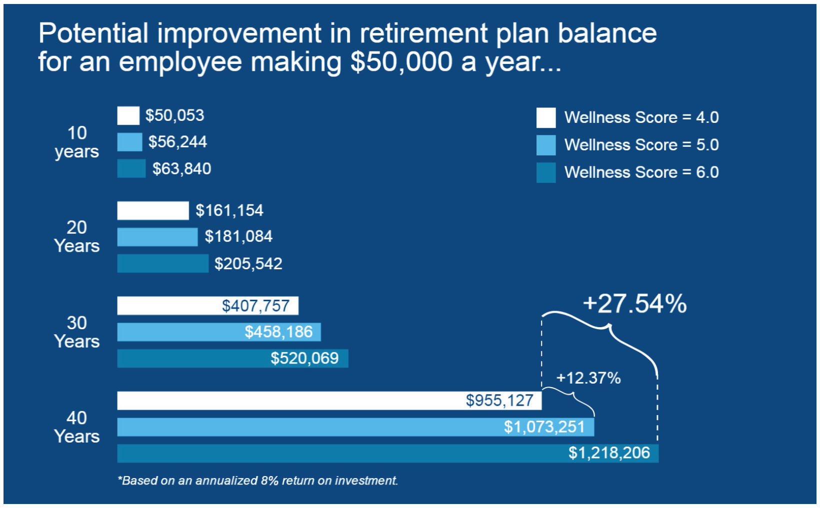


REDUCING COSTS OF DELAYED RETIREMENT

According to the Transamerica Center for Retirement Studies®, 65 percent of Baby Boomers either plan to work past age 65 or do not plan to retire at all. This can lead to increased health and disability costs and hamper the velocity of talent development. For every year an employee delays retirement for financial reasons, the employer faces estimated additional costs between $10,000 and $50,000. Our research also shows that as employees' overall financial wellness levels increase, so do contributions to retirement plans. For younger employees, increases in contribution rates due to improved financial wellness could increase



lifetime retirement savings by as much as 12 percent to 28 percent.



Employees who engage repeatedly in their employer's financial wellness program increase their likelihood of being on track for retirement—from 34 percent to 47 percent per our findings*. For a 50,000-person employer, this 13-point improvement could equate to a $6.5 million cost reduction related to delayed retirement.

POTENTIAL COST SAVINGS FOR

HELPING EMPLOYEES RETIRE ON TIME

13% x **10%** x **$10,000** x **50,000**

13%	10%	$10,000	50,000
Improvement in employees on track to retire	Estimated % of workforce nearing retirement	Estimated annual cost per employee for delayed retirement	Average number of employees

= $6,500,000

*Data based on study conducted for Fortune 100 employer using Financial Finesse's services. Individual company results may vary.

RECRUIT, RETAIN, AND ENGAGE TOP TALENT

Turnover costs companies anywhere between 90 to 200 percent of an employee's annual salary according to research from W. F. Cascio, cited in the SHRM Foundation's report, Retaining Talent. Just to replace an employee making $50,000 per year can cost up to $100,000.

A Payflex study finds approximately 70 percent of employees report low pay as a reason they have left or would leave a job, and 45 percent report they have or would leave due to a lack of benefits. In our experience, most employees are dissatisfied with their pay and benefits because they haven't fully maximized the value of what their company offers. The money they are foregoing could be the difference between sinking deeper into debt and proactively saving towards key financial goals.

Consider a scenario where a 50,000-person company with a 10 percent turnover rate institutes a comprehensive workforce financial wellness program. If that program resulted in 50 fewer employees leaving the company (i.e., a 1 percent reduction in the turnover rate), it could equate to over $2.2 million in annual savings.

POTENTIAL COST SAVINGS BY
REDUCING TURNOVER

1%
Projected reduction in employee turnover

x

10%
Turnover rate of employees

x

$45,000
Estimated net cost to replace employee

x

50,000
Average number of employees

= $2,250,000

MEASURING YOUR ORGANIZATION'S ROI

For the hypothetical 50,000-person company discussed here who implements a comprehensive workplace financial wellness program according to industry best practices, pulling all those results together could result in total cost savings of nearly $28 million.

FACTORS	SAVINGS
Garnishments	$ 443,413
FSA/HSA contributions payroll taxes	$ 887,229
Absenteeism	$ 4,264,396
Healthcare	$ 13,575,000
Delayed retirement	$ 6,500,000
Turnover	$ 2,250,000
ESTIMATED TOTAL	**$ 27,920,038**

Take a look at the checklist for building out an effective financial wellness program.

DOWNLOAD CHECKLIST

BEST PRACTICES

WORKPLACE FINANCIAL WELLNESS

ASSESS NEEDS

ASSESS FINANCIAL NEEDS OF WORKFORCE

- Workforce needs defined by demographic
- Retirement preparedness analysis
- Analyze costs of financial stress

CUSTOMIZE PROGRAM

CUSTOMIZE PROGRAM BASED ON EMPLOYEES' NEEDS

- Should include unlimited access to personal financial guidance
- Targeted communications/education/guidance provided to specific employee groups as needed

INTEGRATE BENEFITS

FULLY INTEGRATE ALL EMPLOYEE BENEFITS

- Incorporate retirement, healthcare and other benefits providers
- Help employees maximize benefits based on personal financial circumstances

EMBED INTO CULTURE

EMBED FINANCIAL WELLNESS IN CULTURE AS KEY BENEFIT

- Integrate into all benefits statements and communication
- Integrate into existing wellness program
- Provide incentives as needed

MEASURE RESULTS

MEASURE RESULTS AND ADAPT PROGRAM AS NEEDED BASED ON EMPLOYEE FEEDBACK AND DATA

- Behavioral change
- Return on Investment (ROI)
- Utilization

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