FINANCIAL FINESSE
Think Tank Research

SPECIAL REPORT:

Optimizing Financial Wellness Programs for a Diverse Workforce

MAY 2017

Abstract

This report examines how financial behaviors over time can create a cycle of low financial wellness. This cycle can affect the ability of different ethnic groups to build and transfer wealth, which impacts the next generation. Employers are in a unique position to help stop this cycle and usher in a new generation of wealth builders.

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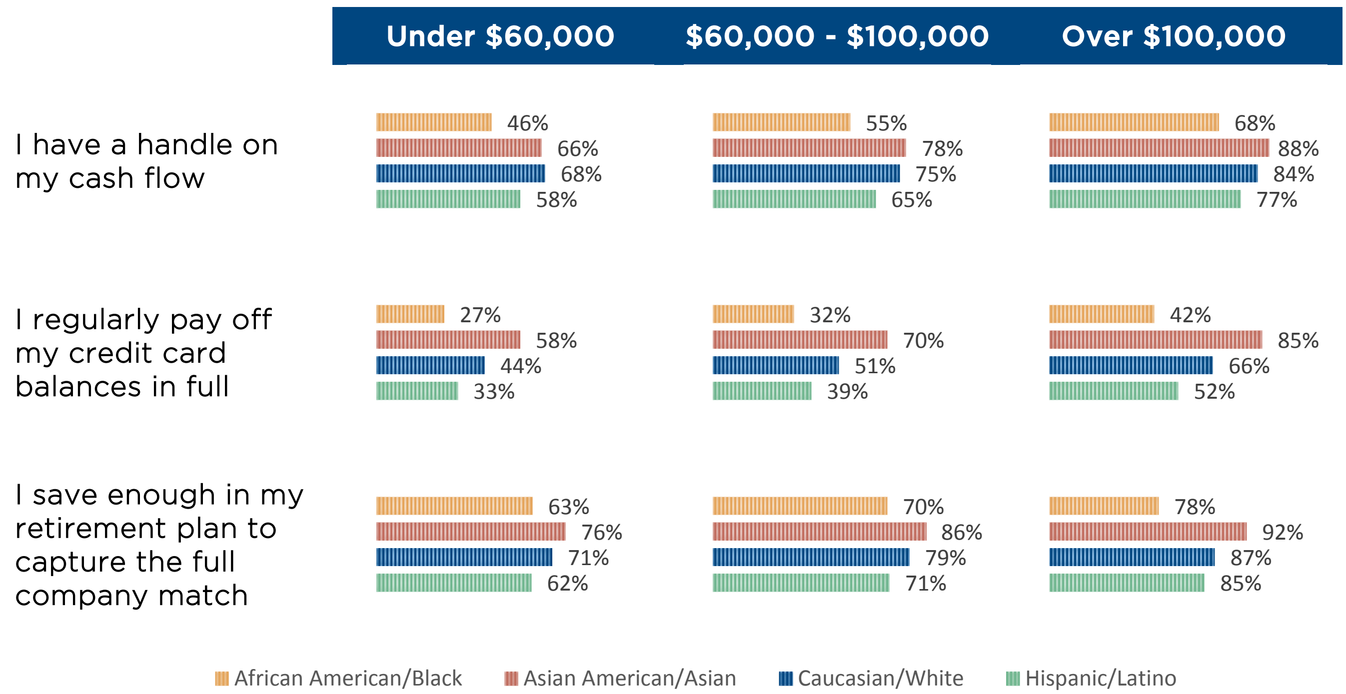
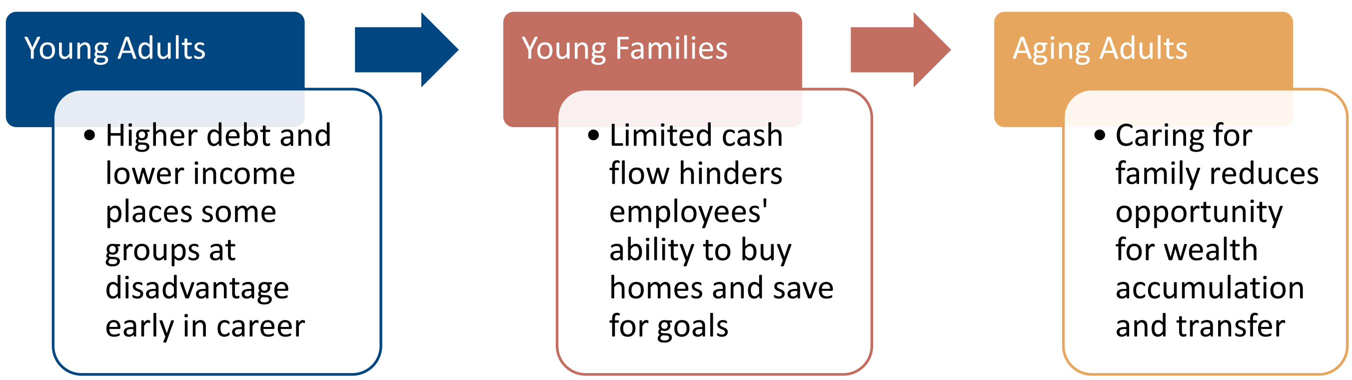
Executive Summary

There is a significant difference between the wealth building and wealth transfer behaviors of different ethnic groups, according to an analysis of employees who participated in a workplace financial wellness program in 2016. These differences in financial behavior occur at each income level of the workforce and may be in part due to past and current socioeconomic factors.



A closer look at the financial behaviors of different generations reveals a repeating cycle of low financial wellness among African American and Hispanic employees. To break the cycle, this report looks within various ethnic groups to identify financial behaviors that may prevent wealth transfer between generations.



Executive Summary (continued)

The cycle of low financial wellness is not just a problem for individual employees; it's also a problem for employers. Employees with low or no assets, uncomfortable levels of debt, and poor cash management behaviors cost employers money. According to our 2016 ROI Special Report, employees with the lowest levels of financial wellness cost employers an average of $94 to $198 annually. A disproportionate number of employees in the "struggling" and "suffering" categories[1] of financial wellness are from groups that exhibit the cycle of low financial wellness most frequently: African American and Hispanic employees.

	SUFFERING 0-2	STRUGGLING 3-4	STABILIZING 5-6	SUSTAINING 7-8	SECURE 9-10	AVERAGE WELLNESS SCORE
AFRICAN AMERICAN / BLACK	14%	40%	32%	12%	2%	4.5
ASIAN AMERICAN / ASIAN	3%	20%	43%	28%	6%	5.7
CAUCASIAN / WHITE	4%	22%	40%	27%	7%	5.7
HISPANIC / LATINO	12%	37%	35%	14%	3%	4.7

Employers have a unique opportunity to break this pattern by understanding the cycle, the money management behaviors associated with each phase of the cycle, and cultural differences that may influence this behavior. Optimizing financial wellness for companies with a diverse workforce can provide a measurable return on investment to the employer.

[1] Financial Finesse uses a financial wellness score to categorize employees into one of five levels of financial health:

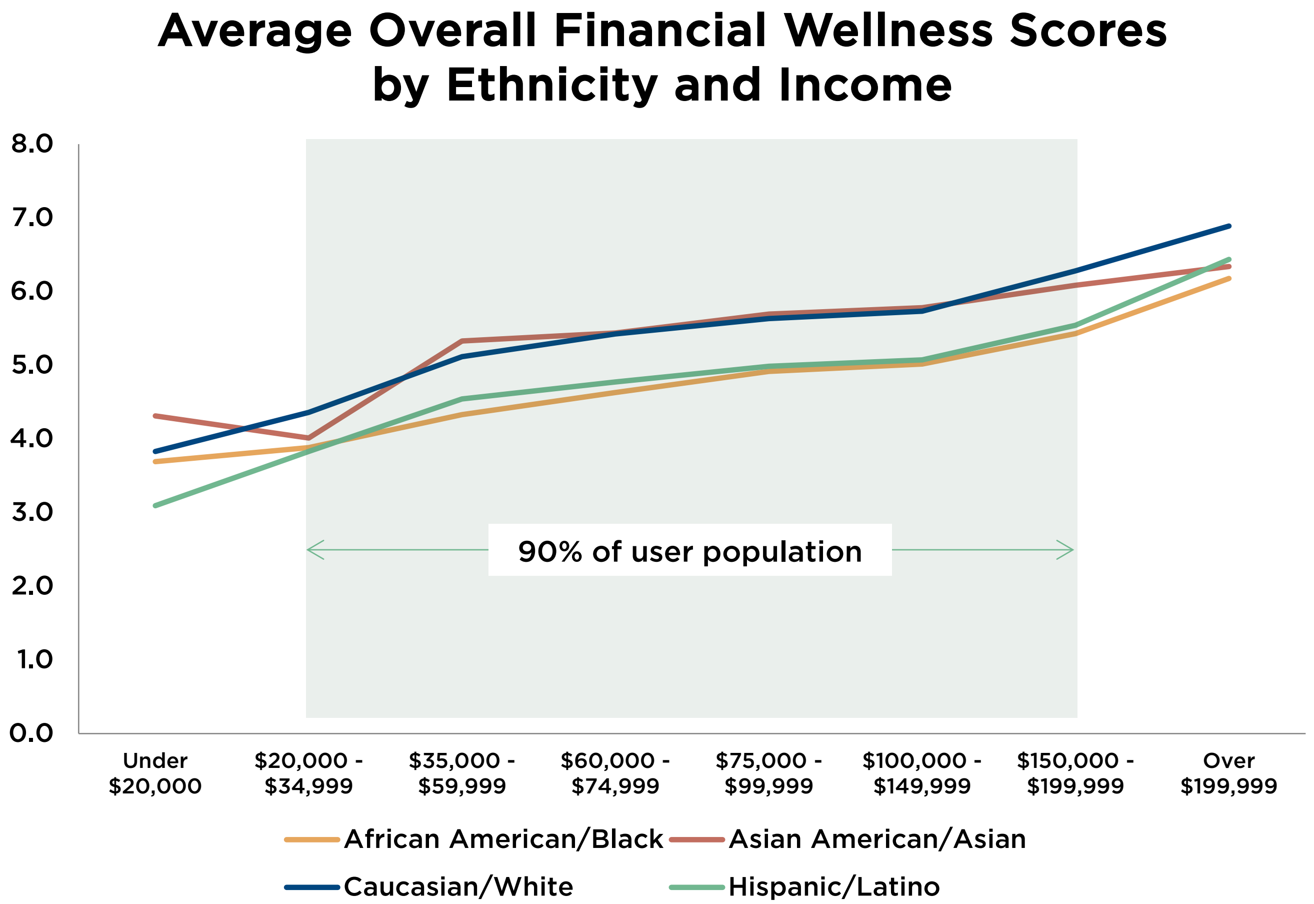
Suffering – Financial Wellness Score of 0 to 2
Struggling – Financial Wellness Score of 3 to 4
Stabilizing – Financial Wellness Score of 5 to 6
Sustaining – Financial Wellness Score of 7 to 8
Secure – Financial Wellness Score of 9 to 10

Financial Wellness Lower among Certain Minority Groups

We define financial wellness as 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

Based on this definition, an employee who has all of these practices in place is in a position to build wealth and transfer wealth. We looked at different ethnic groups by income using this definition to test their level of financial wellness.[2] In almost every area, we found African-American and Hispanic employees to be the least financially well out of the four groups studied.



[2] See About the Financial Wellness Assessment

UNMANAGEABLE LEVELS OF FINANCIAL STRESS

Twenty-five percent of Hispanic employees and 31 percent of African American employees reported high or overwhelming levels of financial stress. We consider such levels unmanageable and if left unchecked can result in lower productivity, higher health care costs, and higher rates of absenteeism.

A LIFESTYLE ABOVE THEIR FINANCIAL MEANS

Thirty-six percent of Hispanic employees and 48 percent of African American employees report not having a handle on cash flow. As a result, they may be living above their means or dealing with competing priorities such as care giving and unable to save for short- and long-term financial goals.

AN UNSTABLE FINANCIAL FOUNDATION

Sixty-three percent of Hispanic employees and 74 percent of African American employees do not have an emergency fund. Just one unexpected expense could lead to retirement plan loans, hardship withdrawals and wage garnishments.

Over half (52 percent) of Hispanic employees and 68 percent of African American employees are uncomfortable with the amount of non-mortgage debt they have. Of the Hispanic and African American employees that are uncomfortable with their debt, most (two-thirds) feel overwhelmed by it, and less than half (48 and 44 percent, respectively) have a plan to pay it off.

Less than half (47 percent) of Hispanic employees and just over half (52 percent) of African American employees report having sufficient life insurance coverage to replace income, pay for college expenses, and create an emergency fund for beneficiaries should they pass away. The good news is that roughly eight in ten African American and Hispanic employees review their insurance coverage annually.

The vast majority of employees have made sure their beneficiary designations are up to date, but a surprisingly low number have failed to prepare even a basic estate plan. Failure to prepare a will, healthcare directive or power of attorney could cost time, money and unnecessary strife when transferring assets, assigning guardians or settling the estate of a deceased family member.

FINANCIAL FINESSE

Financial Stress, Cash Flow & Debt

	African American / Black	Asian American / Asian	Caucasian / White	Hispanic / Latino
My financial stress is high or overwhelming	31%	12%	19%	25%
I have a handle on my cash flow so I spend less than I make each month	52%	82%	77%	64%
I have an emergency fund to cover unexpected expenses or pay bills if I lose my job	26%	72%	55%	37%
I am comfortable with the amount of non-mortgage debt I have	32%	78%	62%	48%
I am uncomfortable with my debt and feel overwhelmed by it	67%	64%	59%	66%
I am uncomfortable with my debt but I have a plan to pay it off	44%	56%	54%	48%

Retirement, College, Insurance & Estate Planning

	African American / Black	Asian American / Asian	Caucasian / White	Hispanic / Latino
I know I am on target to replace at least 80% of my income (or my goal) in retirement	18%	30%	30%	20%
I know how much I need to save for college costs and I am on track to meet that need	17%	34%	29%	19%
I carry enough life insurance to replace my income, pay for college expenses, and create an emergency fund for my beneficiaries	52%	57%	67%	47%
I review my insurance coverage on an annual basis	81%	85%	89%	81%
I have made sure that my beneficiary designations on insurance policies and retirement plans are up to date	85%	84%	89%	81%
I have written up legal documents such as a will or trust and made decisions about who should receive my assets and who should raise my children	17%	22%	33%	17%

LACK PLAN TO ACHIEVE FUTURE FINANCIAL GOALS

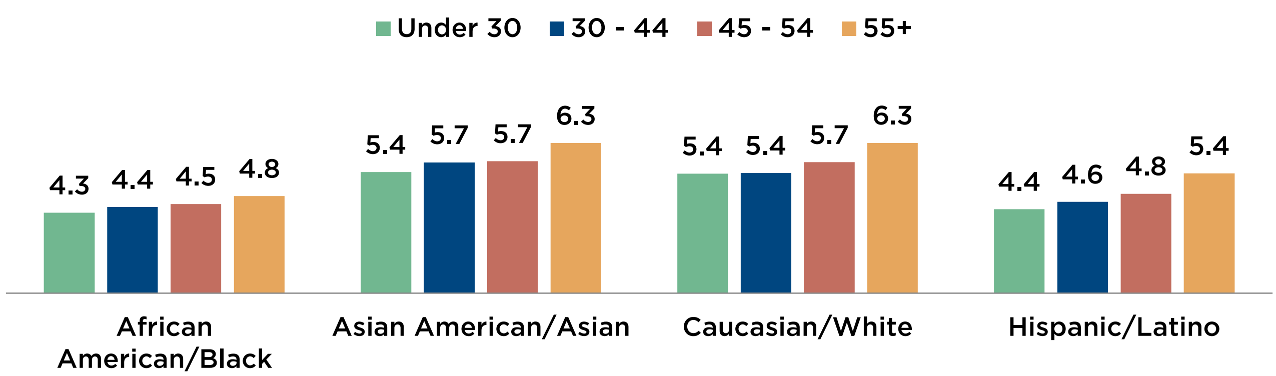
Americans are woefully underprepared for retirement, but things have been especially challenging for Hispanic and African American employees. Poor cash management has hindered their ability to save for retirement, as only one in five (20 percent) Hispanic employees, and 18 percent of African American employees, report being on track for retirement.

The lack of cash management may also be hurting college funding, as only 19 percent of Hispanic employees and 17 percent of African American employees indicate saving enough to meet future educational goals. The lack of educational funding may result in higher amounts of student loan debt incurred by children of these underfunded households, thus perpetuating the inability to build and transfer wealth to the next generation.

Cycle of Financial Wellness Across Different Generations

The cycle of financial wellness begins from the time a person enters the workforce and continues throughout their lifetime. Employees that exhibit positive financial behavior early in their careers are more likely to achieve financial goals and to build and transfer wealth to the next generation. Of the four ethnic groups we studied, Asian American and Caucasian employees exhibited higher levels of financial wellness throughout the career cycle.

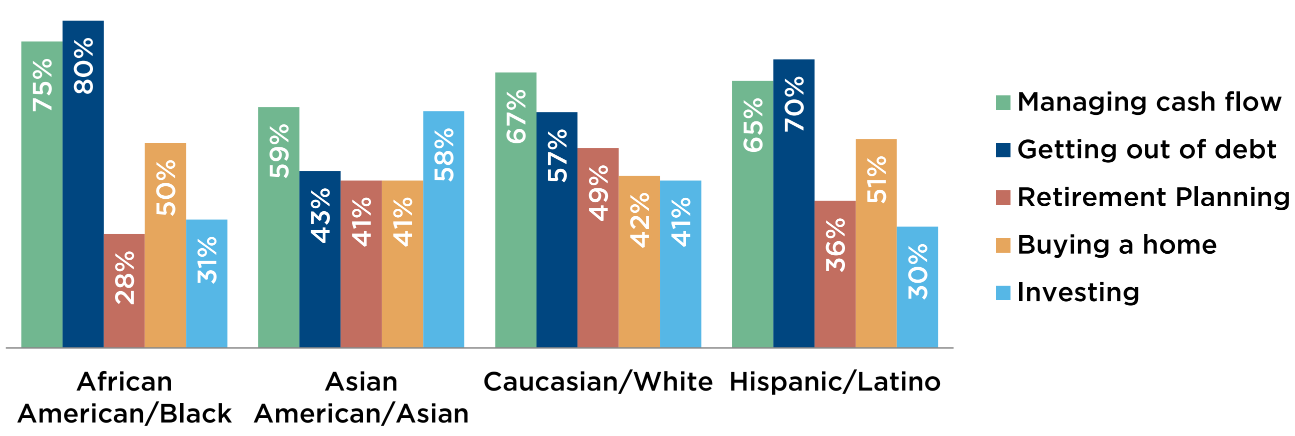
Average Overall Financial Wellness Score



YOUNG ADULTS PLAGUED BY DEBT

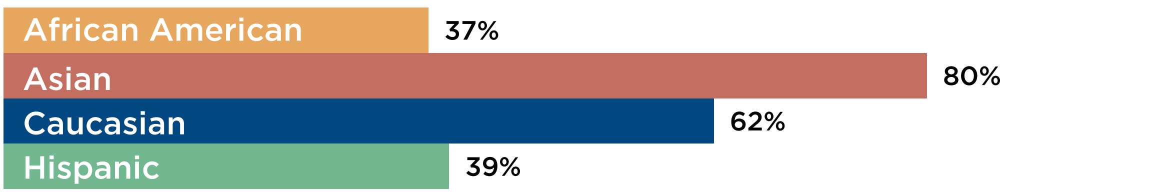
Among employees under age 30 that completed a financial wellness assessment in 2016, six in ten (62 percent) cited getting out of debt as a main concern, but for Hispanic and African American employees in this age group the numbers were even higher: seven in ten (70 percent) and eight in 10 (80 percent), respectively.

Financial Priorities of Employees Under 30



According to the Federal Reserve's Report on the Economic Well-Being of U.S. Households in 2015,[3] among survey respondents age 18 to 44 that borrowed money to pay for their own education, African American and Hispanic borrowers are more likely than Caucasian borrowers to be behind on their loan, and less likely to have completely repaid their loan. Similarly, African American and Hispanic employees that completed our financial wellness assessment in 2016 are more likely to carry a balance on their credit cards.

I regularly pay off my credit card balances in full (Employees under age 30)



This could, in part, be a consequence of African American and Hispanic youth feeling that they can't depend on family to help with financial needs.[4] Instead, they may rely on loans and credit cards for basic living expenses and for handling emergencies. Thus, employees from both ethnic groups may be starting their careers with higher amounts of debt which they may find more difficult to pay off because of lower real median incomes.[5]

2015 Real Median Household Income	$36,898	$77,166	$62,950	$45,148

[3] Board of Governors of the Federal Reserve System. 2016. "Report on the Economic Well-Being of U.S. Households in 2015." *Federal Reserve System*. https://www.federalreserve.gov/econresdata/2016-economic-well-being-of-us-households-in-2015-education-debt-student-loans.htm

[4] Cohen, Cathy, J., Matthew Luttig, and John Rogowski. 2016. "Young People Speak Out about the 2016 Campaign and their Economic Futures."*GenForward: A survey of the Black Youth Project with the AP-NORC Center for Public Affairs Research*. http://genforwardsurvey.com/assets/uploads/2016/11/Genforward-Report-Final-3.pdf

[5] Proctor, Bernadette D., Jessica L. Semega, and Melissa A. Kollar. 2016. "Income and poverty in the United States: 2015." *United States Census Bureau*. https://www.census.gov/content/dam/Census/library/publications/2016/demo/p60-256.pdf

Conversely, Asian American households had the highest real median income among all ethnic groups represented. This may be in part due to choices in education. Research by Senior Research Economist Peter L. Hinrichs of the Federal Reserve Bank of Cleveland found that a significantly higher percentage of Asian Americans graduated with degrees in STEM subjects.[6] Such degrees typically have a higher starting salary and lower unemployment rates.[7]

Too often young adults use student loans to pay for an education that may not be commensurate with future potential earnings. To help break the cycle of low financial wellness, young adults should compare the future value of a degree program to the cost of attendance. Choices such as attending community college or taking courses online may help reduce the cost of education, thus reducing the need for student loans. Alternatively, young adults may want to consider degree programs that yield higher starting salaries and better employment opportunities after graduation.

YOUNG FAMILIES UNABLE TO SAVE FOR GOALS

Lower incomes and higher student loan debt for African American and Hispanic families may mean a higher percentage of income going towards servicing debt rather than other important financial goals such as saving for emergencies or retirement. The Federal Reserve found that 38 percent of Hispanic survey respondents and 36 percent of African American respondents would completely pay an emergency expense that costs $400 using cash or a credit card that they pay off at the end of the month—well below the rate of 61 percent for Caucasian respondents.[8] Worse yet, an emergency may be funded by alternative financial service providers such as payday lenders and pawnshops. Such "quick cash" outlets charge exorbitant fees and are more prevalent in, and disproportionately marketed to and utilized by, African American and Hispanic communities.[9]

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[6] Hinrichs, Peter. 2015. "Racial and Ethnic Differences in College Major Choice." *Federal Reserve Bank of Cleveland*. https://www.clevelandfed.org/newsroom-and-events/publications/economic-trends/2015-economic-trends/et-20150331-racial-and-ethnic-differences-in-college-major-choice.aspx

[7] National Association of Colleges and Employers. 2016. "NACE Winter 2016 Salary Survey." http://www.naceweb.org/uploadedfiles/content/static-assets/downloads/executive-summary/2016-january-salary-survey-executive-summary.pdf

[8] Board of Governors of the Federal Reserve System. 2016. "Report on the Economic Well-Being of U.S. Households in 2015." *Federal Reserve*. https://www.federalreserve.gov/2015-report-economic-well-being-us-households-201605.pdf

[9] Sawyer, Noah and Kenneth Temkin. 2004. "Analysis of Alternative Financial Service Providers." *FannieMae Foundation*. http://www.urban.org/sites/default/files/alfresco/publication-pdfs/410935-Analysis-of-Alternative-Financial-Service-Providers.PDF

Among employees age 30 to 44 that completed a financial wellness assessment in 2016, 44 percent of Hispanic employees, and only 29 percent of African American employees, reported feeling comfortable with their current level of non-mortgage debt.

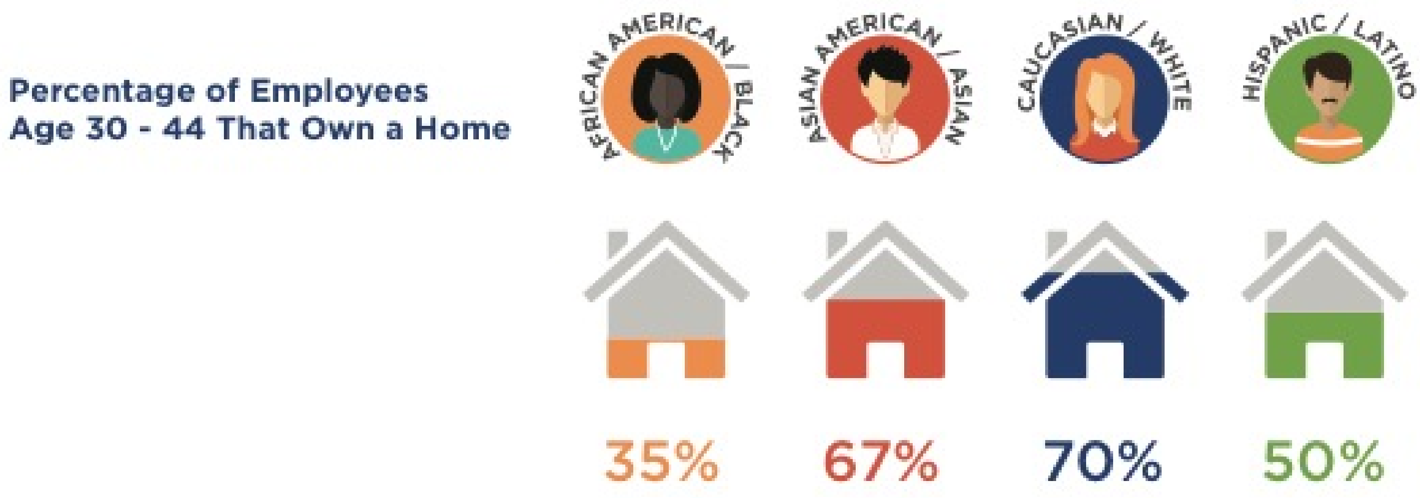
The lack of cash management and prevalence of debt may also be hurting college funding, as only 16 percent of Hispanic employees and 15 percent of African American employees age 30 to 44 indicate saving enough to meet future educational goals. The lack of educational funding may result in higher amounts of student loan debt incurred by children of these underfunded households, thus perpetuating the inability to build and transfer wealth to the next generation.

Age 30-44:	African American / Black	Asian American / Asian	Caucasian / White	Hispanic / Latino
I have a handle on my cash flow so I spend less than I make each month	50%	83%	73%	60%
I am comfortable with the amount of non-mortgage debt I have	29%	79%	54%	44%
I own a home	35%	67%	70%	50%
I know I am on target to replace at least 80% of my income (or my goal) in retirement	18%	29%	27%	19%
I know how much I need to save for college costs and I am on track to meet that need	15%	29%	22%	16%

Lower incomes and higher levels of debt may be contributing to lower rates of homeownership. African American and Hispanic employees reported a lower-than-average frequency of homeownership relative to all employees age 30 to 44 that completed a financial wellness assessment in 2016.

This closely corresponds to fourth quarter, 2016 U.S. Census Bureau data[10] which shows the homeownership rate for African American householders at around 41 percent and for Hispanic householders at around 46 percent; well below the average homeownership rate for the entire U.S. population of nearly 64 percent.

The Harvard University Joint Center for Housing Studies considers homeownership to be a significant source of household wealth.[11] Breaking the cycle of low financial wellness may require an emphasis on promoting homeownership among these underrepresented ethnic groups.



[10] U.S. Census Bureau. 2017. "Quarterly Residential Vacancies and Homeownership, Fourth Quarter 2016." https://www.census.gov/housing/hvs/files/currenthvspress.pdf
[11] Herbert, Christopher E., Daniel T. McCue, and Rocio Sanchez-Moyano. 2013. "Is Homeownership Still an Effective Means of Building Wealth for Low-income and Minority Households? (Was it Ever?)." *Harvard University, Joint Center for Housing Studies*. http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/hbtl-06.pdf

AGING ADULTS STRUGGLE TO ACCUMULATE AND TRANSFER WEALTH

A study on 401(k) savings disparities across racial and ethnic groups found that African American and Hispanic workers had a tendency to participate and save less, take more loans and hardship withdrawals, and choose investments with lower rates of return.[12] Among employees age 45 to 54 that completed a financial wellness assessment in 2016, African American and Hispanic employees were more likely to report having taken a retirement plan loan or hardship withdrawal, and less likely to be on track to achieve income replacement goals. This is creating more dependency on Social Security[13] and family[14] for financial support in retirement.

Age 45-54:

	African American / Black	Asian American / Asian	Caucasian / White	Hispanic / Latino
I know I am on target to replace at least 80% of my income (or my goal) in retirement	18%	31%	31%	21%
I have taken a retirement plan loan	58%	21%	34%	50%

[12] Ariel/Hewitt Study. 2012. "401(k) Plans in Living Color: A Study of 401(k) Savings Disparities Across Racial and Ethnic Groups". http://www.aon.com/attachments/thought-leadership/arielhewitt_401k_study_results.pdf
[13] Bridges, Benjamin and Sharmila Choudhury. 2009. "Examining Social Security Benefits as a Retirement Resource for near-Retirees, by Race and Ethnicity, Nativity, and Disability Status." *Social Security Bulletin* 69, no. 1: 19-44. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1400062
[14] Fingerman, Karen L., et al. 2011. "Support to Aging Parents and Grown Children in Black and White Families." *The Gerontologist* 51.4: 441–452. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3202703/

The prevalence of caregiving is highest among minority groups,[15] but the burden to care for family members is not limited to children caring for parents. A study on racial differences in support to each generation found that Caucasian middle-aged adults provided more support to grown children than African American middle-aged adults.[14] That said cultural differences may play a factor in how, when, and to whom the support is provided. Research suggests that African American and Hispanic parents are more likely than Caucasian parents to provide financial support to adult children based on their familial relationship than their financial need.[16]

As time passes, the lack of homeownership, lower retirement plan contributions, and greater responsibility to be a caregiver has translated into lower net worth for the average African American and Hispanic household. The Pew Research Center, citing data from the Survey of Consumer Finance, found that the median net worth of Caucasian households ($141,900) was 10 times greater than that of Hispanic households ($13,700) and 13 times greater than that of African American households ($11,000).[17] All of this could mean that African American and Hispanic families, more than other ethnic groups, might inherit funeral expenses as opposed to wealth, giving no economic boost to the next generation. Without a change in financial behavior, the cycle of low financial wellness may continue without end.

One segment of the population not included in this report but worth noting is the Asian Indian American population. A study of Asian Indian families found that caring for family was a top priority. According to the study, two-thirds (67 percent) of Asian Indian Americans say they think about what's best for their families when making financial decisions. Asian Indian families are less likely to take on debt, more likely to save for college, and more likely to prepare for elder care than the general population. They are also more likely to say leaving an inheritance for their family is important.

Source: MassMutual's State

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[15] National Alliance for Caregiving and AARP Public Policy Institute. 2015. "Caregiving in the U.S. 2015 Report." *AARP*. http://www.aarp.org/content/dam/aarp/ppi/2015/caregiving-in-the-united-states-2015-report-revised.pdf

[16] Berry, Brent M. 2001. "All the ties that bind: Race, ethnicity and why families support adult children." *Population Studies Center Research Report* 01-487. http://www.psc.isr.umich.edu/pubs/pdf/rr01-487.pdf

[17] Kochbar, Rakesh and Richard Fry. 2014. "Wealth inequality has widened along racial, ethnic lines since end of Great Recession." *Pew Research Center*. http://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/

The Cost of Low Financial Wellness

As the cycle of low financial wellness continues, the effect is felt by employers. In a previous study, we found that employees who suffer from overwhelming financial stress or struggle to maintain financial stability tend to incur both immediate and future financial costs for their employer in the form of absenteeism, garnishments, payroll taxes, and delayed retirement. Employees with the lowest levels of financial wellness could cost their employers anywhere from $94 to $198 a year per employee. As noted earlier, a disproportionate number of African American and Hispanic employees fall into the "struggling" and "suffering" range of the financial wellness scale.

	SUFFERING	STRUGGLING	STABILIZING	SUSTAINING	SECURE
FINANCIAL WELLNESS SCORE RANGE	0-2	3-4	5-6	7-8	9-10
AVERAGE FINANCIAL WELLESSS SCORE	1.7	3.6	5.4	7.4	9.1
AFRICAN AMERICAN / BLACK	14%	40%	32%	12%	2%
ASIAN AMERICAN / ASIAN	3%	20%	43%	28%	6%
CAUCASIAN / WHITE	4%	22%	40%	27%	7%
HISPANIC / LATINO	12%	37%	35%	14%	3%
AVERAGE ANNUAL COST PER EMPLOYEE	$198	$94	$0	-$82	-$143

As employee financial health improves, the costs of low financial wellness diminish. According to our ROI predictive model,[18] an incremental shift in the median workforce financial wellness score from 4 to 6 has the potential to save a large employer of 50,000 employees approximately $5.6 million per year in reduced costs of absenteeism, wage garnishments and payroll taxes. When the projected reduced costs of health care, delayed retirement and turnover are added to the model, the hypothetical 50,000-employee company that implements a comprehensive workplace financial wellness program according to industry best practices could potentially realize a total cost savings of nearly $28 million.[19]

REPEAT USAGE DRIVES IMPROVEMENTS IN FINANCIAL WELLNESS

Significant improvements in employee financial wellness are incremental, and occur over time. Those employees who have the most one-on-one interactions with a financial coach show the highest degree of positive financial behavior change.[20] African American and Hispanic employees who may be susceptible to the cycle of low financial wellness can benefit from repeat usage of financial wellness programs.

	African American/Black		Hispanic/Latino	
Key Metric	New Users	Repeat Users	New Users	Repeat Users
I have a handle on my cash flow	49%	56%	62%	68%
I have an emergency fund	23%	31%	34%	43%
I am comfortable with the amount of debt I have	31%	35%	47%	52%
I contribute to my retirement plan	86%	93%	86%	92%
I am on target to replace 80% of my income in retirement	15%	25%	16%	29%
I carry enough life insurance	48%	62%	43%	57%
I am confident in my asset allocation	31%	43%	31%	45%

[18] Financial Finesse. 2017. "ROI Special Report 2016." https://ffinesse.app.box.com/v/2016-ROI-Report
[19] Meyer, Cynthia. 2016. "The ROI of Workplace Financial Wellness". Blog. *Financial Wellness Tip of The Day*. https://www.financialfinesse.com/2016/10/19/the-roi-of-workplace-financial-wellness/
[20] Financial Finesse Think Tank Research. 2016. "Year in Review 2015." *Financial Finesse.* https://ffinesse.app.box.com/v/YearInReview2015Report

Breaking the Cycle of Low Financial Wellness

Employers are uniquely positioned to help employees address their financial challenges, and given the cost associated with poor financial health it is in an employer's best interest to implement programs that can help improve the overall financial wellness of a diverse workforce. The good news is that African American and Hispanic employees are more likely than the general population to actively seek ways to educate themselves on financial matters. According to studies by MassMutual, both ethnic groups wish that their parents had taught them more about finances, which may explain why many believe strongly in the importance of educating the next generation on finances.[21, 22]

Although the desire for learning is there, not everyone learns in the same way. Several studies on learning styles of different ethnic groups suggest that African American and Hispanic students may have a preference for people-oriented learning.[23, 24] Even when financial education improves, it does not always translate into improved financial literacy. In an article written for Mediaplanet, Theodore R. Daniels, founder and president of the Society for Financial Literacy and Professional Development, Inc., wrote: "An understanding of cultural differences—including education levels, socioeconomic status, religion, traditions, family values, and geographical areas—must be taken into account for effective financial literacy training."[25]

Cultural differences go beyond learning styles and include how different groups access financial services. A 2015 FDIC National Survey of Unbanked and Underbanked Households found that unbanked and underbanked rates were higher among African American and Hispanic

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[21] "Massmutual's State of The American Family African-American Families." 2017. MassMutual Financial Group. Accessed April 14. https://www.lifehappens.org/wp-content/uploads/2015/02/Research_MassMutualsStateoftheAmericanFamilyAfricanAmericanFamilies.pdf

[22] "Massmutual's State of The American Family Hispanic Families." 2017. MassMutual Financial Group. Accessed April 14. https://www.massmutual.com/mmfg/pdf/SOAF_His.pdf

[23] Guild, P. 1994. "The culture/learning style connection." *Educational Leadership*, 51(8), 16. http://www.ascd.org/publications/educational-leadership/may94/vol51/num08/The-Culture~Learning-Style-Connection.aspx

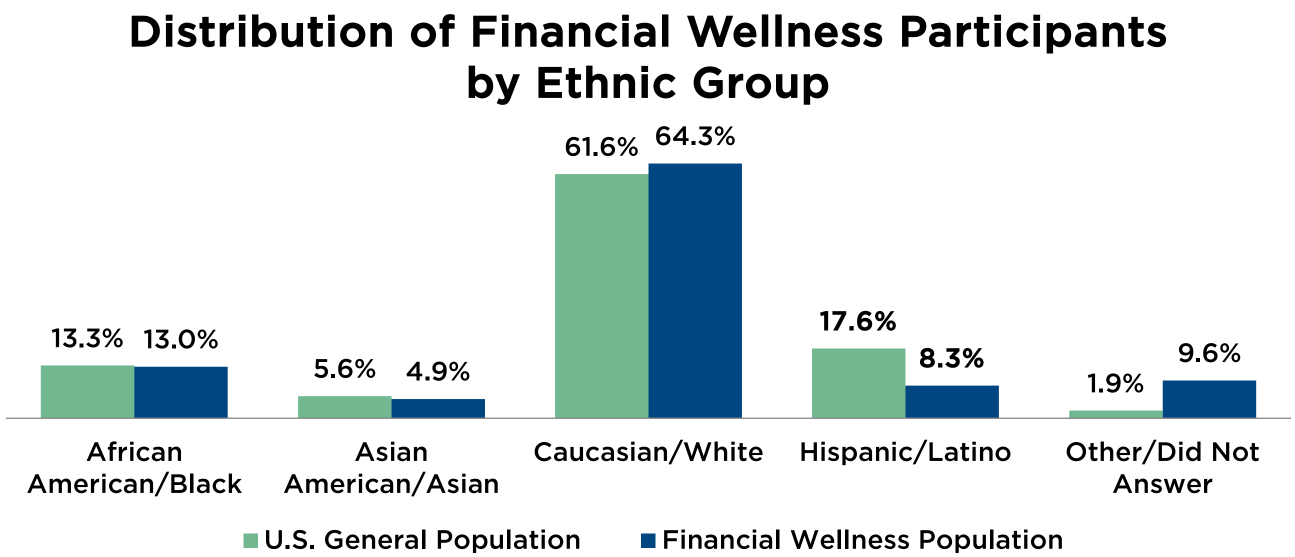
[24] Olivares-Cuhat, G. 2011. "Learner Factors in a High-Poverty Urban Middle School." *Penn GSE Perspectives On Urban Education*, 9(1), http://www.urbanedjournal.org/archive/volume-9-issue-1-fall-2011/learner-factors-high-poverty-urban-middle-school

[25] Daniels, Theodore. 2017. "How Does Culture Affect Financial Literacy?". *Future of Business and Tech*. http://www.futureofbusinessandtech.com/news/how-does-culture-affect-financial-literacy

households,[26] thus limiting access to wealth building products and services such as savings and investment accounts. In addition, alternative financial services, such as payday lending, check-cashing outlets, rent-to-own stores and pawnshops, have been disproportionately marketed in African American and Hispanic communities.[27] Employers must understand these cultural differences and develop financial wellness programs that address them if they are to help break this cycle of low financial wellness.

CULTURAL CHALLENGES FOR THE HISPANIC EMPLOYEE

Despite the desire to educate themselves and their children, Hispanic employees were underrepresented in our study. According to the U.S. Census Bureau, about 18 percent of the U.S. population is Hispanic,[28] but only eight percent of employees that completed a financial wellness assessment in 2016 identified themselves as such. All other groups were represented in proportion to the national population.



[26] Federal Deposit Insurance Corporation. 2016. "2015 FDIC National Survey of Unbanked and Underbanked Households." *FDIC Division of Depositor and Consumer Protection*. https://www.fdic.gov/householdsurvey/2015/2015execsumm.pdf
[27] Sawyer, Noah, and Kenneth Temkin. 2017. "Analysis of Alternative Financial Service Providers." *Fannie Mae Foundation*. Accessed April 14, 2017. http://www.urban.org/sites/default/files/alfresco/publication-pdfs/410935-Analysis-of-Alternative-Financial-Service-Providers.PDF
[28] "Quick Facts United States." 2017. *U.S. Census Bureau*. Accessed April 14, 2017. https://www.census.gov/quickfacts/table/PST045216/00

Language and Trust Barriers

Reasons for the lack of participation vary. A report by the Pew Research Center lists language barriers as a challenge to surveying the Hispanic population.[29] The challenge is more than just translating English into Spanish and includes difficulty with translating concepts and ideas. The report also cites general suspicion of government as a possible reason why some Hispanic respondents refuse to answer certain survey questions or refuse to participate in surveys at all.

In a separate study, Prudential found that Hispanic survey respondents lack trust in the financial services industry.[30] This may explain why Hispanic employees are less likely than the general population to use a financial advisor.

Responsibilities with Caregiving

The majority of caregivers are female, and the prevalence of caregiving is highest among the Hispanic population.[31] MetLife estimates the cost impact of caregiving on the individual female caregiver in terms of lost wages and Social Security benefits at over $324,000.[32] When combined with the out-of-pocket costs of providing care, Hispanic caregivers may be unable to save for immediate financial goals like an emergency fund, as well as future financial goals such as college or retirement, thus perpetuating the cycle of low financial wellness.

Percentage of Hispanic Employees:

37%
...have an emergency fund.

19%
...on track to save for college.

20%
...on track to save for retirement.

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[29] Brown, Anna. 2015. "The Unique Challenges of Surveying U.S. Latinos." *Pew Research Center*. http://www.pewresearch.org/2015/11/12/the-unique-challenges-of-surveying-u-s-latinos/
[30] Prudential Research. 2014. "The Hispanic American Financial Experience." *Prudential*. http://www.prudential.com/media/managed/hispanic_en/prudential_hafe_researchstudy_2014_en.pdf
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How Employers Can Help the Hispanic Employee

Employers can help improve the financial wellness of their Hispanic employees by:

- **Developing targeted communication programs around the diversity of the Hispanic workforce.** There are differences even within the Hispanic workforce,[33] so it is important for employers to recognize these differences and to develop a communications program around them. Offering materials in English and Spanish is a good start, but the communications must do more than simply translate words: they must translate meaning, thoughts and emotions behind the words to effectively engage Hispanic employees.
- **Extending financial wellness benefits to family members.** Hispanic Americans are considered to be very family-oriented, and this orientation drives financial decisions. The financial strain of being a caregiver can affect a Hispanic employee's ability to save for emergencies, college and retirement. Employers can help by offering extended personal leave benefits, dependent care benefits that include care for adults, and group life and long-term care insurance for employees and immediate family.
- **Offering basic education on retirement planning and investing.** According to the Prudential study cited earlier, more than half (56 percent) of Hispanic survey respondents indicated a "poor" or "very poor" understanding of U.S. retirement plans and Social Security. The same report also found a tendency for Hispanic respondents toward a lower-risk financial strategy. Offering unbiased education and guidance on how to save and invest for retirement can help employees get on track by illustrating the value of retirement benefits and investment services available to them.
- **Encouraging Spanish-speaking employees to include loved ones in workshops and one-on-one consultations.** The 2015 Aflac Workforce Report found that Hispanic workers were more likely to say they made benefits decisions on their own.[34] Since benefit decisions often affect family, allowing employees to invite loved ones to workshops and counseling sessions may increase the likelihood that employees take full advantage of the employer-sponsored benefits available to them.

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CULTURAL CHALLENGES FOR THE AFRICAN AMERICAN EMPLOYEE

In a recent survey by Prudential, 52 percent of African American respondents reported being well-prepared to make wise financial decisions,[35] well above the general population rate of 40 percent, yet African American investors on average save less for retirement[36] and tend to be less confident when it comes to choosing investments.[37] Among African American employees that completed a financial wellness assessment in 2016, only about two-thirds (66 percent) of those contributing to an employer-sponsored retirement plan saved enough to capture the full company match, while just over one-third (35 percent) felt confident in their investment allocation. This lack of confidence may explain why African American investors, in general, tend to invest more conservatively than Caucasian investors.[38]

I save enough in my retirement plan to capture the full company match

I feel confident that my investments are allocated appropriately

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A General Lack of Trust

Much has been written on the differences in trust levels among different ethnic groups, and the preponderance of literature suggests that levels are lowest within the African American community.[39, 40] Sandra Susan Smith, Associate Professor of Sociology at the University of California-Berkeley, cites historical and contemporary experiences of discrimination as contributing factors to these lower levels of trust. She writes, "Specifically, members of ethnoracial minority groups are presumed to trust less because of the disadvantaged positions they hold in the socioeconomic structure resulting from actual and perceived interpersonal and institutional discriminatory treatment."[40]

A lack of trust in financial service providers may be attributed to more recent financial events. African American homeowners were among the most affected by subprime lending practices, resulting in a disproportionate number of foreclosures from 2007 to 2009.[41] African American investors are also less likely than the general population to use a financial advisor.[35] Failure to use a financial advisor may contribute to the lack of retirement savings and investment confidence noted earlier.

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How Employers Can Help the African American Employee

Employers can help improve the financial wellness of their African American employees by:

- **Providing trustworthy financial coaching and resources that are free of conflicts of interest.** Employers can overcome employees' lack of trust by offering unbiased financial guidance independent of a financial service provider. Use financial coaches to communicate the true value of employee benefits and to explain the significance of segregating retirement plan assets from company assets and the role of the Pension Benefit Guaranty Corporation (PBGC) in protecting pension benefits.
- **Closing the gap between perception and reality.** Although African American survey respondents report being well-prepared to make wise financial decisions, our analysis suggests that financial decisions are being made that contribute to the cycle of low financial wellness. Financial wellness programs should offer "reality checks" so that employees can evaluate the consequences of financial decisions before they are made. This includes incorporating financial tools such as retirement calculators and illustrations that reflect the true cost of debt. This could also incorporate gaming techniques that create simulations of what current behaviors may look like financially in the future.
- **Offering multigenerational financial education programs.** African American employees have a desire to educate their children about money, so employers can capitalize on this by sponsoring educational events centered on educating children of different age groups about money. Other options include inviting employees' families to participate in financial wellness workshops and one-on-one consultations, and extending financial wellness benefits to family members.
- **Enhancing benefit offerings and communications for caregivers.** African American employees, like Hispanic employees, are often called upon to be caregivers.[33] Employers can assist employees that provide care to family by offering flexible work schedules, personal time off, insurance and long-term care benefits that extend to family members. Employers should also communicate the benefits of dependent care flexible spending accounts for adult daycare expenses and employee assistance programs for caregiver referral services.

Methodology

All of Financial Finesse's research is primary—based on tracking employees' most pressing financial concerns through their usage of our financial education services.

Trend analysis research is compiled by tracking questions received by planners through Financial Finesse's Financial Helpline and Ask-a-Planner services. Financial Wellness data is compiled by tracking employees' usage of Financial Finesse's Online Financial Wellness Assessment and Learning Center, which provides employees with a personalized financial education plan and analysis of their current financial wellness. Employers and employees are located across the country—in similar proportion to the demographics of the national population.

This report is based primarily on the analysis of 38,302 financial wellness assessments completed on January 1, 2016 through December 31, 2016. All figures are rounded to the nearest whole percentage unless otherwise noted.

Results have a +/-1% margin of error at the 99% confidence level.

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FINANCIAL FINESSE

About the Financial Wellness Assessment

The Financial Wellness Assessment is a proprietary tool designed and developed by our Think Tank of Certified Financial Planner™ professionals used to measure employees' financial wellness. To get a realistic assessment of wellness in each category, planners determined the most important criteria for achieving financial success in that specific category. By asking key questions that determine employees' progress on these different actions, we are able to approximate their financial wellness in those areas.

ABOUT THE FINANCIAL WELLNESS SCORE

The Financial Wellness Score is measured on a scale of 0 to 10, with 0 indicating minimal financial wellness and 10 indicating optimal financial wellness. Scores are adjusted to consider age and income and determine how well employees are managing their finances based on these factors and the needs associated with different life stages and income levels. Employees who achieve a Financial Wellness Score within a specified range exhibit financial behavior as outlined in the following chart:

Wellness Score	Financial Behavior
9.0 or above	Employees have excellent financial skills and habits, and have achieved an optimal level of financial wellness. They are on track to meet their goals and fully prepared to weather unexpected challenges that arise.
7.0 to 8.9	Employees have good financial skills and habits, and are in a fairly good position to reach their goals, but there are additional actions they need to take to fully prepare for their goals and protect themselves from challenges that may arise.
5.0 to 6.9	Employees are demonstrating some personal financial skills, but have significant gaps in their overall financial planning and behaviors, and really need education and guidance to make decisions and develop financial habits that will allow them to achieve their goals.
3.0 to 4.9	Employees may be sabotaging their own goals through poor personal financial skills and are in need of more basic information.
Below 3.0	Employees are in dire need of guidance around basic personal financial skills to help keep them from experiencing serious financial consequences.

About Financial Finesse

Financial Finesse is the leading provider of unbiased workplace financial wellness programs in the country, reaching over 2.4 million employees at 600 organizations with holistic financial coaching and guidance that helps employees improve their financial wellness. The firm's programs cover every area of financial planning – from basic money management to advanced estate planning – and cost employees nothing out of pocket, since they're offered as fully subsidized benefits by their employers. Financial Finesse's programs are proven to change lives, provided through a variety of channels such as live workshops, webcasts, one-on-one financial counseling sessions and a financial helpline by Certified Financial Planner™ professionals who do not sell any financial products or manage assets. www.financialfinesse.com