

The Impact of a New Normal

The beginning stages.











Executive Summary

At the time of this report, America is battling the COVID-19 global pandemic. In response to social and economic pressure, many employers have adjusted the way they do business, including implementing social-distancing protocols, work-from-home arrangements, and in some cases workforce reductions. Virtually all employees, to one degree or another, are experiencing adverse effects to their financial health. These effects are often hardest felt by those that are least prepared to handle them.

Although there is a tendency to look at the workforce as a single unit, employers increasingly need to segment their workforces from a financial wellness perspective because of the disparity in financial stress and behavior that exists among coworkers. In our 2016 ROI Special Report,¹ we introduced a method of segmenting the workforce into five levels of financial health based on employees' financial wellness scores:² Suffering, Struggling, Stabilizing, Sustaining, and Secure. This report includes more detail on each segment.

	SUFFERING	STRUGGLING	STABILIZING	SUSTAINING	SECURE
					
FINANCIAL WELLNESS SCORE RANGE	0-2	3-4	5-6	7-8	9-10
I HAVE A HANDLE ON MY CASH FLOW	11%	41%	79%	95%	99%
I HAVE AN EMERGENCY FUND TO COVER UNEXPECTED EXPENSES	3%	18%	51%	80%	97%
I AM COMFORTABLE WITH THE AMOUNT OF DEBT I HAVE	8%	29%	63%	84%	96%
AVERAGE ANNUAL COST PER EMPLOYEE	\$404	\$307	\$219	\$124	\$48

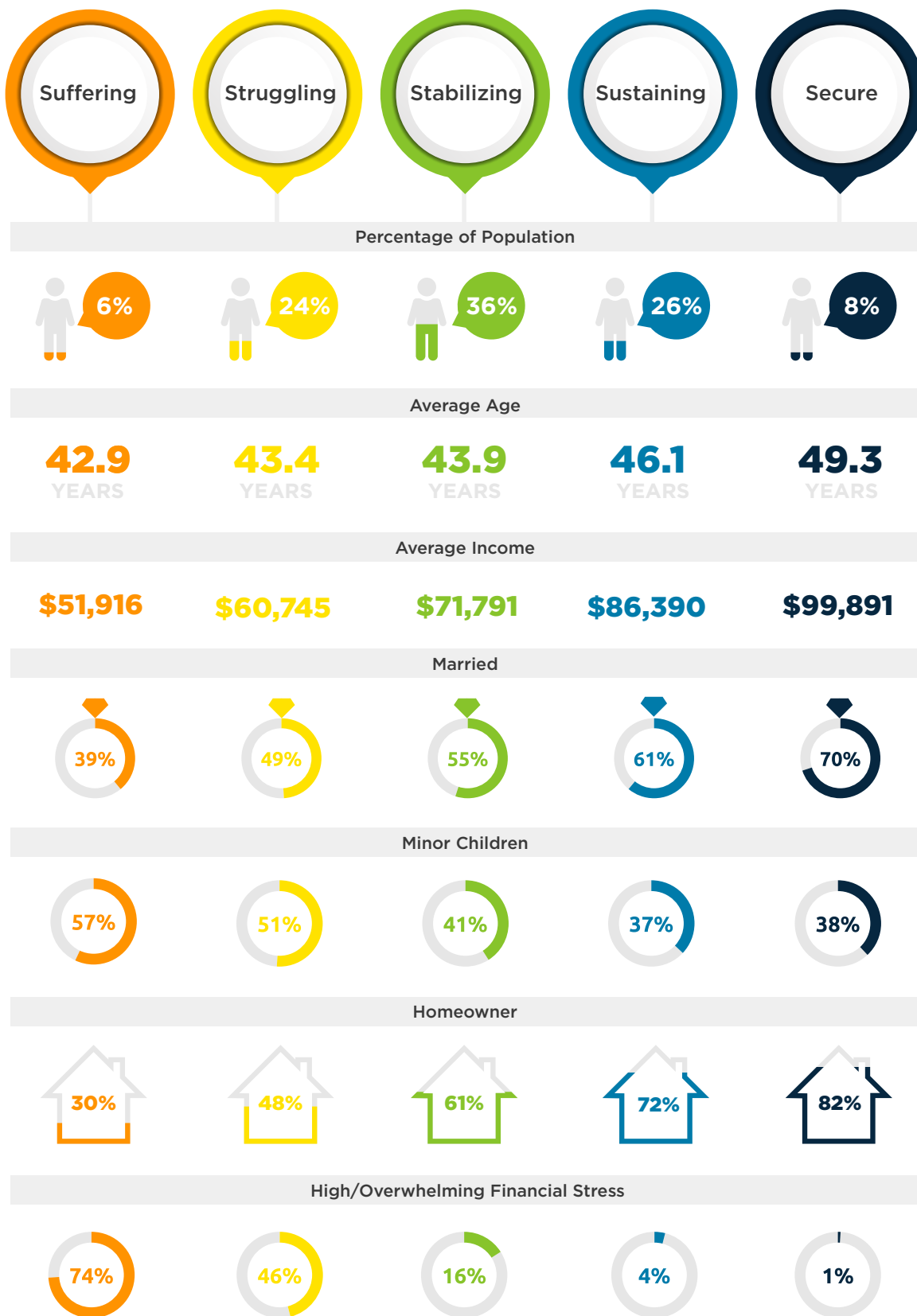
As the pandemic persists, we expect to see a shift toward lower levels of financial health across the global workforce. Given the strong relationship between financial health and employment cost, we encourage employers to focus their COVID-19 efforts on providing financial resources and support to their most financially stressed employees. This report offers strategies for efficiently and effectively deploying these resources and provides evidence for why employers may want to adopt a best-practices model that includes ongoing, multi-channel financial education and coaching built around employees' most pressing needs.

¹ Financial Finesse, Inc., 2016. *ROI Special Report*. [online] Available at: <<https://www.financialfinesse.com/wp-content/uploads/2019/05/2016-ROI-Special-Report.pdf>>.

² See [About the Financial Wellness Assessment](#).



Breakdown of Employees by Segments

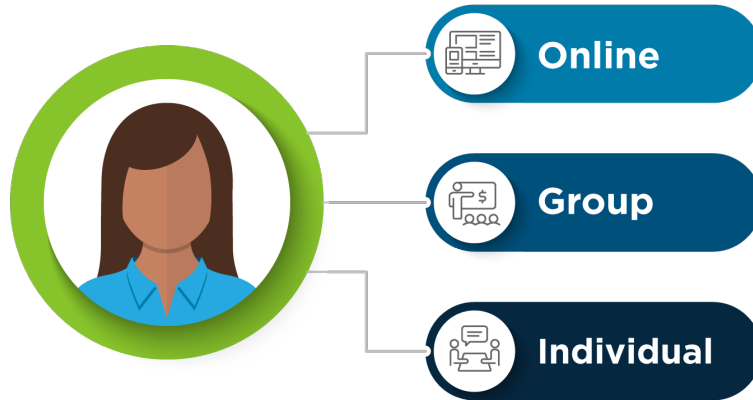




How to Help Employees Who Are in the Most Need

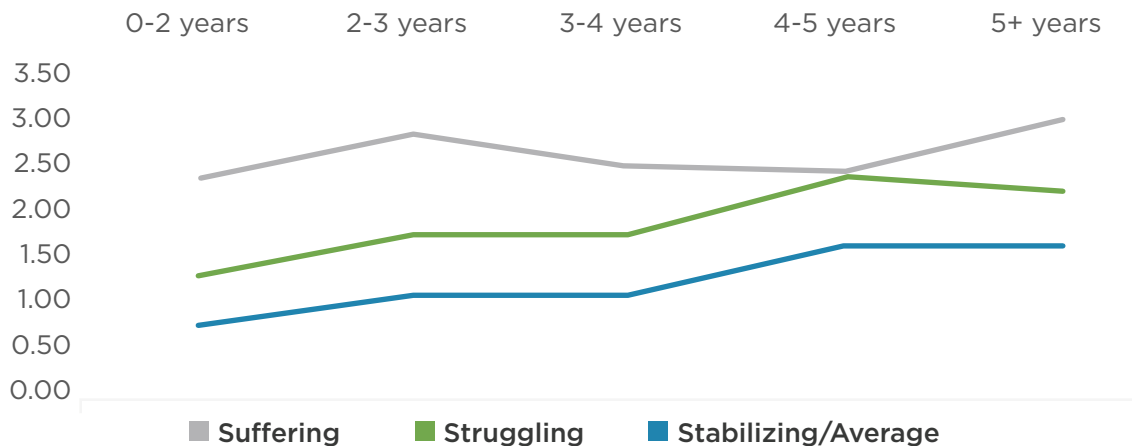
For this report we examined the effectiveness of offering online, group, and individual learning sessions to financially stressed employees as part of an ongoing, multi-channel financial education and coaching benefit. Engaging in all three types of learning is considered a best practice.

Financial Wellness Best Practice Model



The results were astounding. On average, employees that engaged in the best-practice model for five or more years showed a 1.59-point improvement (on a 10-point scale) in financial wellness score. By comparison, Suffering and Struggling employees that engaged in the best-practice model improved by 2.96 points and 2.22 points, respectively.

Improvement In Financial Wellness Score using Best Practice Model





The best-practice model proved most advantageous for the most financially stressed group:

Assessment for “Suffering” Employees	Online Only		Group Learning		Best Practice	
	First	Most Recent	First	Most Recent	First	Most Recent
I have a handle on my cash flow	15%	40%	13%	44%	12%	44%
I have an emergency fund to cover unexpected expenses	3%	18%	6%	22%	5%	24%
I pay my bills on time each month	42%	63%	47%	69%	50%	74%
I am comfortable with the amount of debt I have	8%	26%	8%	31%	12%	30%
My financial stress level is high or overwhelming	65%	47%	61%	38%	70%	41%
Average Overall Financial Wellness Score	1.7	3.6	1.8	4.1	1.7	4.4

Why This is Good News for Employees and Employers

Given the higher than average levels of financial stress in the workforce, these findings:

- Show how a multi-channel financial wellness program that combines online, group, and individualized coaching can have the greatest impact on employees with the greatest need.** Such programs can be a major driver in reducing inequality in financial wellness that is exacerbated by the COVID-19 pandemic and is becoming a bigger issue in both our workforces and communities.
- Provide employers a roadmap for the deployment of COVID-19 relief efforts toward suffering and struggling employees.** This includes everything from special COVID-19 relief programs that address critical needs to easy-to-access financial tools and counseling that can be used immediately to get employees through a crisis. Ideally, employees would begin working towards financial stability through a process that may require proactive, on-demand access to a dedicated financial coach.
- Offer a great opportunity for employers to do well AND do good.** Employers see significant cost savings when suffering employees attain financial stability due to reductions in financial stress that improve mental and physical health, productivity, and employee engagement. Given the relationship between healthcare and financial stress,³ moving even a portion of financially struggling employees to financial stability can have a tremendous impact on the bottom line.

³ Willis Towers Watson. 2020. *With Health Care Costs Projected To Rise Another 5% In 2020, Employers Look To New Strategies To Control Costs*. [online] Available at: <<https://www.willistowerswatson.com/en-US/News/2019/10/with-health-care-costs-projected-to-rise-another-5-in-2020-employers-look-to-new-strategies>>.



The Financial Implications of COVID-19

No one knows for certain the long-term effects this pandemic will have on financial wellness, but a review of financial wellness assessments completed by the same employees prior to and following March 11, 2020—the day the World Health Organization (WHO) labeled COVID-19 a pandemic⁴—shows some notable trends:

Interest in Wealth Protection Grows

More employees are citing “Protecting my wealth” as a primary concern, which makes sense as asset values have dropped substantially following the outbreak of COVID-19. Employees that may have once anticipated retirement based on prior asset values are having to reconsider their plans. Concern for protecting wealth has risen most for older employees (i.e., age 55+).

Percentage Citing “Protecting My Wealth” as a Most Important Topic

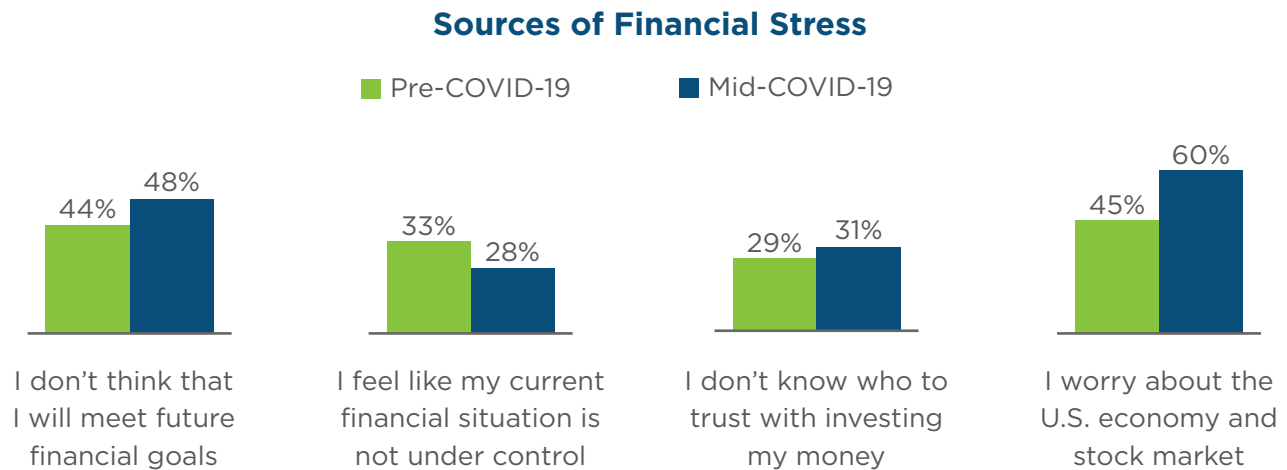
	Pre-COVID-19	Mid-COVID-19
Age		
Under 30	7%	11%
30-44	13%	17%
45-54	21%	24%
55+	36%	45%
Income		
Under \$60,000	11%	18%
\$60,000-\$100,000	16%	23%
\$100,000+	25%	29%
Gender		
Female	16%	24%
Male	25%	29%

⁴ World Health Organization. 2020. Coronavirus Disease (COVID-19) - Events As They Happen. [online] Available at: <<https://www.who.int/emergencies/diseases/novel-coronavirus-2019/events-as-they-happen>>



Worry about the U.S. Economy and Stock Market Rises

Among employees that completed a financial wellness assessment before and after the WHO announcement, the percentage that cited worry about the U.S. economy and stock market as a primary source of financial stress rose 15 percentage points to 60 percent.



A change of this magnitude should grab employers' attention. Now is the time for employers to provide security and perspective to calm employee fears and to help them understand that historically those who try to time the market generally fare worse than those who stay invested. Any efforts deployed through a retirement plan record keeper or financial wellness provider have the potential to make a significant difference in employees' retirement preparedness and long-term financial security.

Despite the decrease in the percentage of employees that cite lack of control over their current financial situation as a source of financial stress, uncertainty about reaching future financial goals is on the rise. This may indicate employees' belief that the financial implications of COVID-19 will be long lasting and may have a significant impact on their ability to achieve key financial goals even after this is over.

Lastly, there is a hint of growing anxiety about not knowing who to trust with investing money. We expect scams to increase during COVID-19 which will likely cause greater uncertainty among employees. Since 80 percent of U.S. employees trust their employers to do what is right,⁵ employers have a responsibility to ensure any information, education, or guidance provided to employees comes from a reliable source free of any conflicts of interest.

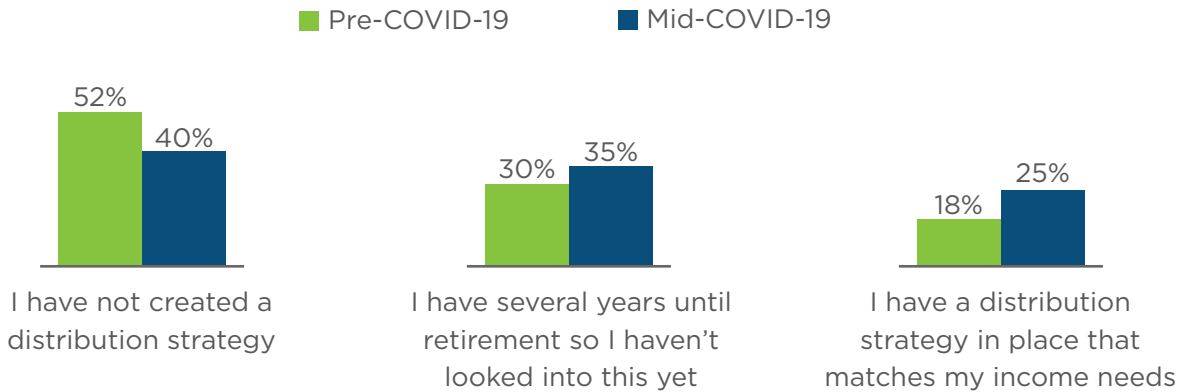
⁵ Edelman, 2019. 2019 Edelman Trust Barometer. Trust at Work - Implications for Employers. [online] Edelman. Available at: <https://www.edelman.com/sites/g/files/aatuss191/files/2019-05/2019_Edelman_Trust_Barometer_Implications_for_Employee_Experience.pdf>.



High Income Pre-Retirees More Likely to Have a Distribution Strategy

Employees age 55+ with household incomes in excess of \$100,000 were asked about plans for taking distributions in retirement. The percentage of the group studied that have not created a distribution strategy fell from 52 percent to 40 percent, while the percentage that has taken the step of creating a distribution strategy rose from 18 percent to 25 percent. It's possible that some within this group have reevaluated their proximity to retirement following recent market declines.

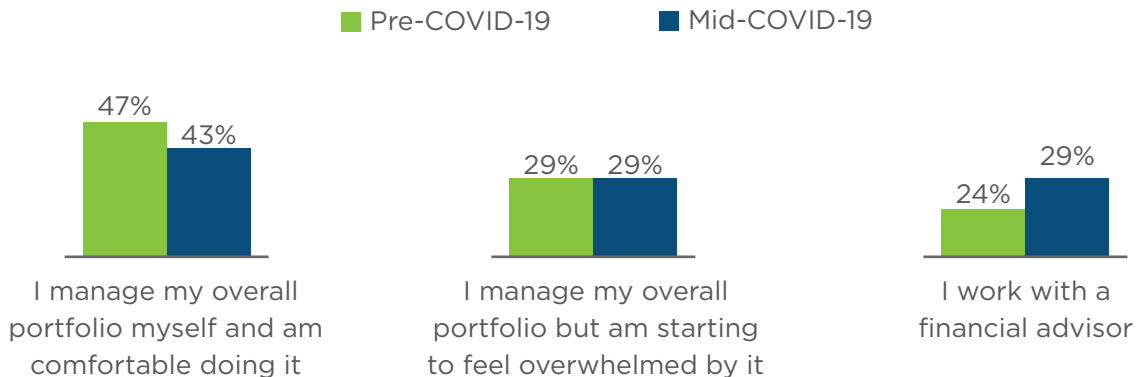
What are your plans for taking distributions in retirement?



Investors Less Comfortable Managing Their Own Investments

Employees with household incomes in excess of \$100,000 were asked how they manage their investments. The percentage of the group studied that feel comfortable managing their own portfolio fell from 47 percent to 43 percent, while the percentage that work with a financial advisor rose from 24 percent to 29 percent. Among this group, only 28 percent cite not knowing who to trust with investing money as a primary source of financial stress mid-COVID-19.

Who manages your overall investment portfolio?





Employers Can Help Employees at All Levels of Financial Health

We believe employers are best positioned to help employees cope with day-to-day financial and emotional stress while navigating the challenging days ahead. In order to provide the best support in the most efficient way, employers must properly identify who within their workforce falls into each of the financial health levels discussed in this report. This can be done through a workforce financial wellness assessment, a demographic analysis, or by measuring financial stress metrics such as retirement plan leakage, garnishment, or benefit utilization.

To gain the most traction, employers will want to focus their efforts on their most financially stressed populations first. If possible, offer ongoing financial coaching delivered through a multi-channel model supported by the following initiatives:

- **Bank-at-work programs:** Many organizations have a relationship with a financial institution that may offer workshops, calculators, and other cash management resources to help employees prioritize expenses and take control of their cash flow.
- **Debt and credit counseling and coaching:** With so many creditors offering deferment and/or forbearance on debt payments employees may find this type of coaching practical and necessary.
- **Employee Assistance Funds (EAFs):** Employers that maintain an EAF can initiate awareness campaigns and develop a streamlined application process.
- **COVID-19 Resource Portal:** Work with existing benefit providers to develop a centralized source for information on internal and external COVID-19-related resources.
- **Caretaker benefits and resources:** Support employee childcare and eldercare needs resulting from shelter-in-place orders.



While the effects of the COVID-19 crisis have been widespread and persistent, the financial impacts have been particularly harrowing. Rising unemployment numbers increase the probability that someone may lose their job, and ongoing school closures send employees with children scrambling for childcare, requesting flexible or reduced work hours, or both. This can add insult to injury, especially if the household was already under financial stress.

Although it may seem overwhelming for employers to understand how to address these concerns, the solution lies in helping employees understand how to leverage employer-provided benefits and resources. Consider these ways of bringing timely, relevant, and actionable information and support when and where it is most needed during this crisis:

- 1. Curate an internal webpage for COVID-19 related benefits information.** Call out how each benefit is useful during this time (e.g., how an EAP can assist in stress mitigation) and provide information and updates on federal, state, and local legislation and resources. Avoid putting too much information on the website. Instead, rotate benefit information regularly and provide instructions for how employees can contact the benefits department if they have questions.
- 2. Identify where financially stressed employees may go for assistance and meet them there.** With the overwhelming amount of stress employees may feel at this time, it is unlikely they will take extra steps to seek assistance. Include information on financial wellness benefits in disability paperwork and make holistic financial coaching available to those requesting COVID-19 related retirement plan distributions. If your firm offers an internal employee assistance program, extend holistic financial wellness resources to employees requesting assistance regardless of grant eligibility. When appropriate, develop warm-transfer protocols between existing benefit providers.
- 3. Put your benefit partners to work!** Many benefit providers track information that can be used to identify trends within the workforce. Use this information to keep resources on your internal COVID-19 webpage relevant and take advantage of any additional employee-facing resources they may have developed specifically related to current events. If you're short on time, email the same message to all benefit partners at once utilizing the bcc: address line.
- 4. Divide (your employee population) and conquer.** While it's obvious that recent events may impact some populations more than others, the way information is offered rarely reflects this. For example, pre-retirees may be feeling anxious about their ability to retire on time while those in the "sandwich" generation worry about taking care of both parents and children. Identify these groups and provide content and support specific to their concerns. This can remove potential irrelevance in messaging, and help employees better understand what is available to address their specific concerns.

To help employers address some of the financial challenges facing their workforce, we are hosting a COVID-19 micro site that they can share free of charge with their employees. To access this site, go to www.financialfinesse.com/getaccess. This site contains a suite of COVID-19 resources designed to help people who may be in financial crisis, out of work, or just looking to be more financially prepared for the days ahead. This site is available to the public, and we hope it provides some relief from the financial stress associated with this pandemic.



Methodology

All Financial Finesse research is primary and is based on tracking employees' most pressing financial concerns through their usage of our financial wellness services. Trend analysis is done by tracking questions received by financial coaches through Financial Finesse's on-demand Financial Coaching Line and scheduled Financial Coaching Sessions. Financial Wellness data is compiled by tracking employees' usage of Financial Finesse's Online Financial Wellness Assessment and Financial Wellness Hub, which provides employees with a personalized financial wellness plan and analysis of their current state of financial wellbeing. Employers and employees are located across the country and provide a representative sample of the national population.

This report is based on the analysis of 271,776 financial wellness assessments completed within the last nine years. **All figures are rounded to the nearest whole percentage unless otherwise noted.**

Contributors

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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 can 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 was founded in 1999 with the sole mission to provide unbiased financial education to people everywhere. Today, it is the leading provider of workplace financial wellness solutions in the nation. All services are designed by unbiased CERTIFIED FINANCIAL PLANNER™ professionals who do not sell any financial products nor manage assets and delivered as completely subsidized employee benefits. www.financialfinesse.com