



By Greg Ward, CFP® • June 2024

Combating Employee Financial Stress

What’s happening?

In our [Workplace Financial Wellness in America report](#), we saw a substantial increase in the percentage of workers who said they were experiencing high or overwhelming levels of financial stress—from 20% in 2021 to 32% in 2023. This 12 point rise equates to a 60% increase in two years. Much of the increase in financial stress has been attributed to the rise in cost of living combined with higher interest rates.

Why is it important?

The relationship between financial, mental, and physical health is strong. According to Franklin Templeton, 79% of workers say their financial health is affecting their mental health, and 73% say it is affecting their physical health.¹

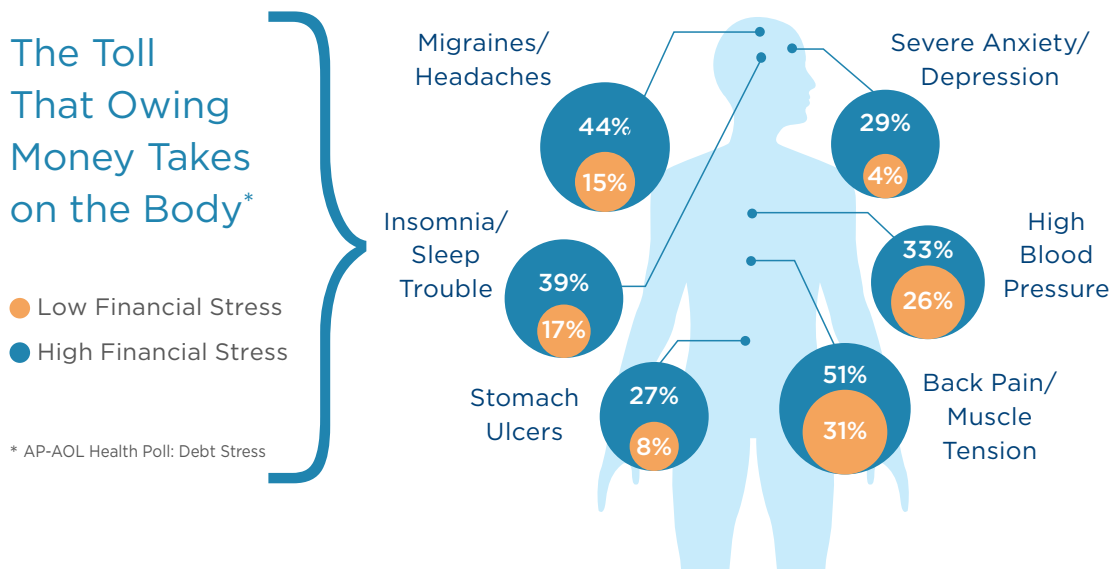
Financial stress influences:²

- **Absenteeism:** 35% of mentally stressed employees say financial stress affects their attendance at work
- **Turnover:** 65% of employees looking for a new job cite money as the primary reason
- **Productivity:** 76% of stressed employees say financial worries have had a negative impact on their productivity

36%

Of survey respondents are dealing with anxiety/depression/mental health challenges because of financial stress

Financial stress associated with debt is linked to poor physical health, including:



¹ 2023 Franklin Templeton Voice of the American Worker Survey

² 2022 PWC Employee Financial Wellness Survey



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How does financial coaching help?

According to the American Psychological Association, money is the top source of stress for American adults. Some of this stress can be alleviated through changes in financial behavior, but change is hard. Education and willpower are seldom enough. It often requires personalized guidance with accountability from financial experts who specialize in behavioral change. That's where financial coaching steps in. When employees receive this level of support, the results speak for themselves:

32%

report a reduction in financial stress within **3 months**

↑ 23%

Increase in participants who are considered financially resilient

97%

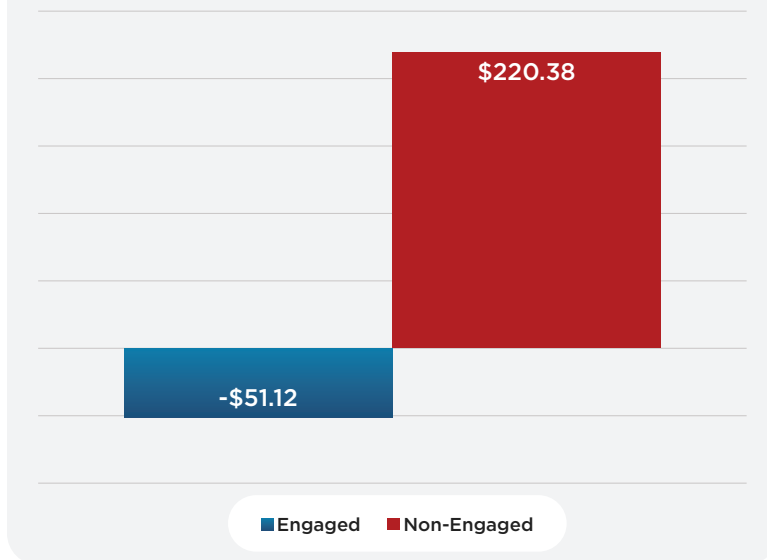
Agree they feel "better prepared to make a financial decision"

What value does the employer receive?

Financial stress is positively related to healthcare costs.⁴ When financial stress is reduced, the reduction in healthcare costs creates substantial savings for the employer:⁵

Annual change in healthcare cost

by engagement in financial coaching



Estimated cost savings to employer

\$271,500

per 1,000 employees

³ <https://www.apa.org/topics/stress/money>

⁴ Patel MR, Kruger DJ, Cupal S, Zimmerman MA. Effect of Financial Stress and Positive Financial Behaviors on Cost-Related Nonadherence to Health Regimens Among Adults in a Community-Based Setting. *Prev Chronic Dis* 2016;13:160005. DOI: <http://dx.doi.org/10.5888/pcd13.160005>.

⁵ <https://www.financialfinesse.com/2016/10/19/the-roi-of-workplace-financial-wellness/>



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What value does the employee receive?

Employers are not the only ones to see the economic benefits of financial coaching. See how one employee was able to change his life in less than one year when he engaged with a financial coach:



Derek was experiencing significant financial stress. He couldn't focus at work and his daily activities felt impossible to complete. With the help of his financial coach Julie, Derek identified some coping mechanisms he'd been using to soothe his anxiety that had been digging his financial hole even deeper.

Determined to unload the crushing weight of this stress, Derek and Julie developed an action plan. Not only was there light at the end of the tunnel, but Derek also had a road map to get there and a partner to hold him accountable.



Over the course of several months, Julie and Derek had periodic check-ins to track his progress and celebrate milestones. Sometimes those meetings were a time to refocus and reflect when there were setbacks.

In eight months, Derek reduced his debt by \$7,500 and built up his emergency savings to over \$5,000.

No longer living paycheck to paycheck and confident that he was prepared for a financial emergency, Derek finally had the chance to focus on managing the anxiety that had been plaguing him for years.





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What can I do to increase employee engagement?

To increase the efficacy of your financial coaching benefit, consider adopting these five best practices:

1. Promote engagement with incentives.

Offer monetary rewards or other perks to employees who engage with their benefit. This may include additional contributions to other benefit programs (e.g., HSA deposits), reductions in benefit costs, or entries into raffles with substantial prizes (e.g., one mortgage payment).

Financial Finesse clients that incentivize financial wellness average **3.8X** higher engagement than those that do not.

2. Show leadership support.

Obtain visible and vocal support from senior management and local wellness champions. An endorsement from high-level executives, managers, and respected colleagues can lend credibility to the benefit and demonstrate the company's genuine interest in its employees' financial health.

Financial Finesse clients that have senior leadership actively supporting financial wellness average **3.2X** higher engagement than those that do not.

3. Take advantage of decision moments.

Highlight access to financial coaching when people are thinking about their finances. This includes open enrollment, when annual bonuses are paid, during stock purchase periods, when retirement plan loans or withdrawals are requested, or when facing a major life event (e.g., marriage, having a baby).

Financial Finesse clients that highlight financial wellness benefits around key financial decisions average **3.1X** higher engagement than those that do not.

4. Raise benefit awareness through integrated communication strategies.

Seamlessly incorporate information about financial coaching into all existing employee benefit communication channels. This could include newsletters, intranet portals, and total reward statements.

Financial Finesse clients that integrate financial wellness into existing benefit communications average **2.1X** higher engagement than those that do not.

5. Make the benefit unique to each audience.

Customize the experience for specific groups and promote the benefit through channels where employees feel comfortable sharing and receiving information, such as an employee resource group (ERG) or company town hall.

Financial Finesse clients that customize the financial wellness benefit to each unique audience average **1.4X** higher engagement than those that do not.