

Taking the Lead in Financial Wellness

By Reeta Wolfsohn

What is the difference between financial wellness and financial well-being? What are the basics of financial problems? Why is financial wellness important to employers? This article will address these and other important matters pertaining to employees' financial health.

Financial Wellness vs. Financial Well-being

Well-being has traditionally focused on improving physical, emotional, and mental quality of life. But how dependent physical, emotional, and mental quality of life is on an individual's *financial well-being* has been essentially overlooked. Historically, financial well-being has been associated with the financial planning industry and focused primarily on building and protecting wealth.

What is financial *wellness*? It may be defined as, "having a comprehensive understanding of your current financial circumstances" or as, "having the skills and motivation to manage your money in a matter that consistently improves your present financial situation and contributes to a financially stable and secure future."

Financial well-being may be defined as, "the ability to navigate life's events. It's more than just setting financial goals, it's actually building toward them." Financial well-being means "feeling competent to manage your money to create financial stability today and in the future." It means knowing what steps need to be taken and then taking them, in terms of:

- Managing finances;
- Adjusting daily spending;
- Developing a savings plan; and/or
- Understanding credit.

Understanding financial well-being requires recognizing how well someone:

- Makes ends meet;
- Plans ahead;
- Chooses and manages financial products; and
- Possesses and uses money management skills and knowledge to make sound financial decisions.

The Basics of Financial Problems

Fifty-two percent of Americans spend more money than they earn, out of which 21% regularly have monthly expenses in excess of their income; and 13.5% adjust their spending the following month to get their finances back on track. The typical person *spends* \$1.33 for every dollar *earned*. In addition, one in four Americans has more debt than savings.

While Americans struggle with their finances, talking about it remains taboo. When asked which personal problem they would be most comfortable discussing, only 14% of respondents said finances, far behind other problems such as workplace concerns (23%) and health (21%).

Perhaps even more telling, *28% said they do not have anyone to talk to about their financial problems*. Nearly half (44%) sought the advice of a family member, while only 13% of respondents solicited a financial professional for assistance.

Moreover, 65% said that keeping financially "fit" (e.g. saving regularly and paying down debt) is as tough as or tougher than keeping physically fit. A few other telling statistics:

- Nearly half (43%) of people with credit card debt aren't making any progress toward paying it off.
- One-third (33%) of people spend money they don't have.
- Nearly one-third (31%) pay their bills with a credit card because they don't have the money readily available.

What Happens to People with Financial Problems?

Nearly one in five Americans has either considered skipping or skipped going to a doctor in the past year due to financial concerns. An overwhelming 75% of Americans report experiencing at least one symptom of stress in the past month due to financial worries.

People with financial problems may experience:

- Divorce;
- Bankruptcy;
- Wage garnishment;
- Credit card debt;
- Foreclosure;
- Hunger or homelessness;
- Job loss or underemployment;
- Increased healthcare costs; and/or
- Delayed retirement.

Financial problems also strongly impact people's emotional and physical health. Key money emotions include: *Fear* – More than half (52%) worry they will not be able to retire by age 65; *Embarrassment* – 28% hide their debt from other people; and *Stress* – 33% admit to losing sleep because of their finances.

Conversely, financial stress manifests itself *physically* in terms of: severe depression; insomnia/sleep problems; headaches; severe anxiety; high blood pressure; ulcers; back pain; and heart attacks.

Why Employees' Financial Problems Matter to a Company

Lack of financial wellness impacts an organization in three critical ways:

❖ **Productivity.** Nearly half (44%) of employees worry about personal finances while at work. Nearly one-third (29%) actually spend time at work dealing with personal financial problems. The *total time* spent worrying about finances is also substantial. Almost half (46%) spend between 1-3 hours worrying about money.

❖ **Retention and benefits.** Almost half (49%) of employees are somewhat likely to look for

new jobs, with the majority of those leaving citing financial concerns. An overwhelming (71%) of employees satisfied with their benefits list it as an important reason why they remain with their employer. Roughly half (49%) of employees surveyed say that they are counting on employers' benefits programs to help with their financial needs.

❖ **Health-related costs.** Roughly one-quarter (26%) of employees put off doctor visits due to economic conditions. This potentially allows minor medical issues to escalate into more costly problems. Employees who have levels of stress due to financial debt:

- Have twice the rate of heart attacks;
- Are three times more likely to have ulcers and other digestive tract issues;
- Are much more likely (44%) to suffer from migraines; and
- They experience a **500%** increase in anxiety and depression.

Employees' financial problems are their employer's financial problems because they inevitably spill over into the workplace. There are several seriously negative implications, which then impact company profits:

❖ **Absenteeism.** Financially stressed employees use more sick leave and are absent from work more often.

❖ **Presenteeism.** Although employees are at work, they spend time on activities unrelated to their jobs, such as talking to creditors. The Integrated Benefits Institute reports that presenteeism can account for three times more lost work than absenteeism.

❖ **Health concerns.** Unhealthy workers produce lower quantity and quality of work and have higher health costs. Distress over financial matters is contributing to irritability, anger, fatigue, and sleeplessness for over 52% of Americans.

❖ **Work conflicts.** Tardiness, incomplete work tasks, and accidents result when workers' personal issues interfere with their jobs.



❖ *Dissatisfaction and lack of commitment.*

Financially-stressed workers are less satisfied with their pay regardless of the money they make. Their disenchantment with work can lead to a lack of pride in their jobs and negative feelings about employers.

Successful Financial Wellness Programs

An estimated 72% of companies believe that employee financial education will benefit them, and yet only half of all companies currently offer some sort of financial education. Of companies that DO offer financial education, 68% find the information offered to be very useful.

Reasons for offering employees financial education include:

- Enhance employee and company performance, 46%;
- Improve morale, 42%;
- It's the right thing to do, 39%;
- Demand from employees, 37%;
- Increase participation in pension and benefits, 33%;
- Improve the bottom line, 24%; and
- As a benefit requirement, 18%.

There is a 3:1 or more return on investment (ROI) for employers who offer quality financial programs to employees. Moreover, financial education: 1) increases productivity; 2) decreases turnover; 3) and decreases workplace accidents caused by stress.

It needs to be stressed that financial circumstances are NEVER about money. They are always about a person's thoughts, feelings, attitudes, and beliefs ABOUT MONEY. Your relationship with money drives financial behavior, which determines financial circumstances.

The 10 Basics

A successful financial wellness program helps employees understand that:

1. Change is a process.
2. Financial well-being is a very personal, individual, and emotional choice.

A successful financial wellness program will help employees to:

- 3) Be more aware of their financial behavior.
- 4) Understand why they are in their current

financial condition, and how they want those circumstances to change.

- 5) Identify WIIFM (what's in it for me?)
6. A successful financial wellness program will help employees *develop the tools and skills to cope with the stress of financial problems.*
7. A successful financial wellness program will help employees *address the financial issues that drive financial behavior.*
8. A successful financial wellness program will help employees *eliminate the actions and habits that sabotage financial well-being.*
9. A successful financial wellness program will help employees *recognize the relationship between taking control of their money and gaining control of their lives.*
10. A successful financial wellness program will help employees *improve their relationship with money, change their financial behavior, reduce debt, and build assets.*

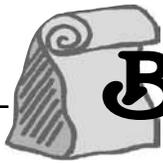
Summary

A successful EAP financial wellness program will *motivate* employees to choose to create financial well-being; *provide* the financial information required to make better financial choices and decisions; *support* behavioral change and success; *help* employees learn how to anticipate, prepare and cope with personal and financial setbacks and disappointments; and *reduce* self-sabotaging financial thinking, behaviors, and habits.



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Network offers "MY MONEY MYSELF" an employee/consumer online self-help program.



Successful Financial Wellness Programs BENEFIT BUSINESSES

Employees' Overall Health is Crucial

❖ **Healthy employees are happy employees.** An estimated 78% of employees in excellent health report being happy with their current job, as opposed to only 51% of employees in poor health.

❖ **Healthy employees are better off financially.** Compared to employees in poor health, healthy employees are more confident in their financial future – and by wide margins.

- 69% of healthy employees have a plan for achieving major financial goals, but just 43% of unhealthy employees do.
- 87% of healthy employees feel they are able to make ends meet, while just 61% of unhealthy employees feel the same.

❖ **Healthy employees value their benefits more than others.**

- 75% of employees in excellent health are satisfied with their benefits.
- 56% of employees in fair or poor health are satisfied with their benefits.

Quotes about personal finances:

“There are plenty of difficult obstacles in your path. Don’t allow yourself to be one of them.”

— *Ralph Marston*

“The price of anything is the amount of life you exchange for it.”

— *Henry David Thoreau*

“Too many people spend money they haven’t earned, to buy things they don’t want, to impress people they don’t like.”

— *Will Smith*

“My favorite things in life don’t cost any money. It’s really clear that the most precious resource we all have is time.”

— *Steve Jobs*

Source: Reeta Wolfsohn, CMSW, founder of the Financial Social Work discipline (www.financialsocialwork.com) and the Financial Therapy Network (www.financialtherapynetwork.com). Financial Social Work certifies social workers and non-social workers in the U.S. and other countries. The Financial Therapy Network offers “MY MONEY MYSELF” an employee/consumer online self-help program.