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Why Wellness?

It's no secret that many people are stressed—and stress has negative effects that spill over into all aspects of their lives, from their relationships to their work. Our research shows that 73 percent of Americans report moderate to high levels of financial stress—and 42 percent say their financial stress level has increased over the past year.[1] A number of factors likely contribute to this situation, such as a lack of adequate savings: Consider that approximately 40 percent of households across the income spectrum say they would not be able to afford a $400 unexpected expense.[2]

There is abundant evidence pointing to financial stress, specifically, as a dominant concern with an impact on the workplace. In one study, full-time employees name finances as their top cause of stress, surpassing their work situation, health issues, and family issues.[3] In terms of a remedy, 74 percent of these respondents say it is important for employers to offer financial wellness benefits. Other research reveals consistent results, finding financial challenges are the top cause of stress, and the majority of respondents indicate they would like help with their personal finances.[4]

Given these realities, many agree that financial wellness is important. Employers have taken this to heart and recognize the need, with some offering financial wellness programs at the workplace. LIMRA finds that almost 1 in 10 employers formally offer financial wellness benefits, in the group of "non-insurance" benefits intended to ease employees' growing financial concerns and mitigate their effects on productivity and retention.[5]

To be fair, not everyone is convinced that workplace financial wellness programs are the best way to address the core issue. Looking broadly across all wellness efforts (including health), there is research indicating that physical fitness is a key lever, correlated with better cognitive function, better health, fewer health claims, and less absenteeism—suggesting it consequently produces less stressed and more productive employees.[6] Another study found that employees in a wellness program reported better behaviors but "there were no significant effects on clinical measures of health, healthcare spending and utilization, or employment outcomes after 18 months."[7] So, what are employers to make of all of this?

Though viewpoints and evidence may be mixed, there is an undeniable need to address the weight of financial challenges people feel every day. Consider that:

- For many, debt is a tremendous burden. Average Americans today have almost $30,000 in personal debt, not including their home mortgage.[8] On average, 34 percent of their monthly income goes toward paying off debt. This makes it more difficult to manage day-to-day expenses, never mind "get ahead" and save for other goals.
- Student loan debt represents a specific problem. *Forbes* reports that student loan debt in 2019 is "the highest ever," with 44 million borrowers in the United States collectively owing $1.5 trillion—making it the second highest debt category behind only mortgage loans.[9] Borrowers from the Class of 2017 owe an average of $28,650. This issue is exacerbated by the fact that only 60 percent of college students graduate in four years,[10] thus paying even more in tuition. In addition, more people carry this debt for others (such as parents making their children's loan payments).
- Healthcare costs are increasing, and people often shoulder more of their own health expenses. A little over a quarter of people said their household had problems paying medical bills in the last 12 months.[11]

Compounding the problem, 16 percent of people cite health problems as a reason they retired earlier than planned.[12] Of course, employers have an interest in addressing this particular issue, as healthy employees are present and more productive.

- More employees—especially women—are now caregivers for their aging parents. This role can keep them out of workplace partially or entirely, and it increases the stress levels of those already working.

Ideally, to address at least some of these stressors, financial wellness programs help employees manage their day-to-day finances, save for important goals, and secure protection against significant risks. By doing so, they also reduce employees' stress level and improve their quality of life.

Notably, the advantages of offering these programs are not one-sided. They can create a strategic advantage for companies that design and position them well. For instance, employers recognize that today's low unemployment rates intensify the competition for talent (especially in industries like technology)—and that this type of "value added" benefit may attract candidates and retain employees.

For employers to build the right program for their unique culture and employee population, they must leverage both art and science. Successful initiatives share some common qualities:

- They begin with committed leaders who understand that financial wellness is a long-term mindset. It may take a few years for a program's full benefits to be apparent, since people do not just "instantly become" healthy—physically, emotionally, or financially. To make real changes, for example, employees would build and follow a plan for managing debt that works over time. This means that programs should not be viewed as "net neutral" or purely as cost-saving strategies.
- They operate with a clear understanding of the measures. Some metrics, such as participation and absenteeism, are easy to track. Others, including employee stress and financial literacy, are much more difficult to attribute to any one cause.
- They offer face-to-face resources from qualified, objective professionals. This helps build more genuine and trusted connections with employees. (In the spirit of trust, they also maintain employees' privacy, especially regarding their health data.)
- They do not pressure or require employees to participate. Not everyone is ready at the same time (or at all) for this type of support.

Ultimately, while there is no singular solution to the consumer debt crisis or employers' talent and performance challenges, financial wellness programs represent an encouraging place to start. They cultivate a situation where all parties stand to benefit: Companies build stronger connections with their employees and can focus on boosting business metrics. Workers gain the education, resources, and support to live their best lives. Our society will have a stronger underpinning of financial literacy. Done well, financial wellness programs can do so much good.

1 LIMRA eNation consumer survey, fourth quarter 2017 data, unpublished.

2 "Why Are So Many Households Unable to Cover a $400 Unexpected Expense?" Center for Retirement Research at Boston College, www.crr.bc.edu, July 2019.

3 "Morgan Stanley Study Finds That Financial Wellness Is an Opportunity to Reduce Employee Stress, Improve Retention and Engagement, and Differentiate Companies," www.businesswire.com, June 6, 2019.

4 *PwC's 8th Annual Employee Financial Wellness Survey*, www.pwc.com, accessed September 17, 2019.

5 *Hidden Currents: Under-the-Surface Changes in the Employee Benefits Market*, LIMRA, 2018 as cited in the *Workplace Benefits Resource Guide*, LIMRA, 2019.

6 "Effects of Physical Exercise on Cognitive Functioning and Wellbeing: Biological and Psychological Benefits," Frontiers in Psychology, www.ncbi.nlm.nih.gov, April 27, 2018.

7 "Effect of a Workplace Wellness Program on Employee Health and Economic Outcomes," JAMA Network, https://jamanetwork.com, April 16, 2019.

8 *Planning & Progress Study 2019*, Northwestern Mutual, 2019.

9 "Student Loan Debt Statistics in 2019: A $1.5 Trillion Crisis," www.forbes.com, February 25, 2019.

10 National Center for Education Statistics. "Fast Facts" accessed at https://nces.ed.gov/fastfacts/display.asp?id=40

11 Hamel, Liz, Mira Norton, Karen Pollite, Larry Levitt, Gary Claxton, Mollyann Brodie and the Kaiser Family Foundation. "The Burden of Medical Debt." January 2016.

12 *Journey Beginnings: Recent Experiences in Retirement Timing*, LIMRA Secure Retirement Institute, 2019.