



# EMPLOYEE FINANCIAL WELLNESS REQUIRES FINANCIAL AWARENESS

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Whitepaper

**As the economy slowly recovered after the Great Recession of 2007, employers recognized that when their employees had high levels of financial stress at home, their productivity at work suffered. To help their workforce boost financial literacy and build better spending, saving, and investing habits, businesses began to offer a broadly defined number of “financial wellness” options as part of their menu of employee benefits.**

Today, as employees struggle to recoup income and savings losses sustained during the COVID-19 pandemic, help with financial literacy has become an increasingly desirable benefit. According to a financial wellness survey, researchers urged companies to provide financial planning and financial coaching to employees to help them with making difficult decisions such as buying a home or getting married.<sup>1</sup>

## HOW FINANCIAL AWARENESS HELPS DRIVE FINANCIAL WELLNESS

Employer-sponsored financial coaching programs vary in scope, but all aim to help employees improve their financial literacy and their skills in managing their resources for the short and long term. These skills might be as basic as learning how credit scores function or as advanced as understanding the tax implications of early retirement.

With financial literacy as their foundation, employees are better equipped to determine how their financial resources should be allocated to support their needs and wants throughout all stages of life. This is financial wellness at its core.

### Reaching financial wellness means:



Efficiently managing daily and monthly finances



Having safeguards in place to help prevent or absorb financial shocks



Tracking progress toward financial goals



However, while financial literacy is the foundation, employees need something more. As John Stanley, senior managing director of Employee Benefits at Transamerica, explains, “Employees must make a commitment to financial wellness similar to their commitment to mental and physical wellness. Employees can’t achieve wellness unless they have financial awareness.”

For employers working to offer the most appropriate financial literacy support, that means they must create programs that are not only holistic, but also tailored to each individual’s needs, preferences and self-assessment.

### **RETIREMENT READY CHECK-UP TOOLS PROVIDE A BIG-PICTURE VIEW OF FINANCIAL POSITION**

How do employers help employees get started? Let’s compare this process to physical wellness. With physical wellness employees have access to many resources. Annual physicals to identify risks and identify opportunities to become healthier, wellness programs that encourage healthy eating and physical exercise, and apps that help guide them toward goals and hold them accountable.

For example, Stanley notes that due to a hectic work schedule and frequent travel, he required help and accountability in order to achieve a healthy and balanced lifestyle. He now works closely with a nutritionist who has outlined a personalized health and wellness plan.

“I knew that I needed to make wellness a focus and that a plan, and someone to hold me accountable, would be critical. This is the challenge that most working Americans face today. Building a retirement plan and maintaining accountability is no different. When tools are available, we all benefit from them.”

Financial wellness is very similar.

Employers help their workforce to develop financial awareness by investing in retirement ready check-up tools. These resources help employees take a personal inventory of:

- Income
- Expenses
- Debt
- Investments
- Risks
- Short-, mid-, and long-range goals

These resources include both personal interaction and digital tools to meet their employees where they are — not only in terms of how they prefer to communicate, but also in terms of their stage of life. Stanley says, “all of these work together to achieve the goal of helping employees to live their best lives.”

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Senior Managing Director, Employee Benefits at Transamerica,  
**John Stanley**

Once employees use these retirement ready check-up tools and start becoming aware of their position related to income, savings, debt, risk, and retirement, they often must change behaviors to improve their overall personal balance sheet to reach financial wellness. The components of personal finance are dynamic and interdependent, so the best decision-support tools give users a big-picture view that integrates long-term goals, like retirement, as well as short-term goals, such as avoiding debt and protecting income.

“More plan administrators are investing in these retirement ready check-up tools and experience tools,” Stanley says. “They are looking for ways to streamline the number of places the employer and employees must go to become more aware of their current financial situation and take incremental steps towards planning for their future.”

## **GUIDED ASSESSMENTS HELP SIMPLIFY THE PERSONAL INVENTORY PROCESS**

Two highly effective tools for supporting employees as they build their personal financial inventory are self-assessment or advisor-guided assessment. Following the step-by-step process, employees can ask themselves a series of questions to better understand their overall financial situation and explore options for improving it.

Some potential employee questions can include:

- Currently, what do my finances look like?
- Am I in a good financial position? Am I in a not-so-good financial position?
- How much money is in my emergency fund?
- If I’m injured and can’t work, how will I pay the bills?
- What is a deductible? What is a co-pay?
- What is maximum out-of-pocket?
- How much will I pay out-of-pocket if I need emergency or inpatient care?
- Can I afford out-of-pocket costs?
- If I die, how will my family pay the bills?
- Do I have enough life insurance to cover my family’s needs?
- How can I pay off my debt faster?
- Do I have a short-term and long-term plan for retirement?

## **TRANSAMERICA EMPLOYEE BENEFITS HELP PROTECT HEALTH AND WEALTH**

Financial behaviors can be slow to change, and the payoff in financial wellness may seem equally slow to arrive. Managing risk, however, is more urgent than ever because high levels of debt and low savings continue to be major concerns. In fact, for those who made money-related goals for 2021, about half said they want to reduce debt or become debt-free.<sup>2</sup> A July 2021 Bankrate survey revealed that one in four Americans have no emergency savings.<sup>3</sup>

Employees who are financially literate are more likely to understand their need for — and the true value of — employee benefits provided or offered by their employer that offset financial risk. They make more fully informed decisions during open enrollment when reviewing benefit options, such as life insurance, supplemental health insurance, and disability insurance.

When a person experiences an unexpected injury or illness, they might not only lose income from taking time off work. They can also incur medical debt that sets their financial wellness back for years. Employers can help their workforce manage this significant financial risk, and meet their debt-reduction goal, by offering and raising awareness about supplemental health benefits. Transamerica supports this awareness by providing employers with user-friendly, straightforward educational materials to share with employees.

Employers who pair Transamerica employer-paid and voluntary benefits with major medical insurance offer their employees a seamless, one-carrier experience to help them protect their health and wealth.

These benefits include:

- Employer-paid major medical insurance
- Employer-paid short- and long-term disability insurance
- Voluntary accident, critical illness, and hospital indemnity insurance
- Employer-paid and voluntary life insurance
- Health Savings Accounts (HSA)
- Student loan repayment

Transamerica supplemental health insurance can potentially decrease employer costs while helping employees cover the out-of-pocket medical expenses their major medical insurance won't cover — such as co-pays, co-insurance, and deductibles.

## THE BENEFITS OF FINANCIAL WELLNESS PROGRAMS FOR EMPLOYERS

For employers, the payoff for investing in financial wellness programs can be high. One study of employers offering financial wellness programs showed that “44% ranked the participation rate in the program and improved company culture” as top benefits. The study continued, “These were followed closely by increased productivity (42%), increased employee retention (41%), and increased employee morale (40%).”<sup>4</sup>

However, even though the general concept of employer-sponsored financial wellness has become mainstream during the past decade, the execution and effectiveness can vary widely. Another study reports that only 45% of employers offer financial support programs that “help develop financial skills and good financial habits.”<sup>5</sup>

## A LIFETIME OF FINANCIAL SECURITY GROUNDED IN EMPLOYEE BENEFITS

Since their inception a decade ago, employer-sponsored financial literacy programs have continued to evolve. Modern decision-support tools make it easier for individuals to protect their own and their family's health and wealth.

Once employees understand how their current financial position fits into their short- and long-term goals, they are empowered to make the best decisions about how supplemental benefits can support their vision.

“Our goal is to help people live their best lives,” Stanley says. “We recognize that there is no one formula that works for every employee, so we strive to provide the retirement ready check-up tools and access to resources that help each individual meet their life goals.”

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<sup>1</sup> “2022 PwC Employee Financial Wellness Survey,” PwC, Accessed on February 23, 2022.

<sup>2</sup> “51% of Americans Will Set a 2021 Money Resolution, and Getting Rid of Debt Tops the List,” MagnifyMoney.com, Tuesday, December 15, 2020.

<sup>3</sup> “Survey: More Than Half of Americans Couldn't Cover Three Months of Expenses With an Emergency Fund,” Bankrate.com, July 21, 2021.

<sup>4</sup> “Employers Support Expansion of Financial Wellness for Employees,” eMoney.com, March 9, 2022.

<sup>5</sup> “2021 Workplace Benefits Report,” Bank of America, September 2021.

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