



Financial Woes Interfere in the Workplace

by Jonathan Hefner, MA LP

“Robert” called his company’s employee assistance program after attending a workplace financial education seminar, looking for information about finances, particularly bankruptcy—he was overextended from college expenses and facing foreclosure on his house. In discussion with a counselor he began to see options that would establish some financial stability, allow him to keep his home, and not require him to file bankruptcy. His adviser connected him with a local counselor who could help him work through some family issues that were exacerbating these challenges.

Economic and political events of recent years have rocked the U.S. economy and created financial turmoil for many individuals. The bursting of the technology bubble, the Sept. 11 attacks, recession, corporate scandals—these events and others have left consumers worried about their finances and looking for help, yet confused about whom they can trust. Record levels of personal bankruptcies and steadily growing consumer debt indicate that many consumers lack basic money management skills.

Both the public and private sectors recognize that the current eco-

nomie climate—combined with this high level of financial illiteracy—indicate a clear need for greater emphasis on financial education. Schools, government agencies, financial institutions, and nonprofits alike have launched numerous educational programs designed to improve financial literacy and enhance individual money management skills with varied success. Research conducted on these efforts to date has helped us to better define the needs and to choose the most effective avenues. Workplace financial education has proven to be successful and full of opportunities for

future development.

Employers have been offering workplace financial education for years, with most past programs focusing on investing for retirement, usually via a professionally managed defined benefit pension plan. With the recent shift to more defined contribution plans, such as 401(k)s, employees have more responsibility for managing their retirement planning, but they continue to turn to their employer for reliable financial planning information and guidance—giving employers a unique opportunity.

The need is real

A 2001 survey conducted by the International Society of Certified Employee Benefit Specialists, Brookfield, Wis., indicates that 96% of respondents agreed that “Workers want and need financial planning education and advice” and they often turn to their workplace for it. Employers also increasingly recognize that many employees lack the most basic money management skills, and that the resulting financial problems they experience affect their productivity and performance.

Use these general principles of adult learning in creating effective education tools for the diverse workplace:

- Tie learning to motivation. Adults must believe that the information presented will help them to attain a desirable goal.
- Consider the audience—information provided should address the specific needs of those individuals present as much as possible.
- Adapt to individual learning styles. Some people are visual learners and some learn best by listening.
- Encourage personal interaction. Adults seek out others for advice and tend to value a high-touch approach to education. They also value objectivity and experts who won't push them to buy products.
- Allow adults time to assimilate new information and to apply new knowledge to specific areas of their lives.

These trends have made it clear to employers that workplace financial education is both wanted and needed, but that it needs to be re-defined as employees need assistance with an increasingly broad range of financial issues. The National Endowment for Financial Education® (NEFE®) recently outlined some elements of a “meaningful” workplace financial education program, which would address these deeper issues. NEFE suggests programs focus on presenting financial “knowledge and skills to help people better manage their lives” and that programs deliver information in a clear and simple manner so employees understand the information and can use it effectively. The Financial Planning Association also recommends that traditional workplace financial education be expanded to include information on “fringe benefits, credit and money management, and consumer protection laws.” The consensus of the two groups is that workplace financial education should be broader in scope and more user-friendly.

Employers and workers benefit

Studies demonstrate that workplace financial education programs effectively improve participants' money management skills. So if the need for such programs is clear and their effectiveness has been proven, why don't more employers provide

this type of resource in their workplace? Two challenges may explain this: 1) fears and knowledge gaps on the part of employers, and 2) the challenge of effectively educating an increasingly diverse adult audience.

When employers are asked why they don't offer employees more financial education resources they sometimes say there are too many associated costs. However, failing to provide financial education to employees actually can increase an employer's overall costs. In a 1995

Failing to provide financial education to employees actually can increase an employer's overall costs.

survey conducted by the Cambridge Human Resource Group Inc., Chicago, 32% of corporate human resource executives and managers surveyed cited lost productivity due to financial stress as the most pressing overlooked workplace issue. Virginia Polytechnic Institute, Blacksburg, Va., researchers concur, stating that about 15% of U.S. workers currently are experiencing financial stress to the extent that it affects their productivity. A 1997 financial counseling and planning study estimated this

productivity loss at \$600 per employee each year.

Productivity losses are not the only employer cost associated with the lack of financial education. Numerous studies link stress—and stress related to finances in particular—to health problems that affect attendance, performance, and health insurance costs. An older study indicated that 70% or more of all job absenteeism resulted directly from stress-induced illnesses. Stress, including that caused by financial concerns, also has been linked to drug and alcohol abuse, which can further increase absenteeism, on-the-job accidents, health-care costs, and employee theft.

Some employers also fear that providing financial education will be construed as giving “investment advice,” and that employees who suffer financial setbacks as a result of following this advice will sue the employer. Although this can be a valid concern, remember that federal standards may provide protection to employers who retain appropriate educators. Moreover, some would argue that employers

who don't provide needed financial education to employees open themselves to potential liability. Appropriate education delivered by qualified personnel may therefore be a responsible path.

Some past workplace financial education programs were criticized for their failure to deliver effective learning experiences to broad and diverse audiences, but many employers find it hard to know how to improve their offerings. Educators emphasize that both the type of information conveyed, as well as the means of delivery, are vital to

effective workplace financial education. Financial professionals also are discovering that the needs of emerging audiences, such as women and nonwhite populations, may differ significantly from the traditional workplace audience and require customized resources.

The medium matters

Jan Garkey, special materials editor in Credit Union National Association's (CUNA) center for personal finance, says, "Workplace financial education can take many forms such as lunch 'n learns, on-line tutorials, or a series of 45-minute seminars. Offer topics that trip employees' triggers—everything from getting records ready for the tax man, to preventing a credit card hangover in January." Garkey, who has presented hundreds of seminars, says, "Diversity is key, particularly with respect to delivery method and topics: The problems employees

experience could range from repossession of vehicles as they're paying interest on 15 maxed-out credit cards and paying off high medical bills at the same time they're hashing out a divorce settlement."

Employers who want to enhance their own and their employees' bottom lines are wise to sponsor broad and interactive workplace financial education programs led by experienced and objective presenters. Credit unions can offer the expertise and objectivity that employers need to implement such programs, so have a wide-open opportunity to assist with this effort. Employee assistance programs also can be invaluable resources for employers. Employers who sponsor such programs reap the rewards of improved employee loyalty and productivity, and the satisfaction of knowing that they have helped to ensure someone's financial future.

Resources

Credit Union National Association

- *Your Credit Union: What's in it for you?* Folder & booklet: Insert your business card in the die cuts inside, and your credit union's brochure, list of products and services, and most recent financial statement in the front or back pocket. Inside, an 8-page booklet tells the credit union story through full-color photographs and an easy-on-the-eye layout (Stock No. 23085-SUP; 800-356-8010, ext. 4157).
- *Your Credit Union: What's in it for you?* This 12-slide presentation highlights the benefits of credit union membership and explains what makes credit unions unique (Stock No. 23667-SUP; 800-356-8010, ext. 4157).

Jonathan Hefner, MA LP (jonathan.p.hefner@ceridian.com) is the manager of legal and financial services for LifeWorks at Ceridian HR Solutions, Minneapolis.



Spread the word about your small-business services

The *Fundamentals of Small-Business Finance* will help you guide small-business owners through not just getting the loan, but all the other critical steps to success – from creating a solid business plan to improving profitability.

By showing members that you are a personal, trustworthy information resource, you also position yourself as a more viable lending resource.

Order small business statement stuffers, handbooks, posters, and table tents today! And show small-business owners the valuable role your credit union plays in getting them “open for business” too.

To order, call 800-356-8010, press 3 or visit buy.cuna.org and enter Small Business Products in the search box.


