

Financial wellness – why January is the perfect time to start thinking about your employees' financial health

Planning to change your life for the better now the calendar has turned over to a new year? If you are, you can bet your employees are too. January is a time where many of us look to take stock and set good habits and goals for the year ahead – and while we're often focused on healthy lifestyles, it's also a good time to think about finances.

This can be a difficult time for people financially given that, for large parts of the world, it follows on from the holiday season where many might have overspent, have outstanding credit card debts or have longer to wait between pay days because of public holidays.

Over the past few years, the importance of employees' health and wellness has risen rapidly up the corporate agenda, accelerated by the impact of COVID-19, fears around job insecurity and the shift to work-from-home. Many multinationals have focused their efforts on a variety of health and wellness initiatives, rolling out dedicated support and benefits to better promote healthy lifestyles and overall staff wellness.

The importance of these programmes is widely understood. In MetLife's annual U.S. Employee Benefit Trends Study 2021 employee wellbeing is predicted to have the greatest impact on the workplace of the future (cited by 74%), followed by the ability for employees to work remotely (71%), and employee mental health, stress, and burnout (70%).¹

As understanding of these issues has grown, multinationals have begun to realise the part they can and should play in the financial wellness of their employees, and how employee benefits programmes need to evolve to meet this demand. Given the undeniable link between financial difficulties, mental health and lack of productivity at work, how should employers look after the financial wellbeing of their employees as they would their physical and mental health?

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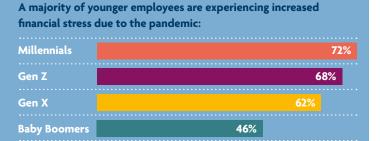




The risks of financial unwellness...²

PwC's 10th annual Employee Financial Wellness Survey found that with COVID-19 disrupting people's lives, finances are the top cause of employee stress, even above job, health, and relationship stress combined.

It found that 63% of employees say that their financial stress has increased since the start of the pandemic and 49% believe they'll need to use money in their retirement plans prior to retirement.



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What is financial wellness?

Willis Towers Watson describes financial wellness as, "achieving the state of being financially secure means having the ability to manage budgetary commitments, meet financial goals, protect against risks, save for contingencies or future needs like college or retirement and cope with financial shocks."

Two common elements of financial wellness include people having access to the information and tools necessary to make good financial decisions and having in place a financial plan to help manage their finances and plan for the future. And it is here, perhaps, that multinationals and employers have a role to play in building better financial wellness for their employees. Employers can do this in a

number of ways – from financial education to communications processes and solutions that help promote financial wellbeing.

These services are becoming more popular too. The data from PwC shows that financial wellness tools were used by 88% of those they were available to in 2021, compared to just 51% in 2012.²

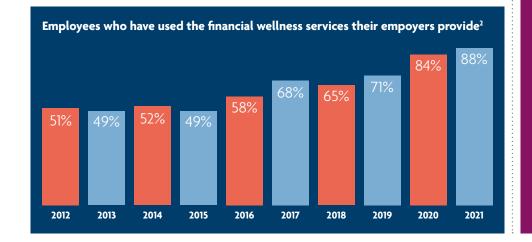
And these solutions are no longer just expected by permanent employees. Multinationals are relying on non-traditional workers – freelancers, contractors, gig workers etc – to fulfill valuable roles throughout an organisation, so should begin considering the financial wellness needs of everyone who works for them – permanent employee or otherwise.

The importance of financial wellness to the fast-growing non-traditional worker segment

Some research we commissioned recently found that 47% of all respondents would be likely to consider non-traditional work if companies provided suitable benefits.

However, those already in non-permanent work said they were still significantly underserved in terms of benefits. More than three quarters (79%) said there were gaps in their benefits; rising to 86% for 18-29-year-olds and 83% for female respondents. The most commonly identified gaps in benefits were private medical insurance (23%) and pensions (27%), with over half of respondents identifying these areas as lacking.⁴

Without these safety nets, those undertaking non-traditional work could be less able to cope with a financial shock.





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A win-win situation for employers and workers

We think it's fair to say that everyone benefits when workers are on top of their finances and can bring their full attention to their work.

Mercer says that organisations have "every reason" to want their employees to be financially sound and that an effectively designed employee financial wellness programme can help employers in a number of ways.

- Improved productivity because employees aren't distracted by financial worries.
- More predictable workforce flow throughout the organisation.
- Improved physical health (people with high levels of financial stress are more prone to sickness).
- Increased employee engagement and retention.
- More affordable retirement opportunities for all employees which enables career advancement opportunities for younger employees.⁵

Mercer says: "Improving employees' financial wellness can lead to heathier employees,

reduce absenteeism and lower turnover rates while raising employee satisfaction and improving the employer brand."⁵

According to another article, a high level of financial wellness gives employees the ability to make better, more informed decisions and manage a successful long-term strategy. It said, "When employees have a comprehensive understanding of their finances, they can create effective strategies for dividing and potentially automating their pay checks between bills, savings, investments and other commitments."

And in its 10th annual Employee Financial Wellness Survey, PwC concluded that employers who invest in improving employee financial health can "reap long-term benefits in metrics that matter to the organization, but it starts with a commitment to employee financial wellness as an integral piece of your organization's total wellness culture."²

In summary, when workers face fewer financial worries and distractions, employers benefit from a more focused, engaged, and productive workforce. But employers need to prioritise financial wellness programmes to help build the skills workers need to be more savvy with their money.



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How can employers help their workers actually take action?

Many will already have strategies and programmes in place, with lots of these being fine-tuned or developed as new technologies and solutions are available and allow greater personalisation and service optimisation. Communication, as always, remains vital – getting feedback from employees can help mould strategies and improve engagement.

Standard employee benefits such as pensions and insurance are obvious areas to focus on. Perhaps offering these to all workers – permanent or not – could be a next step?

Flexible benefits and personalisation options could also become more important, with firms offering top-up or voluntary benefits. These allow employees to increase or decrease contributions into life insurance plans, pensions and more to suit changes in their circumstances and needs.

And the role that dedicated employee assistance programmes (EAPs) play, in partnership with third parties such as pension providers and financial advisers, are also key – particularly given the wide range of apps and other tech-led digital services now available to employees.

MetLife believes the "four C's" should form the basis of any financial wellness strategy. 7

- Control help employees establish good financial planning habits and encourage them to continuously revisit these.
- Capacity promote building a savings pot to absorb a potential financial shock.
- **Confidence** if employees have control and capacity, ultimately they build confidence and can begin to plan towards future savings goals.
- Choices control, capacity and confidence empower individuals to have choices for their disposable income, giving them a better quality of life.

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Ways to promote financial wellness – key elements of a core programme⁸

A recent article in Forbes asked a panel of experts to define 14 ways companies can help deliver financial wellness to employers and create a more positive working environment.

- Provide access to educational resources
- Get them engaged early on
- Offer merit-based rewards
- Call on your own expert team
- Help them meet their major expenses
- Work to ensure a less stressful workplace
- Provide one-on-one assistance
- Practice open-book management (showing how each employee can impact the financials)
- Make it easier for them to access funds
- Organise lunch-and-learn sessions
- Ensure they're fully aware of the available benefits
- Ask them what assistance they need
- Contribute to their health savings accounts (HSAs) or similar
- Incentivise participation in retirement savings programmes

The article added, "Research has shown that helping employees with financial wellness can improve retention and quality of work and create happier workplaces. Businesses can promote financial wellness by offering such benefits as bank accounts that are directly embedded into their payroll system and access to low-fee options to cover unexpected expenses between paydays."



Despite COVID-19 being a factor in all our lives for almost two years, the new Omicron strain and the ongoing economic recovery process are continuing to impact our working, social and personal lives. Finances remain under stress for many, whether they are permanent employees or non-traditional workers, particularly those working in sectors such as hospitality, leisure and travel, and for those with young families who may also have to shoulder additional childcare costs.

For employers, employees in stressful financial circumstances are less productive and less likely to remain at their jobs. One study by Mercer found that 22% of employees report missing at least one day of work to handle financial problems, 15% reported spending at least 20 hours a month working on personal financial tasks at work, and a full 20% have had to resign due to financial stress.⁶

PwC's survey found that with more than 50% of financially-stressed employees embarrassed to ask for help with their finances, employees "overwhelmingly crave help with their finances".

It added. "One-third [of employees] rank a financial wellness benefit with access to unbiased coaches as the employee benefit they'd most like to see added at their organization, and usage of employee financial wellness programs is at an all-time high."²

But with much better awareness of the challenges, financial wellness need no longer be underdiscussed or missing from a wider health and wellness strategy, particularly given the hugely positive role that new technologies and assistance programmes can play.

Is 2022 the year that you make financial wellness your priority in your organisation? The benefits could be very rewarding for you and your workers.



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- $1 \quad \text{Glenn Llopis, Forbes https://www.forbes.com/sites/glennllopis/2021/07/24/theres-no-growth-without-health-employee-wellbeing-is-non-negotiable/7sh=3481332e2986 (sourced December 21)}\\$
- $2 \quad Anon, PwC \ https://www.pwc.com/us/en/services/consulting/workforce-of-the-future/library/employee-financial-wellness-survey.html (sourced December 21) \\$
- 3 Anon, Willis Towers Watson https://www.willistowerswatson.com/en-KE/Solutions/wellbeing (sourced December 21)
- 4 MAXIS GBN conducted research with 1,205 employee workers in October 2021 based across the UK, USA, UAE, France, Spain, South Africa, Mexico and Indonesia with equal weighting across regions. The research was undertaken online by an independent third party.
- $5 \quad Anon, Mercer\ https://www.mercer.com/what-we-do/wealth-and-investments/employee-financial-wellness.html\ (sourced\ December\ 21)$
- 6 James Carlson, Corporate Wellness Magazine https://www.corporatewellnessmagazine.com/article/what-is-financial-wellness (sourced December 21)
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- 8 Anon, Forbes https://www.forbes.com/sites/forbesfinancecouncil/2021/10/21/14-ways-companies-can-promote-financial-wellness-among-employees/?sh=5955e30a1166 (sourced December 21)

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