

# Rewarding Employees When You're Growing



During a season of growth, your company may have the free cash flow to reinvest in the employees fueling your success. The word *invest* here is pointed, because not all salary and benefits spending nets the same business results. Spending that addresses employees' needs and wants, while supporting workplace engagement and productivity is the win-win you're looking for.

One employee benefit worth investigating is financial wellness. In a recent survey, 83% of human resources professionals said that personal financial challenges have a large or some impact on employee work performance.<sup>1</sup> Stress and the ability to focus are aspects of employee work performance that are negatively affected when employees face personal financial challenges.

The number of companies promoting financial wellness in the workplace is on the rise. Human resources consulting firm Aon Hewitt polled more than 400 companies and found that three out of

four organizations are somewhat or very likely to expand employee benefits designed to promote financial wellness.<sup>2</sup> If they do, they're likely to see the win-win situation every company with this employee benefit looks for: up to \$3 saved for each dollar they spend.<sup>3</sup>

### The high cost of financial stress

According to the American Psychological Association survey, Stress in America™, money and finances are and have been the top stressors since the survey began in 2007.<sup>4</sup> The repercussions of financial stress in the workplace can be detrimental to a company's bottom line. In a survey by PricewaterhouseCoopers, 20% of employees said that personal financial issues are a distraction at work. What's more, 37% said they spend three or more hours each week thinking about or dealing with issues related to their personal finances.<sup>5</sup>

In a survey by MetLife, 22% of employees said they had taken unexpected time off to deal with a financial issue.<sup>6</sup> Stress also takes a toll on workers' physical health, making individuals vulnerable to illness that, in turn, increases health care spending.

A Federal Reserve study found that financial stress costs an employer an average of \$5,000 per employee per year.<sup>7</sup> With this information in mind, employers of all sizes should consider promoting financial wellness by helping their employees develop the skills to better manage their money.

### Money on the mind

Aon Hewitt's Financial Mindset™ Study found that 60% of employees describe themselves as just getting by or experiencing financial difficulties.<sup>8</sup> They say debt is a problem, and a majority of employees have not done adequate long-term planning. The study also shows that employees generally have good intentions and understand that they need to save. However, they feel overwhelmed and lack full confidence when it comes to investing and planning for their future.

### Top 5 financial worries



1. Health care costs
2. Saving for the future
3. Keeping up with cost of living
4. Paying rent (non-homeowners)
5. Paying monthly bills

Source: Aon Hewitt's Financial Mindset™ Study.

The study cites that employees are looking for their employers to provide guidance to help them make smart financial decisions.

## Money worries at work

**20%** of employees report that issues with personal finances have been a distraction at work.

**37%** say that at work each week, they spend three hours or more thinking about or dealing with issues related to their personal finances.

Source: PricewaterhouseCoopers, Employee Financial Wellness Survey, 2015.

They want help saving for retirement, emergencies, education, and their short- and long-term wants and needs. Most of all, they want unbiased financial advice. This includes an assessment of their current financial situations, how to get on track for retirement, and how to manage their day-to-day finances. Employees are also less interested in general financial education and more interested in topics relevant to their specific situation.

## In-demand financial services and tools



1. Retirement planning information or courses
2. Access to a personal investment advisor
3. Investment information and courses
4. Debt management and budgeting information and courses
5. Financial information and/or advice website

Aon Hewitt's *Financial Mindset™* Study

## How employers can help

You now know about the financial worries that plague your employees and the type of help they're looking for from employers. Here are several strategies you can implement to help improve their financial situations.

### 1. Personalize the experience.

Employees are interested in information that's relevant to their specific situation. For example, an employee with three years until retirement may be interested in 401(k) and IRA catch-up contributions, while an employee just out of college may need help budgeting for daily expenses while paying down student loans. Financial advice addressing life stages or specific savings needs is successful at driving behavior change. That's because it provides direct guidance tailored to one's individual needs, as opposed to a one-size-fits-all approach.

### 2. Make it easy and rewarding.

Encourage retirement plan participation by making it easy and rewarding. According to the Financial Mindset™ Study, the top three drivers of plan participation are automatic payroll deductions, employer matching, and tax advantages. Don't assume employees know how employee matching works, or how pretax contributions save them money. Communicate the benefits of these features and provide access to online tools and calculators so they can see how plan savings can add up over time.

**4. See how you stack up versus the competition.** Review your overall employee pay and benefits package to see if it's competitive with your peers.

**3. Leverage existing educational tools and channels.** Reach out to vendor partners and inquire about financial tools and resources that may be available to your employees. You may find resources that are available at little to no cost.

## ADP® is in your corner

There are many ways ADP can help you help your employees feel less financial pressure. We can help you evaluate the competitiveness of your pay strategy. In doing so, you can look to offer more competitive compensation and benefit packages. ADP can also help you offer a 401(k) retirement savings plan to help employees save for a secure financial future.

<sup>1</sup> Society for Human Resource Management, SHRM Research Spotlight: Financial Education Initiatives in the Workplace.

<sup>2</sup> Aon Hewitt, 2014 Hot Topics in Retirement.

<sup>3</sup> Consumer Financial Protection Bureau (CFPB), Financial wellness at work.

<sup>4</sup> American Psychological Association, Stress in America™ survey.

<sup>5</sup> PricewaterhouseCoopers, Employee Financial Wellness Survey.

<sup>6</sup> MetLife, Inc., 10th Annual Study of Employee Benefits Trends: Seeing Opportunity in Shifting Tides.

<sup>7</sup> Quian, Ruisha, "The Toll of Financial Stress in the Workplace," Kiplinger, June 18, 2013.

<sup>8</sup> Aon Hewitt, Financial Mindset™ Study.