Financial wellness at work

A review of promising practices and policies

Consumer Financial Protection Bureau

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Message from Richard Cordray

Director of the CFPB

The Consumer Financial Protection Bureau is the nation's first federal agency whose sole focus is protecting consumers in the financial marketplace. The Dodd-Frank Wall Street Reform and Consumer Protection Act also authorizes us to develop and implement initiatives to educate and empower consumers so they can make better and more informed financial decisions. Our job is not only to make the marketplace safer, but also to help people build the skills they want and need to improve their financial lives.

Financial education is central to this mission. If we expect consumers to be responsible for the choices they make, we must support them in developing the skills and knowledge they need. Our strategy to increase people's financial literacy and financial capability includes providing tools and information to help people navigate these decisions, collaborative initiatives with our partners to help us reach consumers, and foundational research to identify, highlight, and spread effective approaches to financial education.[1]

This leads us to focus on financial education in the workplace, where people make some very important financial decisions. At work we may decide how much to save for retirement, whether and how to secure health and life insurance, and whether to set aside funds to meet child care and medical expenses through specialized savings accounts. As more employers give employees

[1] CFPB, Financial Literacy Annual Report 3 (July 2014), available at http://files.consumerfinance.gov/f/201407_cfpb_report_financial-literacy-annual-report.pdf.

the ability to split their paychecks automatically into savings, investments, and checking accounts, the workplace is also helping us set aside money for college, a new car, or a rainy day.

Given this natural connection between the workplace and certain key financial decisions, some employers are already playing a critical educational role for their employees. We are pleased to be reporting here on some of their promising practices and policies. The evidence is preliminary as yet, but some of the initial research on financial education in the workplace already suggests that a financially capable workforce is more satisfied, more engaged, and more productive for their employers.

In this report, we specifically describe financial wellness efforts at five companies: Nebraska Furniture Mart, health care provider QLI, Staples, Goodwill of Central Texas, and Pacific Research. Each of these companies is innovating in financial wellness efforts and finding value in reducing and addressing the negative effects of financial stress on employees. They all took the time to share with us their best practices, and we appreciate their input and believe other employers could adapt and learn from their ongoing initiatives. We also highlight one particular public-private partnership that is operating effectively at scale to support employers and help them take action: Delaware's "Stand by Me" program. State and local officials would do well to consider how they can adapt or replicate the benefits of this program in their own jurisdictions.

Forward-looking employers are already playing an important role in shaping a better future for their employees and our country. We intend this report to spark important discussions about how we can help American workers improve their financial security by developing the financial skills they need to build a better life for themselves and their families.

Sincerely,

Richard Cordray

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1. Introduction

American consumers have come through the Great Recession feeling uneasy and financially insecure.[2] Many, if not most, families say they live paycheck to paycheck. [3] A majority consider their financial situation to be "only fair" or "poor."[4] At night many Americans ponder how to make ends meet. They worry over children, relatives, and friends who have lost jobs. When morning comes, these same Americans take their places in factories and offices where they are expected to do their best to compete across a global economy. But these workers don't leave their money worries at home.

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[2] American Dream and Financial Security, Washington Post-Miller Center Poll (Sept. 6-12), Washington Post, http://www.washingtonpost.com/politics/polling/postmiller-center-poll-american-dream-financial/2013/11/25/b9cec6ca-2892-11e3-8ab3-b5aacc9e1165_page.html ; see also, e.g., Rakesh Kochhar & Rich Morin, Despite recovery, fewer Americans identify as middle class, Pew Research Center (Jan. 27, 2014), http://www.pewresearch.org/fact-tank/2014/01/27/despite-recovery-fewer-americans-identify-as-middle-class/.

[3] Share of U.S. Workers Living Paycheck to Paycheck Continues to Decline from Recession-Era Peak, Finds Annual CareerBuilder Survey, CareerBuilder, LLC (Sept. 25, 2013), http://www.careerbuilder.com/share/aboutus/pressreleasesdetail.aspx?sd=9%2F25%2F2013&id=pr781&ed=12%2F31%2F2013 (finding in a survey by Harris Interactive Poll that 36% of those surveyed report they "always or usually live paycheck to paycheck. Posing the question somewhat differently, the American Payroll Association, using a larger survey of more than 30,000, found 68% said they would find it "somewhat or very difficult" if their paychecks were delayed for a week).

[4] Frank Newport, Americans See Finances as Better, but Worse Than Pre-2008, Gallup Economy (Apr. 25, 2013), http://www.gallup.com/poll/162056/americans-finances-better-worse-pre-2008.aspx (The poll finds 40% of respondents say their personal financial situation is "only fair" and 14% see it as "poor," but 47% see it as getting better).

Seven out of ten American workers say financial stress is their most common cause of stress, and almost half (48%) say they find dealing with their financial situation stressful.[5] If an emergency strikes, American workers and their families also have few resources to fall back on. According to the 2012 FINRA Investor Education Foundation's National Financial Capability Study, the percentage of people with an emergency fund of at least three months of savings increased five points between 2009 and 2012.[6] That is good news, but the challenge remains that 60% of households still have less than three months of savings on hand.[7] The Great Recession may have elevated readings of financial stress, but the problem is not new. Even when the economy was booming, financial stress was sapping the productivity and hurting the health of millions of American workers.[8]

This review is intended to serve as a resource for employers who are interested in promoting employee financial well-being by helping their employees develop the skills to better manage their money. Section One introduces the need for financial education in the workplace. Section Two offers an overview of research findings in the field and a discussion of the costs to employers. Section Three presents case studies of some financial wellness practices that employers have found helpful and which might be useful to other companies interested in promoting financial wellness. The report also notes promising trends such as an increased focus on developing employee emergency savings.

Judging by recent surveys, the timing is right for this review. The human resources consulting firm Aon Hewitt polled more than 400 companies in 2014 and found three out of four are

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[5] American Psychology Association, Stress in America: Are Teens Adopting Adults' Stress Habits? (2014), available at http://www.apa.org/news/press/releases/stress/2013/stress-report.pdf; PricewaterhouseCoopers, LLC, Employee Financial Wellness Survey 10 (2014), available at http://www.pwc.com/en_US/us/private-company-services/publications/assets/pwc-employee-financial-wellness-survey-2014-results.pdf.

[6] FINRA Investor Education Foundation, Financial Capability Study: U.S., http://www.usfinancialcapability.org/results.php?region=US (last visited Aug. 21, 2014).

[7] *Id.*

[8] See E. Thomas Garman et al., Financial Stress Among American Workers: Final report: 30 Million Workers in America—One in Four—Are Seriously Financially Distressed and Dissatisfied Causing Negative Impacts on Individuals, Families, and Employers 17 (2005), http://www.personalfinancefoundation.org/features/feature-3full.pdf.

somewhat or very likely to expand employee benefits designed to promote financial well-being.[9] Twenty-five percent are likely to assist employees in developing the skills needed to budget and manage their money.[10] Financial wellness programs are not something employers are promoting just because they want to be good corporate citizens, though many do. Large and small employers are beginning to think about financial wellness programs at work because it makes business sense to do so. In an economy where so many employees are stressed about money, providing talented workers with tools to address that stress can be a competitive edge.

Financial stress and work

Multiple surveys offer ample evidence of the impact of financial stress at work.[11] For example, in 2012, roughly one in five employees admitted they had skipped work in the past year to deal with a financial problem.[12] Among workers now in their 30's and 40's – a critical cohort of the American workforce - stress levels are even higher. Many Generation X workers (29%) say their personal finances distract them at work, and a majority (53%) find it stressful to deal with their personal finances.[13] This is a particularly salient finding given that Gen Xers – those born between 1964 and 1980 – are beginning to enter their peak-earning years.[14] If they are

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[9] Aon Hewitt, 2014 Hot Topics in Retirement 2 (2014), available at http://www.aon.com/attachments/human-capital-consulting/2014_Hot-Topics-Retirement_Report_vFinal(1).pdf

[10] I*d.* at 3.

[11] **See, e.g.,** *AICPA Survey: Money Stress Taking Toll on Well-being*, American Institute of CPAs (Apr. 23, 2013), http://www.aicpa.org/press/pressreleases/2013/pages/aicpa-survey-money-stress-taking-toll.aspx (stating that"[m]oney stress brought on by lighter paychecks this year is affecting more than Americans' wallets — it's taking a toll on their waistlines, friendships and sleep, according to results of a new survey fielded for the American Institute of CPAs by Harris Interactive).

[12] MetLife, Inc., 10th Annual Study of Employee Benefits Trends: Seeing Opportunity in Shifting Tides 51 (2012), available at http://www.winonaagency.com/img/~www.winonaagency.com/10th annual met life study of ee benefits trends.pdf ("22% of employees admit that they have taken unexpected time off in the past 12 months to deal with a financial issue and/or spent more time than they think they should at work on personal financial issues . . . ."). 15% of Gen Y respondents, 10% of Gen X respondents, 5% of Younger Boomer respondents, and 1% of Older Boomer respondents admitted to the same. Id. at 70.

[13] PricewaterhouseCoopers, LLC, supra note 5, at 10, 11.

[14] Men's Earnings at Peak at Age 45-54, U.S. Bureau of Labor Statistics (July 23, 1999), http://www.bls.gov/opub/ted/1999/Jul/wk3/art05.htm.

financially stressed now, Gen Xers may have more difficulty than other generations finding security in the future. Across workers of all generations, 24% admit their personal finances have been a distraction at work. And, of those workers who are concerned about their finances, 39% spend at least three hours each week either thinking about or dealing with financial problems at work.[15]

Given the high levels of self-reported distress, it shouldn't be a surprise to learn that many employees (40%) say that they want help in achieving financial security.[16] And that number is much higher (81%) for workers saying financial problems have affected their productivity.

It's not just employees who want help managing financial stress at work. Managers confront this stress every day. In a recent survey, 61% of human resources professionals say financial stress is having some impact on employee work performance.[17] Twenty-two percent say worries over personal finances have a "large impact" on employee engagement.[18] A clear majority of employers (57%) also say that they believe that financial education boosts productivity.[19]

Despite the challenges financial issues present for employee engagement, Gallup found only 6% of employees strongly agree their organization does things to help them manage their finances more effectively.[20] Given the huge investment employers make in health and retirement benefits that are central to financial security and long-term money management, it is surprising so many employees give their companies low marks on the related issue of helping with financial management.

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[15] PricewaterhouseCoopers, LLC, supra note 5, at 11.

[16] MetLife, Inc., supra note 12, at 3.

[17] Society for Human Resource Management, SHRM Research Spotlight: Financial Education Initiatives in the Workplace 2 (2012), available at http://www.shrm.org/Research/SurveyFindings/Articles/Documents/Financial_Education_Flier_FINAL.PDF.

[18] *Id.*

[19] MetLife, Inc., supra note 12, at 13.

[20] Jennifer Robison, The Business Case for Wellbeing, Gallup Business Journal (June 9, 2010), http://businessjournal.gallup.com/content/139373/Business-Case-Wellbeing.aspx - 3.

These findings suggest there is a real opportunity for employers to leverage existing investments in benefits and to reimagine program delivery to enhance employee financial well-being. Some employers are already adopting innovative approaches to address the issues they see among their employees. For example, the office-supply company Staples is using vampire-themed games to make planning for retirement and money management more appealing to busy associates. Other innovative practices identified in this report include programs to reinforce basic money management skills, measure financial stress, and help employees avoid high-cost credit.

Financial wellness defined

What do employers mean when they talk about promoting financial wellness programs? There is no single, agreed-upon definition, but there are some common characteristics that surveys, researchers, and companies use in practice.

Financial wellness is a comprehensive approach. Industry surveys define financial wellness programs as those that assess and support an employee's "complete financial picture" or the "overall financial health of an individual." The distinction here is that financial wellness programs do not take a snapshot approach, focusing on a single aspect of financial planning such as retirement or college savings. Financial wellness programs look at how all the pieces of an individual's financial life fit together.

The end goal of a financial wellness program is to enhance the employee's overall financial well-being. That's why financial wellness programs most often support an employee's ability to manage both short-term and long-term needs. Definitions of financial wellness stress the importance of striking a balance between planning for immediate needs while also taking into account long-term goals. As one financial planning firm put it, "financial wellness is . . . the ongoing practice of striking a balance between living responsibly today and planning wisely for tomorrow."[21] The focus is not just on creating a plan, but on enabling employees to make decisions to manage a plan over time.

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[21] Financial Wellness: Waddell & Reed, Waddell & Reed, Inc., http://www.lincoln.wrfa.com/Financial-Wellness.6.htm (last visited Aug. 21, 2014).

Financial wellness program assessments may include subjective and objective measures of an employee's satisfaction with his or her personal finances. Objective measures of employee financial status could include assets, homeownership, credit score, debt burden, and the level of emergency savings. More subjective measures are self-reported stress levels and "satisfaction and dissatisfaction with . . . personal financial wellness status."[22] Some definitions of employee financial well-being broaden the subjective and objective factors to consider an individual's "access to resources" and financial health in a social "financial and economic context."[23]

Financial wellness programs take the view that employee financial well-being is influenced by knowledge, skills, and actions that support better financial outcomes. Therefore, financial wellness approaches stress the importance of knowing about "financial concepts and tools" and acting on that knowledge to plan, save and invest.[24] The definitions suggest that financial wellness programs should closely connect education focused on general financial education with opportunities to practice financial planning and implement financial decisions.[25] In this sense, financial wellness programs are as much about learning to do it right as learning the right thing to do.

Approach for this report

This report explores issues common to many employers and employees who are interested in expanding financial wellness programs in the workplace. It is not designed to be a complete or definitive review of best practices. Rather, it draws on a range of views from research materials, press reports, and discussions with leaders in the field on practices that might be useful for employers to consider offering for their employees.

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[22] So-hyun Joo, Personal Financial Wellness and Worker Job Productivity, 47 (1998), available at http://scholar.lib.vt.edu/theses/available/etd-4198-155242/unrestricted/3.PDF.

[23] See, e.g., Financial Wellness | Student Wellness, The University of North Carolina at Chapel Hill, https://studentwellness.unc.edu/your-wellness/financial-wellness (last visited Aug. 21, 2014); What is Wellness? | Duke Student Affairs, Duke University, https://studentaffairs.duke.edu/duwell/about-us/what-wellness, (last visited Aug. 21, 2014).

[24] See MetLife, Inc., supra note 12, at 5.

[25] See, e.g., Kelly D. Edmiston et al., Weighing the Effects of Financial Education in the Workplace, Fed. Reserve Bank of Kan. City, 28 (2009), available at http://www.kansascityfed.org/publicat/cap/carwp09-01.pdf

In developing this report, the CFPB reviewed research literature and industry surveys on financial wellness programs and the delivery of financial education in the workplace. The Bureau also engaged with executives in the private sector, leaders at non-profits, and practitioners in the field of financial education who offered their observations on the development and delivery of financial wellness programs. Several participants in such programs also offered their personal experiences with financial wellness programs.

The executives and employees who offered their time and thoughts come from companies that vary in size from relatively small employers to global competitors. The views presented here provide a range of practical experience and insights. Most importantly, we hope this information will be useful to others considering ways for employers of all sizes to support employee financial well-being.

2. The business case for financial wellness and the opportunity for employers

The increasing focus on financial wellness in the workplace is, in many ways, a natural evolution of programs employers have developed over many decades to support the physical and mental health of their employees. Many employers have folded their Employee Assistance Program (EAP) efforts into health wellness programs, and some have expanded the range of EAP support to include financial counseling for employees who run into trouble managing their credit and debt or face a short-term crisis.[26] The recent financial crisis and mounting evidence that most Americans are ill-prepared for retirement have prompted more employers to expand the wellness approach to include financial wellness, though the terms "financial well-being," "financial fitness," and "financial health" are also sometimes used. [27]

Although there are many definitions of financial wellness, employers appear to take an approach similar to health wellness programs. After initial assessment – either formal or informal – employees participate in counseling or classroom instruction that promotes positive, basic financial behaviors that benefit both employee and employer: budgeting and money management skills, debt reduction, credit score management, and financial goal setting such as increasing savings.

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[26] Several of the companies featured in this report noted that they became interested in adopting comprehensive financial wellness programs after noticing employees were making repeat visits to EAP programs designed for crisis management.

[27] Aon Hewitt, supra note 9.

The wellness model offers employers an opportunity to address financial concerns in the context of an existing structure that requires limited additional expenses. Roughly half of all employers already offer wellness programs promoting physical or mental health.[28] The return on investment to employers from comprehensive health wellness programs, though hard to pinpoint, appears to be large, ranging from $1 to $3 or more per dollar invested.[29] If, as some early evidence suggests, financial wellness programs are as effective as health wellness in changing employee actions, companies may see similar benefits from increased productivity and savings associated with reduced sick leave and disability and workers compensation costs.[30]

2.1 Financial stress and employer costs

As noted earlier, financial stress is often cited as a distraction from work and a factor that reduces productivity and engagement. But there is reason to consider whether financial stress may also raise employer health care costs, specifically, the documented link between psychological stress and physical health and well-being. To be sure, it is not easy to define and measure stress with precision. Researchers have also found that the connections between self-reported stress levels, life events, and health outcomes are, to say the least, complicated. Even so, studies have documented the way in which stress reduces the body's ability to fight off

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[28] Soeren Mattke et al., Workplace Wellness Programs Study xiv (2013), available at http://www.dol.gov/ebsa/pdf/workplacewellnessstudyfinal.pdf.

[29] Stephen Miller, Study: Wellness Programs Saved $1 to $3 per Dollar Spent, Society for Human Resource Management (Sept. 12, 2012), http://www.shrm.org/hrdisciplines/benefits/articles/pages/wellness-dollars-saved.aspx; see Katherine Baicker et al., Workplace Wellness Programs can Generate Savings, 29 Health Affairs 304, 304 (2010), available at http://content.healthaffairs.org/content/29/2/304.full.

[30] Financial Finesse, a provider of financial wellness programs, reports one large employer found health care costs fell by 4.5% for participants in a financial wellness program compared to a 19.5% increase in costs for non-participants. See Financial Finesse, Inc., Actual Results from Company's Financial Wellness Program (2012), available at http://www.financialfinesse.com/wp-content/uploads/2014/07/ROI-Case-Study-08012013.pdf. For a general discussion of health wellness savings, see Health Policy Briefs, Health Affairs (May 16, 2013), http://www.healthaffairs.org/healthpolicybriefs/brief.php?brief_id=93.

disease and increases the risk of premature death.[31] Further, while there is little research on the connection between financial stress specifically and employer health care costs, researchers have attempted to quantify the overall cost to employers from all forms of stress, and they have found those costs are not trivial.

The American Psychological Association has been conducting its "Stress in America" survey since 2007. A 2014 online poll of 1,950 adults conducted by Harris Interactive found money is the top source of stress for the nation, cited by 71% of respondents. That is closely followed by work (69%) and the economy (59%).[32] Another way to look at these results is that the top stress factors all converge in the workplace. Employees are paid at work and they make many of their most important financial decisions at work. Employees also experience the economy through the ups and downs of their employer. The 2013 *Stress in America* results are not an isolated finding. Americans have named money their top source of stress for the last six years in a row and for seven of the last eight years. The *Stress in America* findings follow decades of study examining psychological stress (particularly the link between stress and physical health) that indicates that individuals ranked financial events as some of life's most challenging and stressful events, in some cases ranking ahead of the death of a close friend or trouble with a boss.

Surveys also provide evidence that the stress Americans experience from high debt levels are associated with adverse health outcomes. A 2008 AP-AOL survey of 1,002 adults by Abt SRBI found those who report high debt stress are much more likely to report they suffer from headaches, severe depression, anxiety, and digestive tract problems. While 31 percent of adults with low levels of debt stress say they experience muscle tension and lower back pain, just over half of those with high debt stress experience this kind of pain. High debt stress is also associated with trouble sleeping and concentrating.[33]

In addition to the AP-AOL findings, researchers at Ohio State surveyed 9,200 people between 2005 and 2011 to learn more about their stress levels. The findings of the Consumer Finance

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[31] See, e.g., Ralf Schwarzer et al., The Role of Stressful Life Events 26 (2001); Sheldon Cohen et al., Psychological Stress and Susceptibility to the Common Cold, 325 New England J. Medicine 606 (1991).

[32] American Psycholgy Association, supra note 5.

[33] Health Poll, AP-AOL/ABT SRBI (2008), available at http://surveys.ap.org/data/SRBI/AP-AOL Health Poll Topline 040808_FINAL_debt stress.pdf.

Monthly surveys indicate one in five people report debt stress has had a high negative impact on their health.[34] Judging from the available survey evidence, a large share of the American population reports they suffer from chronic financial stress, and they blame that stress for hurting their health.[35]

A recent report in Health Affairs analyzed the health risks and medical expenses of more than 92,000 employees over a three-year period.[36] Those reporting high stress were $413 more costly per year on average than workers who were not at risk from stress. By comparison, smoking – a common health risk targeted by corporate wellness programs – was found to raise health care costs by $587 dollars on average.[37] Since financial problems are an important stress factor, it appears employers may be paying a high cost for employee financial stress, but they do not recognize it because a large portion of that expense shows up indirectly as a health care expense.

The Health Affairs study was careful to point out that their analysis did not measure whether employers can save money by implementing wellness programs, but the authors suggest "such inferences are reasonable, however, in light of abundant medical literature and recent worksite studies that have documented cost savings from risk-reduction efforts."[38]

While far from conclusive, other research reports also suggest financial wellness training may positively impact stress and related costs the same way employers are finding success in addressing health behaviors. A 2008 study of a public-private partnership found promising results. The partnership combined research from the Federal Reserve Bank of Kansas City with funding from the United Way of the Midlands. The instruction consisted of nine hours of

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[34] Lucia F. Dunn & Ida A. Mirzaie, Working Paper, Determinants of Consumer Debt Stress: Differences by Debt Type and Gender (2012), available at http://www.chrr.osu.edu/content/surveys/cfm/doc/DSI-Working-Paper-07-19-12.pdf.

[35] AP-AOL/ABT SRBI, supra note 33.

[36] Ron Z. Goetzel et al., Ten Modifiable Health Risk Factors Are Linked To More Than One-Fifth Of Employer-Employee Health Care Spending, 31 Health Affairs 2474 (2012).

[37] Ron Z. Goetzel, et al., The relationship between modifiable health risks and health care expenditures, 40 J. Occup. Environ. Med. 843 (1998)(showing an analysis of the multi-employer HERO health risk and cost database).

[38] Goetzel et al., supra note 36, at 2481.

classroom training and up to five one-on-one counseling sessions with a financial planner. The results showed that employee requests for new loans from their 401(k) plans were eliminated, installment debt fell more than 14% and many participants stopped being late on paying their bills. The study did not measure stress directly, but the authors argue there is a link between financial satisfaction and reduced stress:

> *Where we did see a significant change in the survey data is in a large increase in the share of participants who felt satisfied with their financial situation two to three years following enrollment. Although we have no way to measure stress directly . . . we expect that increased financial satisfaction leads to reduced stress.*[39]

Given the large costs that may be associated with financial stress in terms of productivity loss and higher health care spending, employers have a potentially large incentive to explore cost-effective ways to enhance employee financial wellness. Indeed, employees would also clearly benefit from any programs that reduced stress that may be linked to poor health.

2.2 Employee engagement

Engaged employees are defined as those who are not only satisfied with their jobs, their companies, and the conditions of their employment, they are also enthusiastic and committed to the mission of the company where they work and they are willing to expend extra effort to see their employer succeed.[40] In seeking to promote engagement, HR professionals are trying to motivate employees "to go the extra mile."[41] While difficult to describe in the abstract, engagement appears to be the difference between satisfying people at work and inspiring them to do their best work.

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[39] Edmiston, supra note 25, at 19.

[40] For examples of definitions of employee engagement, see Towers Watson, 2012 Global Workforce Study: Engagement at Risk: Driving Strong Performance in a Volatile Global Environment 5 (2012); Rebecca L. Ray, et al., The Conference Board Inc., The State of Human Capital 2012: False Summit (2012); ADP, Inc., Employee Satisfaction vs. Employee Engagement: Are They the Same Thing? An ADP White Paper (2012).

[41] See, e.g., James Harter et al., Business-Unit-Level Relationships Between Employee Satisfaction, Employee Engagement , and Business Outcomes: A Meta-Analysis, 87 J. Applied Psychology 268 (2002).

A common theme in the many surveys of employee engagement is the need for employers to promote a culture that manages employee stress and promotes overall employee wellness. In a 2012 McKinsey/Conference Board survey, two-thirds of the human resources professionals asked considered "health and wellness programs" to be one of the most important actions they could take to promote engagement.[42] And there is some evidence that financially capable employees are more likely to be engaged employees. For example, financial wellness appears to be positively correlated with satisfaction with and pride in the company where one works.[43] Many of the employers and employees contacted for this report volunteered how important their financial wellness programs were to the overall perception of the company and employee motivation. The United Way/Kansas City Federal Reserve program mentioned above also produced higher levels of employee satisfaction with their financial situation. Indeed, employers who participated in the program noted that employees "had more energy" and "higher engagement level at work."[44]

Leveraging existing benefits

By adopting and expanding programs that enhance the financial capabilities of their employees, companies can also maximize the leverage they get from existing investments in employee benefits to increase employee satisfaction and engagement. 401(k) plans are a case in point. Employers invest heavily in 401(k) plan design and management, the delivery of investment advice, and matching contributions. The goal is to build employee loyalty for the long run and ensure employees are able to finance their retirement.

Unfortunately, many employees are using their 401(k) plan as an expensive form of emergency savings.[45] Twenty-eight percent of employees have some form of 401(k) loan outstanding.[46]

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[42] Ray et al., supra note 40, at 33.

[43] Tahira K. Hira and Cäzilia Loibl, Understanding the Impact of Employer-Provided Financial Education on Workplace Satisfaction, 39 J. Consumer Affairs 173, 185 (2005).

[44] Edmiston, supra note 25 at 19, 26.

[45] Charles Delafuente, Borrowing From the Future, New York Times (Feb. 11, 2013), http://www.nytimes.com/2013/02/12/business/early-withdrawals-plague-retirement-accounts-study-says.html?_r=0.

This creates additional expenses for employers who have to manage the program. For the employees, it is also inefficient to use a long-term savings vehicle to meet short-term needs. Employees who leave their jobs with an outstanding balance also may face tax complications if they cannot immediately repay their loans.

Fortunately, some employers have been able to address this problem. As noted above, after a program combining financial education and one-on-one counseling, employees were less likely to take out 401(k) loans. Employers were also likely to see reduced administrative costs resulting from decreased wage garnishments and an increase in employee take-up of tax-preferred flexible spending accounts.[47]

This example underscores an opportunity that may exist for many employers. Most companies provide financial education to support benefits programs such as a 401(k) plan. The tendency is to make the program the focus, not the employee's specific circumstances. However, more creative and flexible solutions often involve little or no cost, but yield important payoffs. For example, more comprehensive financial education programs that include goal-setting and debt management can provide employees with important context about both the value of their benefits and the importance of balancing short-term needs against long-term goals, whereas training solely on the basics of a 401(k) plan may not. A broader approach to financial skill-building can help employees better understand how a benefits program helps them to manage their financial risks and fits into a comprehensive financial plan.

2.3 Low-cost/high-return opportunity

Employers have invested tremendous resources in wellness programs and health. Programs that build financial capability and enhance financial wellness offer the potential to leverage these investments and create a large payoff for a small expenditure.

The experience of the U.S. Army is a case in point. For some servicemembers, adverse credit reports can cause a security clearance to be suspended or revoked, jeopardizing the ability to

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[46] Aon Hewitt, Leakage of Participants' DC Assets: How Loans, Withdrawals, and Cashouts Are Eroding Retirement Income (2011), available at http://www.aon.com/attachments/thought-leadership/survey_asset_leakage.pdf.

[47] Edmiston, supra note 25, at 17.

perform their jobs.[48] For those serving overseas, financial problems back home may be hard to address and may put unit readiness and morale at risk. Concerned about the impact of financial stress on military personnel, the Department of Defense implemented financial education programs for all the services. To date, hundreds of thousands of servicemembers have been trained in everything from credit management to retirement planning.

A recent study of over 80,000 participants in an Army training program (the Personal Financial Management Course) found positive results with the strongest impact on retirement savings. The average amount contributed to retirement accounts each month roughly doubled, from around $15 per month to over $30. It is worth noting that these contributions were not matched, though they were part of a tax-advantaged saving program, the Thrift Savings Plan (TSP). If those amounts are maintained for just two years, the study's author calculates that this will result in $4,300 in additional savings over a working career.[49]

The Personal Financial Management Course, while only an introductory, eight-hour course, also had a modest, but positive impact on financial decisions about credit cards and auto loans. An examination of 33,000 credit reports showed that course attendees reduced their credit balances (credit cards, auto loans, finance loans, and unpaid balances) by about $635 (10%) and monthly required payments fell by about $37 (17%). But the study found that these effects only persisted as far as one year.[50]

The Army's experience might provide a benchmark for some private sector employers. The eight-hour course has been estimated to cost about $22 per soldier. In the United States, the median hourly wage including benefits is roughly $30, putting a reasonable cost in employee time for an eight-hour training course at roughly $240. But it may also be the case that

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[48] See, e.g., United States Government Accountability Office, More DOD Actions Needed to Address Servicemembers' Personal Financial Management Issues (2005), available at http://www.gao.gov/assets/250/246138.pdf.

[49] William Skimmyhorn, Working Paper, Assessing Financial Education: Evidence from a Personal Financial Management Course 27 (2014).

[50] In a presentation at the CFPB, Professor Skimmyhorn cautioned the Army population may differ from the general workforce in some regards. For example, individuals who join the Army may be more likely to follow the directions of program instructors. It is also possible that many Army recruits are joining the service with the intention of improving their personal and financial situation. Even so, Skimmyhorn says the Army's results could suggest a similar course may benefit some employees.

employees will benefit from an initial comprehensive training followed by shorter, targeted programs. For comparison, one study of corporate wellness programs found that they cost $144 per employee per year on average.[51]

Considering the connection noted earlier between absenteeism and productivity loss and financial stress, the cost of providing a financial wellness program appears manageable for many employers. As an example, a few hours of additional productivity per year or a one-day reduction in absenteeism per participant would likely be enough to cover the employer's per-person training cost. And it is also possible that more effective delivery methods for financial training, including just-in-time guidance, could drive down costs and allow for more rigorous analysis of benefits.

Modest program costs

The help employees are seeking need not be expensive or complicated. Financial wellness may simply be a more proactive, cost-effective method of delivering help that employers are already providing. For example, half of the workforce says emergency savings is a major concern.[52] Press accounts and comments from many of the employers and experts contacted for this report tell the same basic story: Employees often approach a manager or human resources officer for a paycheck advance to address an emergency like a car repair that threatens to drain a bank account and make it difficult for that employee to keep his or her job. Employee requests for emergency loans from their employers usually involve fairly modest amounts ranging from enough to cover an auto repair to a few months' rent.

Training programs to help employees build skills in budgeting and saving to address needs before they become emergencies seem like a low-cost opportunity for both employers and employees and would meet a critical employee need. In some instances, informational nudges

[51] Baicker et al., supra note 29.

[52] PricewaterhouseCoopers, LLC., supra note 5, at 7.

might be enough to prompt some employees to save for emergencies or other goals.[53] A simple planning aid has been found to improve retirement savings outcomes for employees[54]

Sally Hass, the former Human Resources Director for Weyerhaeuser, argues employers are already "in the financial education business."

Sally Hass, the former Human Resources Director for Weyerhaeuser, argues employers are already "in the financial education business."[55] They provide benefits and educate employees about complicated financial and investment products. However, she says employers rarely "give much thought to the question of how they can be more effective with what they are spending to educate employees." For example, Hass says employers could simply set benchmarks for benefits providers to achieve in providing effective, engaging financial guidance. Another option employers may consider, Hass suggests, is requiring benefits providers to make it easier for employees to find existing resources and use online tools to see how their financial decisions affect their futures.[56] She sees another benefit to these programs - specifically that many industries are facing an exodus of workers with decades of experience who are preparing to walk out the door. As older workers approach retirement, Hass says a strong retirement financial planning program can make a difference by convincing older workers to delay retirement or work part time in order to realistically fund retirement.[57]

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[53] Robert L. Clark et al., Can Simple Informational Nudges Increase Employee Participation in a 401(k) Plan?, NBER Working Paper No. 19591 (2013).

[54] Annamaria Lusardi, Household Saving Behavior: The Role of Financial Literacy, Information, and Financial Education Programs, NBER Working Paper No. 13824 7 (2008).

[55] Telephone interview with Sally Hass (July 17, 2013).

[56] In a telephone interview and emails (February 2014), Sally Hass argued that employers have not maximized their current investments in financial education and have failed to shop for benefits providers or insist those providers actually meet education targets.

[57] Telephone interview with Sally Hass (July 17, 2013).

2.4 Obstacles to financial fitness at work

While interest in financial wellness appears to be growing, obstacles to wider adoption still remain. Many of the executives contacted for this paper say institutional barriers are a common obstacle. Human resources executives are most likely to interact with employees experiencing financial stress, but the human resource function in many organizations is often not the place where decisions are made about company expenditures to implement a new program. Chief financial officers must usually sign off on new expenditures and they are often less likely to be swayed by the sometimes anecdotal evidence for the benefits of financial wellness programs.

Since human resource functions may be viewed as a cost-center, some employers may also be reluctant to increase expenses, even in cases where a strong benefit is likely. Before committing to launch financial wellness programs, employers say they want customized, proven programs that can be delivered at no additional cost.[58]

The mechanism for delivering financial wellness programs may be as important as the content. Employees may be reluctant to discuss embarrassing financial information with coworkers or even with contractors hired by an employer to deliver financial education unless it becomes more of an ingrained part of the workplace culture. Making financial wellness training a more regular benefit offering or activity may help overcome the perception that this is an emergency service or a form of remedial training.

There are also some philosophical and other obstacles to financial wellness programs. Employers may not feel it is appropriate or desirable for them to advise their employees on financial management. There is concern financial wellness programs may intrude on employee privacy or put employers in the uncomfortable position of making value judgments about employee spending preferences. Some employers are also wary of legal liability if they endorse or partner with programs that offer financial education.[59]

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[58] Some of the employers contacted for this report reinforced the need to find low-cost or no-cost solutions to workplace financial education. For more on employer views on cost-effective solutions, see, for example, President's Advisory Council on Financial Capability Partnerships Committee, Workplace Financial Capability Framework – Summary of Comments (2012), available at http://www.treasury.gov/resource-center/financial-education/Documents/PACFC Financial Capability at Work.pdf.

[59] *See id*. at 2.

But even with those concerns, the employers mentioned in this report have found a way to balance the desire to assist employees with the need to respect employees' privacy and personal financial decisions. Employers have also found ways to provide financial wellness programs without unduly raising the possibility of legal liability.

Limited initial research findings

Another significant barrier to financial wellness programs is the limited amount of reliable research on effectiveness, cost-savings, and productivity impacts from such programs.[60] Many studies rely on self-assessments and the underlying programs reflect the self-selection bias of participants.[61] Employers that implement financial wellness training programs may also typically have employee characteristics that make those programs more likely to succeed.[62]

Measuring the direct monetary benefit from workplace financial education is also not easy. The financial information employees receive is most often provided in the context of a discussion of retirement benefits and is delivered by a financial provider or consultant. A much smaller subset of employers offer basic assistance with budgeting, emergency savings, planning for college and other important events. Even that type of assistance is not usually delivered in the context that some experts in the field argue will be most effective. Some researchers have suggested that delivering financial education or counseling close in time to a decision point – a strategy sometimes called "just-in-time" – may be most effective.[63] On top of all this, it is inherently difficult to link any single program to a bottom line impact that might reduce costs and enhance profitability. Finally, an employee's overall financial wellness is a complex interaction between variables employers can influence through training programs – such as an

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[60] See, e.g., Daniel Fernandes et al., The Effect of Financial Literacy and Financial Education on Downstream Financial Behaviors (2013), available at http://www.treasury.gov/resource-center/financial-education/Documents/PACFC Financial Capability at Work.pdf.

[61] Justine S. Hastings et al., Financial Literacy, Financial Education and Economic Outcomes, NBER Working Paper w18412 (2012), available at http://www.nber.org/papers/w18412.pdf.

[62] For an overall critique of financial literacy and financial literacy research, see generally Lauren E. Willis, Against Financial-Literacy Education, 94 U. Iowa L. Rev. 197 (2008), available at http://www.law.uiowa.edu/documents/ilr/willis.pdf.

[63] See, e.g., United States Government Accountability Office, A Federal Certification Process for Providers Would Pose Challenges 15-16 (2011); Fernandes et al., supra note 60, at 22.

employee's financial skills – and external factors that are harder to gauge and influence – such as an employees' perception of broader macro-economic trends.

That said, it is critical to try to better understand the impact of financial wellness programs on the issues about which employers care most about: engagement, absenteeism, stress, and health-related costs. The opportunity exists for health researchers to partner with non-profits and companies providing financial capability training to craft studies that measure financial and overall stress levels before and after receiving budgeting, debt management, and other financial wellness interventions. Further, the connections between long-term financial stress and health outcomes can be studied more closely.

It would also be useful to better understand the benefits of differentiating financial wellness approaches for different employee groups. For example, some studies find that programs that are highly-targeted to a specific demographic group or financial activity are most effective or that low-income workers need the most help in managing money and benefit the most from financial education.[64] There may also be interesting research around how different financial wellness approaches vary in effectiveness at different stages of the employee lifecycle; it stands to reason that new employees might most benefit from a different set of trainings or skill building exercises than employees approaching retirement. And there is also much work to do in studying the effectiveness of new, lower-cost interventions tied to online and mobile applications.

While there is still much to be learned, many employers are taking the approach of building on what does work and learning by doing, understanding that the lack of perfect information need not prevent reasonable steps that can be taken now. Some of those steps will be examined in the next section.

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[64] See Ian Hathaway & Sameer Khatiwada, Working Paper, Do Financial Education Programs Work? (2003); Patrick J. Bayer et al., The Effects of Financial Education in the Workplace: Evidence from a Survey of Employers, 47 Economic Inquiry 605 (2009).

3. Promising practices in workplace financial wellness

Employers are deeply aware of the financial stress most Americans struggle with every day. Many companies are moved to help employees navigate their financial troubles because they consider it "the right thing to do." But employers who are motivated to take the next step and develop comprehensive financial wellness programs do so for different reasons. Some have a tradition of supporting employees that developed from the philosophy of a founder or influential leader early in the organization's history. Others have been moved to act by the struggles of an individual employee or by an executive's personal interest in financial education.

In addition to personal and philosophical reasons for taking on this challenge, many businesses believe financial wellness programs generate greater engagement, loyalty and productivity. These are some of the themes that emerged from discussions with employers:

- Employers are keenly aware of the financial stress facing many employees and they are genuinely interested in helping the people who work for them.
- Customer-centric businesses are worried that financially stressed employees will not provide the level of service required to succeed in a competitive marketplace.
- Human resources professionals are concerned matching funds in 401(k) programs are being used to meet short-term emergencies, undermining an expensive benefit program.

- Many employers believe financial wellness programs are an important way for employers to show they genuinely care about employees and are an effective way to reduce employee turnover and build loyalty.[65]

The examples of workplace financial education in action that follow are not intended to be representative of all the work being done in this area. Rather, the intention is to present a range of experience from some leading employers in the country that might be helpful to others who are considering steps to promote financial wellness and address financial stress in the workplace.

3.1 The power of peer-to-peer support

Andrew Rosenkranz became interested in providing financial counseling and money management training for his employees because he was running out of answers. Like many business owners, Rosenkranz found his employees at Pacific Research[66] often turned to him for advice.

While the company has provided support and advice to employees on a case-by-case basis, it has limited resources, and is unable to do so comprehensively, or to provide the level of support needed to effectively solve more complex financial issues. In some cases, workers have asked about high-cost loans and other expensive financial products. Rosenkranz noted that many Pacific Research employees had only a limited financial education and little access to professional advice. They often turn to friends who may have little more experience with financial decisions.

As challenges grew, Rosenkranz turned to a program run by Neighborhood Trust Financial Partners to help employers offer financial skills training and counseling to employees. The

[65] Telephone interview with QLI CEO Pat Kearns (Feb. 19, 2014).

[66] The Seattle-based company employs 350 people, most of them tasked with conducting telephone interviews on behalf of non-profits, government agencies, and public and private companies. Most of the employees at Pacific Research are low-to-moderate income. The survey industry is intensely competitive and faces pricing pressure both from lower cost states domestically and extremely low-cost competitors overseas.

training included individual counseling and classroom instruction in budget basics as well as other financial skills such as setting up direct deposit and dealing with debt collectors.[67]

Rosenkranz says: "A lot of these people are so overwhelmed and are in such a bad financial strait that they don't know where to start so they ignore the problem. The most effective part of the program was real-time help. For example, a counselor with the program might meet with an employee and walk them through a credit report and then offer to call about a bill while the employee listens in and learns to negotiate a reasonable payment plan."

Rosenkranz found some of the most important and lasting outcomes from the program came from positive peer pressure at work. Employees formed teams of two or three or four people encouraging each other and trying to hold each other to solid financial principals.[68] Work teams that went through training together made financial planning almost into a game.

Fostering these kinds of peer-to-peer interactions is an important part of Neighborhood Trust's training strategy. Neighborhood Trust points to research that suggests coworkers can help each other develop better financial habits. The training programs at Pacific Research were designed to encourage peer-to-peer interactions "by creating a 'safe' environment where participants feel they can share their questions and experience without being judged."[69] Participants in the trainings were encouraged to discuss their experiences with the people seated around them. The end goal is a supportive, collaborative environment.[70]

Neighborhood Trust reports virtually all the participants in the Pacific Research program said they would recommend it to a friend or co-worker, with eight out of ten saying they would do so "strongly." The same number report (78%) they have made a positive change in their spending habits as a result of the training. For Pacific Research, the training has resulted in a boost to

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[67] Interview with Tyler Phillips, Associate Director of Programs, Neighborhood Trust Financial Partners, (Aug. 14, 2013).

[68] Recent research has confirmed the important role that peer relationships play in influencing savings behavior at work. See, e.g., Esther Duflo & Emmanuel Saez, Participation and investment decisions in a retirement plan: the influence of colleague's choices, 85 J. Pub. Economics 121 (2002), available at elsa.berkeley.edu/users/saez/duflo.pdf.

[69] E-mail from Tyler Phillips, Associate Director of Programs, Neighborhood Trust Financial Partners (May, 5, 2014).

[70] The importance of peer influences in the Neighborhood Trust trainings are detailed in an e-email from Tyler Phillips, id.

employee perceptions, increasing from 48% to 81% the percentage who see their employer as caring about their well-being.

Most of the employers contacted for this report shared similar stories. Some said both managers and employees found discussions with peers and support from co-workers provided powerful motivation to adopt positive financial behaviors. While lower paid workers had more difficulty making ends meet, even managers and more highly compensated employees reported challenges tracking spending and balancing immediate needs against longer-term priorities. One employee survey found that 17% of employees making more than $100,000 relied on credit cards for "monthly necessities."[71]

> These are the people you work with every day and you want to equip them with skills that will improve their lives.

While there are likely benefits to employers who provide financial capabilities training to employees in terms of increased loyalty and reduced absenteeism, a key benefit for many small business owners may be personal. As Rosenkranz points out, the people he helped support are his co-workers and peers: "These are the people you work with every day and you want to equip them with skills that will improve their lives."

3.2 Leveraging technology to lower costs and deliver scale

As a global company with operations in 25 countries and 1,800 stores in North America, Staples does not have a one-size-fits-all workforce. It may have hundreds of people working at a warehouse or call center, but only a few dozen at a local retail store. Human resources executives at Staples understood any financial wellness program they chose would have to be adaptable enough to be delivered effectively in different work settings and in a way that fit with busy schedules. A financial skills-building course that might be cost-effective at a large facility

[71] PricewaterhouseCoopers, LLC, supra note 5, at 8.

could be very impractical at a small store. Staples also realized any financial wellness program it adopted would have to be scalable to serve a global company.

Gamification

Staples realized it needed to start thinking more broadly about financial health of its associates when it came time to sign employees up for the company 401(k). At first, Staples thought it had a communication problem. Participation rates were disappointing. Executives thought workers didn't understand the benefits – that employees didn't realize they were giving up free money by passing on the company match. Or that the low participation rate might indicate a structural problem. Perhaps the program was too difficult to navigate or the barriers to participation were too high? Staples started experimenting with simplifying enrollment and changing eligibility requirements.

To learn more, Lisa Blasdale, Staples Senior Benefits Manager, made a special effort to get out into the field, touring facilities and meeting associates. Initially, Blasdale says employees would not talk to her about why they were not participating in the 401(k) plan. But after people got to know and trust her, associates began to share their stories. Blasdale learned many long-time Staples associates did not believe they had enough money to save anything. They reported that they were struggling with debt or basic credit issues. The conversations, she says, were "eye opening."

Blasdale realized Staples needed a new approach to increase engagement and help associates. The company decided to refocus its efforts on basic financial management skills. The new programs emphasized the need to manage spending and make room to pay down high-interest debt. Staples also worked harder to explain the benefits of saving for retirement.

But the critical challenge was not just helping associates learn to manage their money, the problem was finding a way to develop programs that could deliver highly engaging financial wellness training at scale for a diverse, far-flung workforce. Blasdale was concerned a typical classroom training on financial skills would be impractical and expensive to implement and it would be too boring to engage associates. Staples wanted an easier approach and got it.

Through a connection at Progress Through Business, a nonprofit group supporting entrepreneurship and financial literacy, Staples was introduced to a nonprofit game designer applying financial innovation and entertainment to support the economic success of low-to-moderate income families. Bite Club, an online game Staples decided to use, offers players a chance to manage a nightclub for vampires. As they play, employees must decide between

priorities like investing in a 401(k), paying off student debt, and buying some "bling."[72] The goal is to link game play to positive action that benefits the employee.

The game also tapped into the positive power of peer-to-peer interactions by encouraging associates in Staples stores and regions to compete against each other. The contests appeal to the competitive nature of many associates, while fostering collaboration by encouraging employees within a store or region to support each other as they work to improve their financial health. In two different districts, Staples noted that roughly 80% of targeted employees engaged with the company's game portal page. [73]

For Staples, financial wellness has become a critical factor in engaging employees. Blasdale says: "It is really a business imperative if you really want to be competitive right now. You really have to have a productive workforce and in order to have a productive workforce they need to feel great about themselves. They shouldn't have to worry about how many bill collectors will contact them after they leave the place of employment."

> It is really a business imperative if you really want to be competitive right now. You really have to have a productive workforce and in order to have a productive workforce they need to feel great about themselves.

Bite Club was developed by the nonprofit, Doorways2Dreams, and encouraged by the reception to Bite Club, Staples is rolling out new games from the same source. Farm Blitz will encourage associates to build emergency savings as they manage farm resources. Refund Rush helps people learn to "split" their tax refunds, dividing their deposits into savings and checking accounts. Blasdale says, "Right now, we might not be able to get them to increase their 401(k) contribution, but that's fine as long as they are not acquiring more debt."

Staples' experience has helped convince plan providers to offer games to other companies as a way to boost 401(k) participation and encourage financial wellness.

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[72] D2D Fund, Inc., Can Games Build Financial Capability?: A Financial Entertainment Report (2012), available at http://www.d2dfund.org/files/publications/D2D_FE-Report_Pages_0.pdf.

[73] Nicholas W. Maynard et al., Can Games Build Financial Capability? 12 (2012),available at http://www.rand.org/content/dam/rand/pubs/working_papers/2012/RAND_WR963.pdf.

3.3 Case studies in promoting financial wellness: The promise of public-private partnerships

In 2004, the Federal Reserve Bank of Kansas City and Omaha-based United Way of the Midlands (UWM) joined forces to address rising signs of financial stress in the workforce. Staff at the two institutions decided to implement a program based on a wellness model that was designed to be similar to "working with a physical fitness trainer." Employees in the area would be offered a personal finance course and access to one-on-one counseling sessions with a certified financial planner. The program would be delivered in the workplace and researchers at the Federal Reserve Bank of Kansas City would study the results.

After an initial pilot, United Way of the Midlands raised $10,000 to launch three test sites in Omaha, Nebraska. Classes began in May 2006. Perhaps the most impressive result is that employers who participated in the pilot program still offer it today.

Public-private partnerships like this have been an effective way to raise awareness of the challenges of financial stress in the workplace and have encouraged employers to test drive financial wellness programs across the country. The participation of respected non-profits helps companies overcome concerns about the potential risk of offering basic financial advice to employees. And public-sector institutions often bring important research skills needed to validate the effectiveness of financial wellness interventions.

Emotions and money

Waddell & Reed, the asset management company selected to provide the training to participants in the Omaha area, developed an unconventional approach to financial wellness training. Shawn Macken, a financial advisor at Waddell & Reed has spent more than a decade delivering financial education and wellness program instruction to employees in the Omaha area. When he first began offering traditional "lunch and learns," Macken covered traditional topics such as retirement planning and college funding. But he quickly saw that the "tried and true" approach did not seem to be very effective. Macken began searching for more effective methods to deal with the underlying issues that he believed motivated financial behaviors. Macken says he came to see that "if you ignore emotion in this process, you are going to miss the point."

After one of his presentations, a client suggested Macken's approach was similar to the model used by the Omaha-based Wellness Council of the Midlands. As a result of the client's introduction, Macken adapted the principles of the wellness model – awareness, education and behavior change. It is the last part of the process – behavior change – that, according to Macken, brings emotions about money into play.

In the Omaha public-private partnership, employees attended a nine-week classroom course plus and received one year of one-on-one comprehensive financial planning services. The classroom sessions included courses on traditional money management topics such as budgeting and credit, but the sessions also addressed the fears that often motivate or underlie poor financial decisions. As the classroom sessions and financial planning meetings progressed, the instructor and the financial advisor reassured participants that the mistakes they make and the feelings they have about money are normal and to be expected.

The training delivered through the Omaha program reassures employees that their financial mistakes are a result of very human traits. For example, employees who are in debt may try to pay off what they owe too quickly, leaving little money for emergencies. Macken argues this cycle is driven in large part by fear of debt. If employees are to successfully work their way out of debt, Macken argues, "Emotionally, you have to break that feast and famine cycle."

The next step was to discuss actions employees could take to increase their chances of being financially successful. Spouses were encouraged to attend these one-on-one sessions as well. If employees have trust in the planners, Macken argues they are open to adopting a financial plan that accounts for emotions and weaknesses in human decision-making. The focus on emotions may seem odd to some given the dry reputation of most financial planning programs, but it is a theme that comes up again and again in successful programs.

Below are case studies from two employers who participated in the initial Omaha program and still offer it.

QLI: Keeping turnover down and retaining a dedicated staff

QLI's mission is to serve adults who have suffered a catastrophic injury. It is demanding work that requires a dedicated staff and a long-term commitment. Early on this realization informed QLI's strategy to invest in retaining employees in an industry renowned for high turnover.

To succeed in the demanding work of caring for people with disabilities, QLI CEO Patricia Kearns argues employees need to develop what she calls the "emotional resilience" to cope with

the needs of patients and families in crisis. But Kearns realized several years ago many of her own employees were in crisis. Staff members were asking for advances on their paychecks. Conversations with employees showed some were living beyond their means. Few young staff members were knowledgeable about saving for retirement. A shockingly low number were saving through QLI's retirement plan.

"Financial stressors are one of the bigger things that all our staff struggle with in their personal life," says QLI CEO Patricia Kearns. QLI leadership decided it was time to act. Mary Sheldrick is one of the employees QLI invested in keeping. Sheldrick had run into financial problems making ends meet on the wages typically paid to health care workers in this field. She says her self-esteem plummeted as her financial situation began to spiral down: "When you are in this kind of situation, your self-esteem is affected if you have bill collectors calling you and making you feel like crap if you can't pay them."

Sheldrick was an eager participant in the financial training program offered through the partnership with the Kansas City Federal Reserve Bank, UWM, and Waddell & Reed. Two things struck her about the program. First, the training offered practical, step-by-step methods to address common financial problems. The training materials showed Sheldrick and others how to examine their debt and manage their pocketbooks more effectively. Perhaps most importantly, the training also addressed the emotional concerns that arise when people fall into debt and other financial trouble.

Sheldrick explains, "What they did is they helped us see that all of us in the class were good people and smart people, and we had to get past the shame that everybody in this class has debt and made mistakes." The explicit recognition of employee feelings around their financial situation appears to be an important factor in the program's success.

QLI executives participated in the training to vet the curriculum. And they also came away learning valuable financial skills and methods to better manage their spending. QLI's director of human resources agreed the emotional context of the program was an important aspect of its success.

The experience of building financial skills with co-workers also created a sense of camaraderie. As we have seen with other programs, peer-to-peer interaction helped QLI employees struggling with financial issues. Sheldrick explains: "You feel a sense of humility in a force of many where you have one cause and are working together on it."

To QLI leadership the business case for financial training is clear. Employees are coming to work and are able to focus and give exceptional customer service "rather than worrying which bill collector will call and making mistakes on the job because they aren't paying attention."[74] In a health care context, employee focus is particularly critical. Alicia Elson, QLI's Vice President of Human Resources, says, "That $300 we paid for the financial education class is a lot cheaper than that potential malpractice lawsuit we might have (if an employee is distracted at work)."

Patricia Kearns, QLI's CEO, says financial wellness training "is one of the most important things we do." It is one reason the company's turnover rate for employees it wants to keep hovers between six and nine percent[75] – a rate much lower than the high turnover rate that is common in the rehabilitation industry.[76] QLI finds a lower turnover rate helps keep costs and staffing needs in human resources down as well. Also, the company doesn't have to pay as much overtime, because it is able to retain employees and keep a dependable schedule without the disruptions that come with high staff turnover.

Patricia Kearns, QLI's CEO, says financial wellness training "is one of the most important things we do."

QLI is now in the eighth year of offering the financial wellness program and 70% of the staff has participated. The company's management believes the financial training succeeded in large part because of the combination of a well-thought out structure involving skilled trainers, sophisticated materials, rigorous research, and a committed employer. The training was reinforced in the workplace by bringing co-workers together to support each other. QLI employees are encouraged to pay a portion of the program's cost to encourage buy-in. The financial wellness training continues to be highly valued by employees and is seen as a benefit that can distinguish employers who compete to be considered "best companies to work for."

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[74] Telephone interview with Alicia Elson, QLI Vice President of Human Resources (Oct. 11, 2013).

[75] Telephone Interview with Pat Kearns (Feb. 19, 2014).

[76] Turnover for Certified Nursing Assistants who provide direct patient care in long-term nursing facilities has been estimated at 65.6%. See American Health Care Association Department of Research, Report of Findings: 2007 AHCA Survey: National Staff Vacancy and Turnover in Nursing Facilities iii (2008), available at http://www.ahcancal.org/research_data/staffing/Documents/Vacancy_Turnover_Survey2007.pdf.

Nebraska Furniture Mart

Rose Blumkin, better known as "Mrs. B," the legendary founder of Nebraska Furniture Mart (NFM), lived by the motto "sell cheap and tell the truth." And true to that philosophy, when Mrs.'s B's grandson Ron Blumkin, the President of NFM, found out the Kansas City Federal Reserve Bank was putting together a free program for employers to offer financial education to their workers, he liked the price and signed the company up.

The first classes at NFM, which became a subsidiary of Berkshire Hathaway in 1983, enrolled twenty employees. An NFM human resources executive still remembers the comments she heard at the final session. An employee who had taken numerous loans from her 401(k) said, "After I got a plan, my finances did not change. But, for first time in my life, I thought there was a light at the end of the tunnel, and I realized the birds were chirping."

> After I got a plan, my finances did not change. But, for first time in my life, I thought there was a light at the end of the tunnel, and I realized the birds were chirping.

Other stories were less dramatic, but spoke to the deep impact the program had on NFM employees. One employee said she thought at the time she would be able to pay for all of their children's college. But after taking the program, she realized that she realistically could save for half. Another employee said he was talking with friends after work and recalled how one said, "Wow, I can't believe your company is offering something like that." Both moved and concerned by these stories, NFM executives decided to keep offering the financial wellness program and to expand it.

NFM says that two hundred employees have completed the financial wellness program so far. The company credits the training with reducing 401(k) loans among this population. In addition, the program has been particularly effective in helping employees who work on commission. Since these workers have paychecks that fluctuate, financial training was effective in coming up with ways to better plan for swings in income by transferring a set amount of money to a checking account every month. Counselors also helped employees to set up automatic transfers to implement the cash flow management.

NFM finds the financial wellness training is a good way to reinforce values that matter to the company. The courses helped employees to understand and put a financial value on their health insurance and what it really costs. The company also has a very strict policy on 401(k) loans. Executives believe the program is not designed for short-term savings. The financial

training courses reinforce this corporate message and help NFM counter a common issue raised by new employees: "My old employer let me take a loan out for any reason." NFM executives say it is helpful to have a third party back up company values.

With a long-term orientation consistent with other Berkshire Hathaway companies, NFM aims to make a lasting connection with customers and employees. Its turnover rate is just 20%, a low figure for the retail industry. NFM believes that employees recognize the company is doing something special for them by offering financial wellness training because it cares about their well-being and that has helped reduce turnover.

As Megan Berry Barlow, Human Resources Director for NFM, puts it, "Helping somebody save for retirement doesn't make them rich today, so if you are not taking a long-term path to help someone stay here for 10 to 15 years, a program like this might not make much sense if you didn't have a long term orientation."

NFM also views financial wellness as a gap in society that employers can fill. Rather than pass the buck to someone else, NFM wants to do its share to help employees plan for retirement and to meet other important life goals.[77] The private-public partnership with the Federal Reserve Bank of Kansas City and the United Way of the Midlands helped catalyze NFM's ability to act to support its employees in a fundamental way.

Public-private partnerships at scale: Delaware's $tand by Me®

In several places in this report we have discussed the power of public-private partnerships to support employers and help them to take action. In Delaware, a public private partnership has gone a step further, seeding the development of financial wellness programs across the state and in a wide range of sectors. Delaware's experience demonstrates financial wellness programs can be delivered by employers in many different sectors and at scale.

Working with the United Way of Delaware and private foundations including the Delaware Community Foundation and the Kellogg Foundation, Delaware's Governor Jack Markell and the state of Delaware supports the delivery of financial coaching services through a joint venture

[77] NFM is now expanding, adding 2400 people with its expansion in Dallas area and plans to offer the program there after a transition period.

called "$tand By Me." Since 2011, more than 8,000 financial coaching sessions have been held at community colleges, state agencies and workplaces across the state. $tand by Me now serves some 1,200 employees at fifty different employers.

$tand by Me focuses on employers in sectors that traditionally hire lower-wage workers. Financial coaches are currently working at over 40 child care and Head Start centers. Most of the major hospitals in the state have signed on to the $tand by Me effort. For example, Christiana Health Systems, the state's largest health care provider, is paying for a coach to offer financial coaching as a benefit available to its 10,000 employees. The joint venture has reached a broad range of employers, including a major state agency, a supermarket chain and two large hotels. All of the coaches are employed by independent non-profit organizations, who are contracted, trained, and managed by $tand By Me. This separation from the employer's HR department is seen by $tand by Me as critical as it supports the employees' need for complete confidentiality in their relationship with the coach, as they tackle their personal financial challenges.

To engage with employees, $tand by Me also offers an incentive program modelled on those offered by traditional wellness programs. Employees who participate in the *FinFit* program can earn points for taking financially "healthy" behaviors. For example, employees who attend a workshop earn 25 points. A financial coaching session earns 50 points. An employee who sets up a budget earns 25 points. At 200 points, an employee is eligible for a $25 gift card. Earn another 100 points and an employee can win a $50 certificate of deposit.

Mary DuPont, Delaware's Director of Financial Empowerment, says, "When employers experience the benefit it brings to their workforce, it becomes part of their culture and then external support is no longer needed."

A key goal of the partnership is to demonstrate for employers the value of providing financial wellness programs. Mary DuPont, Delaware's Director of Financial Empowerment, says, "When employers experience the benefit it brings to their workforce, it becomes part of their culture and then external support is no longer needed."

3.4 Financial fitness starting at employee onboarding

In 2012, working through its network of community-based agencies across the United States and Canada, Goodwill Industries International provided employment and training programs to almost seven million people, many of whom have disabilities, criminal backgrounds, or other challenges that make it difficult to find employment. In addition to these challenges, the people Goodwill serves may not have had much experience or success managing their money. The combination of these challenges convinced Goodwill Central Texas (GCT) to integrate financial wellness into its employee training with the goal of increasing the long-term work success for people who face so many employment challenges.

Full-time, entry-level employees at GCT earn an average of $17,160 a year. Goodwill managers have seen how their employees may be vulnerable to high-cost credit or may have difficulty building up their credit scores. Steve Stokes, Financial Wellness Coordinator for Goodwill Central Texas, says, "We needed to do things to get ahead of the problem rather than trying to chase it and put out fires."

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Working with Nancy Klein, GCT's Employee Assistance Program Coordinator, Stokes developed a comprehensive financial wellness program and decided to deliver it during the onboarding process for new employees. Onboarding was selected as the delivery point, because GCT considers it to be a "milestone moment" when employees are open to change. Stokes defines milestones such as the start of a new job as moments when "something major is happening" which creates an "opportunity for [employees] to consider alternative ways to do things, especially if how they were doing them in the past was not working for them."[78]

By taking advantage of the new employee orientation, 15 to 20 new hires a week are offered at least three opportunities to improve their financial wellness. First, all new hires complete a

[78] E-mail from Steve Stokes, GCT Financial Wellness Coordinator (Apr. 25, 2014).

Financial Wellness Assessment and participate in a one-hour workshop called *Financial Recovery!* In the classroom setting, employees cover goal-setting, budgeting, and the cost of credit. The curriculum is based on the FDIC's MoneySmart Program. Second, employees are offered the opportunity to participate in one-on-one financial counseling provided through the EAP program. Third, employees can sign up for financial coaching.

Like many organizations, GCT considers coaching and counseling to be distinct programs. Financial counseling is crisis-driven and counselors focus on resolving problems in a confidential setting. After an initial assessment counselors will develop a service plan to address a new employee's individual needs. Financial needs will often surface as a factor for employees who seek EAP counseling for stress, substance abuse, or other problems. In those cases a Financial Wellness Counselor will assist the EAP Counselor in counseling an employee.

In contrast, financial coaching is aimed not at crisis resolution, but at helping employees achieve goals they define themselves. Financial coaches work with new GCT hires to help them set and achieve goals such as putting together a spending plan or a savings plan to meet other priorities. Individual coaching sessions offer a chance to probe and ask important questions aimed at improving "long term financial behavior." For example, Stokes says a coach might ask, "If you have been budgeting in your head instead of on paper, how is that working for you?" Stokes adds, "We try to give [employees] an alternative way to think about this." The process is client-driven with behavior change to support improved outcomes desired by the consumer as an end-goal.

GCT has also found onboarding is a natural time to introduce employees to University Federal Credit Union, a Goodwill Community Partner. Because GCT requires direct deposit, employees without a bank account are given the opportunity to choose between a UFCU checking account, a savings account with an ATM card or a payroll card.

While the financial wellness program was designed with low-income workers in mind, GCT has also found onboarding training is helping managers as well. Managers save time and have less stress when they know an employee is getting the help they need to address a stressful financial problem. Employees who may be facing eviction or are in danger of losing their car are less likely to be successful in completing training sessions or focusing on work. GCT's financial training is also directly helping its professional staff – including some who are professionals with college degrees. Trainers say incomes may differ, but many people lack basic financial knowledge regardless of their education level.

At 60 days and again in annual trainings GCT marks additional milestone moments. After 60 days, the financial wellness concepts introduced at onboarding are reinforced by requiring GCT employees to attend another full-day of benefits training which includes a financial education segment. Stokes explains that many GCT employees are marketed high-cost payday, used car, and car title loans. The 60-day training covers the wise use of credit and informs workers of alternatives to expensive credit products. Financial wellness messages are also reinforced for longer-term employees at mandatory annual training sessions which cover the need to think about longer-term milestones including savings and preparation for retirement.

In addition, GCT has developed an Emergency Employee Advance Program to help meet unexpected, emergency expenses. Eligible employees who apply for an advance must attend a financial counseling session and are limited to one advance per year. After documenting the need for the advance, employees are allowed to direct the payment of up to the net amount, excluding overtime, of one paycheck to a business where they have an unexpected or overdue bill. There are no fees, no interest is charged, and the advance is paid back through deductions from regular bi-weekly paychecks. The goal is to help employees who may not be able to get a traditional loan to reduce their reliance on payday lenders. [79]

GCT is not alone in recognizing the opportunity to introduce better financial skills at onboarding. Staples is now working to integrate financial wellness opportunities into the onboarding process. These employers see the onboarding process as an opportune time to introduce financial training. At onboarding, new employees are focused on making important financial decisions such as choices about withholding, retirement savings, and employer-offered health insurance.

[79] Details of the Emergency Payroll Advance Program and a copy of the application were provided by e-mail from Steve Stokes, id.

4. Takeaways, next steps for consideration, and CFPB resources

Many Americans find money to be an endless source of stress. Too many workers are one car repair away from losing their ability to get to work and earn a living. Even a basic emergency can throw a family into a spiral of debt. Despite the many benefits employers provide to their workers, employees are asking for something that is fairly basic and that will most likely not cost that much to provide: help. Help managing their money. Help planning and budgeting to make ends meet. Help setting aside a small amount for the next emergency they know is coming. Fortunately, it appears employers may be able to provide their employee's with the help they seek while helping their own bottom lines.

The promising practices outlined in this report demonstrate that employers can increase their employees' engagement and productivity and help their workers achieve financial peace of mind. These practices include:

- Listening to employees and establishing trust. Employers report the value of a concerted effort to talk with and survey employees about their financial needs before crafting a financial wellness plan. HR professionals stress that employees are unlikely to respond to a financial wellness program if they do not feel the company has listened to them and can be trusted to act in their best interests. Some employers have hired outside companies to provide financial coaching and education, in part to reassure employees that the programs will be confidential.
- Tapping peer-to-peer support. Research and employer experience confirm that employees learn important financial lessons from each other. Financial wellness programs are more likely to succeed when employees support each other in developing positive financial habits.

- Leveraging technology to lower costs and deliver scale. Employers report that financial games and mobile tools hold great promise to deliver engaging, affordable financial wellness programs at scale.

- Forging or tapping into public-private partnerships. The United Way of the Midlands, the Federal Reserve Bank of Kansas City and private employers came together to develop and deliver a successful and ongoing financial wellness program for modest expense. Local foundations, government agencies, civic organizations, and business groups have served as catalysts for public-private partnerships across the country.

- Presenting financial wellness at onboarding. Goodwill Central Texas and other employers are implementing financial wellness at onboarding seeing it as a natural complement to new employee orientation and the benefits selection process.

The employers and experts contacted for this report also shared the following general observations about the effectiveness of financial wellness programs and the usefulness of exploring the connection between financial stress and health care costs.

- **Successful financial wellness programs are cost-effective.** Program delivery need not be expensive or burdensome. Public-private partnerships have successfully tested program features and reduced delivery costs. New mobile financial management applications and innovative tools such as financial games also hold great promise in reducing cost and reaching scale.

- **Employers say employees highly value effective financial wellness programs delivered in the context of a trusting work environment.** Employers who accepted where their employees were financially and responded with programs to meet pressing employee needs in a trusting, non-judgmental manner reported increased employee engagement, fewer days lost to absenteeism, and lower administrative costs associated with 401(k) loans and wage garnishments.

- **Some financial wellness programs support the development of more successful financial habits by addressing emotional factors that may contribute to poor financial decision-making.** For example, the financial coaches interviewed for this report say programs that are designed to help employees resolve feelings of fear or embarrassment over their financial situation are more likely to prompt employees to act to develop more positive financial habits.

- **Employers would find it helpful to better quantify how financial wellness programs benefit employees and employers.** More needs to be done to highlight and measure which approaches are most successful in reducing stress and producing lasting positive changes for employees in terms of health and financial outcomes.

Next steps: Additional program elements employers may want to consider

While employers evaluate the specific needs of their employees and formulate an appropriate response, there are also initial steps they can take to help set workers on the path to a more secure financial future. Some of these are steps that many employers, including those mentioned in this report, are adopting or considering as they ramp up their own workplace financial wellness programs.

- **Promote split allocation of income to savings and investing**. The use of direct deposit is mandated for all federal employees, and many private sector companies are already encouraging their employees to use direct deposit for their paycheck. Employers in both the public and private sector have the opportunity to use the time of sign up for direct deposit to encourage employees to split their paycheck and automatically save a portion of their pay in a savings vehicle such as an emergency savings account, a brokerage account, an IRA, or a 529 education plan.
- **Support automatic contribution escalation (ACE) to retirement accounts**. The Pension Protection Act of 2006 (PPA) created incentives for plan sponsors to implement automatic enrollment with its 401(k) safe-harbor auto-enrollment and auto-escalation provisions which automatically increase employee contribution rates over time. In some cases, this simple step raises average participation rates from 67% to over 85%.[80]
- **Financial education tied to major life changes and critical needs**. Employers and experts contacted for this report suggested it would be particularly valuable to

[80] Aon plc – Investor Information – News Release, Aon Hewitt (May 24, 2011), http://ir.aon.com/phoenix.zhtml?c=105697&p=irol-newsArticle&id=1567166.

provide employees with financial education tied to major life changes and critical needs. For example:

- Saving for emergencies;
- Managing debt and using credit wisely. For many employees managing debt and credit wisely has a direct impact on their job. While general education on the topic of debt and using credit wisely will be beneficial to all employees, more specific topics such as student loan debt or underwater mortgages might also be appropriate;
- Budgeting (spending plan development) Young families, for example, may be more receptive to information about saving for college or buying a new home if it is timed to be delivered before or after the birth of a child;
- Financial goal setting and decision making including help planning for major purchases. Employers could offer education for employees looking to purchase specific assets or to plan for purchasing specific assets such as a home, a car, or a higher education.

The CFPB intends to assist employers as they search for cost-effective solutions to reduce employee financial stress. In particular, the next session details some of the tools the Bureau has developed which employers could use in their workplace financial wellness efforts.

4.1 The CFPB strategy to support financial wellness

The Dodd-Frank Wall Street Reform and Consumer Protection Act authorizes the CFPB to develop and implement initiatives intended to educate and empower consumers to make better informed financial decisions. To achieve that mission, the CFPB believes it is important to support the delivery of effective financial education in the workplace. After all, the workplace is where most Americans make critical decisions about how to allocate their wages to current needs, savings, investing and important life goals.

This report is one way the Bureau intends to support financial wellness programs at work. Employers who are interested in supporting the financial well-being of their employees may find it valuable to understand the best research about the field, and, perhaps more importantly, a better understanding of what other employers have found works for them. The CFPB can help

address this need by bringing together and disseminating information about promising practices in the field.

The CFPB also supports financial wellness at work through the development of tools that help consumers understand important issues and plan for important goals. For example, our online tool, Ask CFPB provides accurate, authoritative, and understandable answers to more than 1,000 common consumer questions about consumer financial products and services (http://www.consumerfinance.gov/askcfpb/). Since its launch, more than two million consumers have used Ask CFPB and it is the CFPB's hope and intention that this database will prove useful to employers who wish to provide their employees with a resource for accurate information about financial products and choices.

The CFPB has also developed the Paying for College tool for students and their families trying to compare financial aid packages from different schools or assess their options for repaying their student debt. Paying for College (http://www.consumerfinance.gov/paying-for-college/) starts with school choice, and goes right through paying those loans back after graduation. Students who use the tool will get guidance in the questions that they should ask and answers they should seek in the college funding decision. They will also build life skills in areas such as planning ahead, identifying key questions and getting answers and comparison shopping– that will help them as consumers throughout their lives.

The CFPB also recognizes that the field of financial education in general would benefit from more foundational research and broader dissemination of techniques and approaches that are supported by reliable research. The CFPB is already conducting research in the field of financial education and will be active in coming years in working with employers to understand how these findings can be applied in the workplace.

Employers are already offering the most essential element to securing financial well-being: a job. The CFPB recognizes the critical role employers play and is encouraged that so many are willing and eager to take the initiative of going even further to support employees in developing the financial skills needed to reduce stress and achieve lasting success for individuals and families across the country.