

Financial Education

*Why Investing
in Employees'
Financial Well-Being
Makes Good
Business Sense*



Why Do Employees Need Financial Education?

- **61% of Americans report having “serious financial problems”¹**
- **One of the main sources of stress in the workplace is personal financial problems²**
- **One-third of 401(k) investors don’t know how their assets are allocated³**
- **About 35% of Americans are not currently saving for retirement⁴**

Sources: 1) Research Works, February 2009; 2) *Dallas Morning News*, September 17, 2007; 3) *Journal of Financial Planning*, April 2008; 4) Employee Benefit Research Institute, 2009

We spend most of our adult lives coping with financial issues, yet we receive virtually no formal instruction to prepare us for these challenges.



Why Would an Employer Provide This Type of Service?



Employees' Money Problems Can Become the Employer's Problem

“Employees with money problems are like sharks swimming around the workplace taking bites out of the bottom line.”

— Dr. E. Thomas Garman

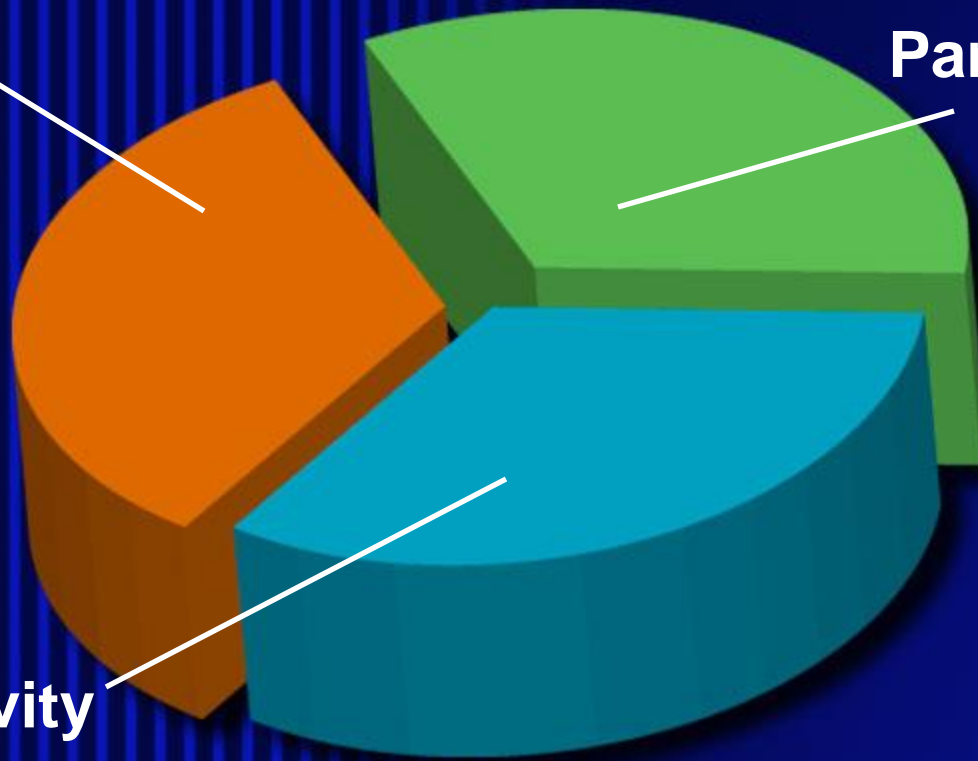
President, Personal Finance Employee Education Foundation

Potential Employer Benefits

Liability
Protection

Benefit
Participation

Productivity



Results of Poor Personal Financial Habits

- **Absenteeism, tardiness, “presenteeism”**
- **Poor health**
- **Lower employee morale**
- **Lower pay satisfaction and higher turnover**
- **Accidents**
- **Theft**
- **Substance abuse**
- **Loss of customers**
- **Administrative costs**

Source: Personal Finance Employee Education Foundation, 2009

The Business Cost of Poor Productivity



Financial troubles can decrease productivity by as much as **20 hours per month.**

Cost to business: **\$15,000 per year per affected employee.**

Source: *The Journal of Employee Assistance*, 1st Quarter 2009, January 1, 2009

Financial Stress and Productivity

“Having spent my career helping individuals and corporations increase productivity, I’ve become convinced that one of the greatest, unnoticed drains on individual productivity is the distraction that financial stress puts on people.”

— Dr. Steven R. Covey

Author of *The Seven Habits of Highly Effective People*

Return on Investment

- **Fewer absences**
- **Less preoccupied workforce**
- **Increased productivity and greater commitment**
- **Higher work quality**
- **Improved employee retention rates**
- **Reduced administrative fees**
- **Increased number of on-time worker requirements**
- **Reduced exposure to future litigation resulting from fiduciary responsibility**

How Do Employees Benefit?

- **More confident when making financial decisions**
- **Diversified investments more appropriately**
- **Understood the importance of diversifying investment assets**
- **Started or increased retirement plan contributions**
- **Improved financial situations**
- **Greater confidence in planning for retirement**

Impact on Benefit Participation and Contributions

Financial education can have a positive impact on benefit participation and contributions.



Critical Need for Sound Retirement Education

- **56% of workers have no idea how much they need to save for retirement¹**
- **The average 401(k) balance is about \$65,000²**
- **53% of workers have less than \$25,000 in total savings and investments³**

Sources: 1, 3) 2009 Retirement Confidence Survey, Employee Benefit Research Institute;
2) Employee Benefit Research Institute, 2008

Laws That Affect Employers

- **The Employee Retirement Income Security Act of 1974 (ERISA) was wide-ranging legislation that protects workers who work under pension plans**
- **The Pension Protection Act of 2006 (PPA) amended certain provisions of ERISA**

Pension Protection Act

Prior to enactment of the act, fewer than 1 in 4 plan sponsors provided investment advice to their employees



Source: Department of Labor, Employment Benefits Security Administration, 2008

Pension Protection Act

Provides fiduciary relief for plan sponsor if certain conditions are met:

- **The advisor provides investment advice pursuant to a written agreement; and**
- **The plan sponsor conducts due diligence and selects the provider prudently**

ERISA

- **Provide at least 3 primary investment alternatives and include prospectuses, where applicable**
- **Provide participants with a description of investment options and risk/return variables**
- **Identification of the investment managers**

ERISA

Participants should be able to receive from the plan fiduciary:

- **A description of annual operating expenses and fees charged to participants' accounts that reduce the rate of return**
- **Copies of financial statements and reports on investment alternatives**
- **A list of the assets in each investment portfolio**
- **Past and current performance of investment alternatives**
- **Information on the value of shares held in participants' accounts**

Before You Start the Education Process...



Ask yourself:

What does HR want to get out of a financial education program?

Finding Common Ground

- **General financial management**
- **Retirement planning**



Other Methods to Disseminate Financial Education

- Newsletters
- Web sites



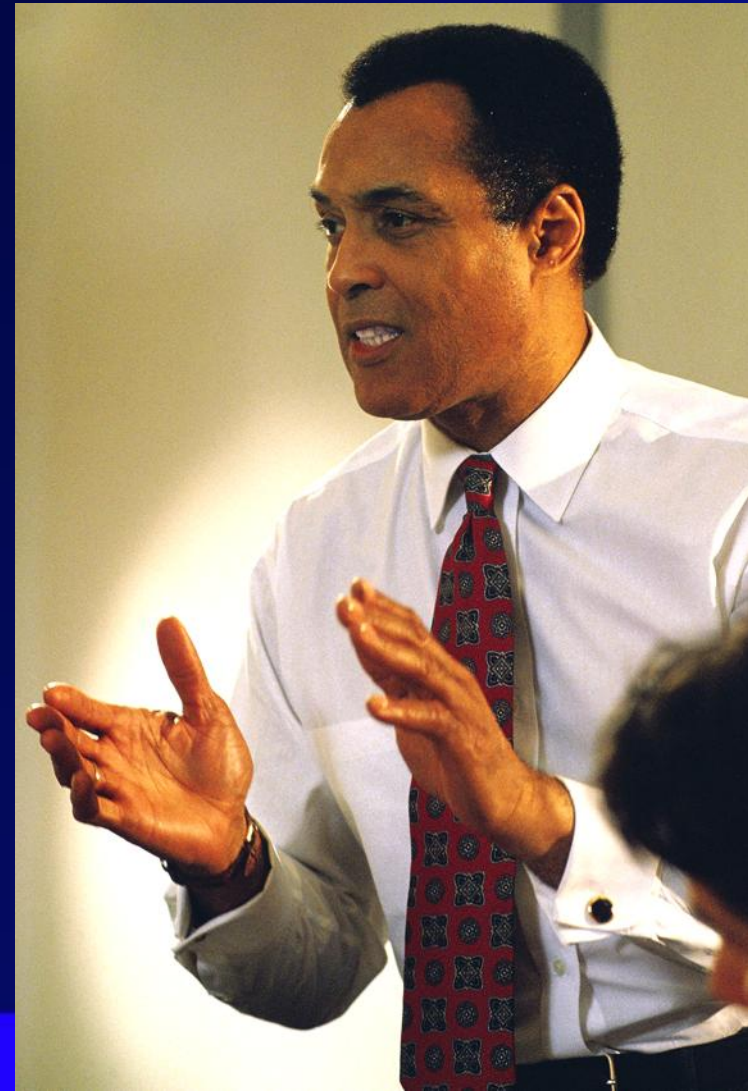
Why Workshops Work



- **Most effective method of delivering financial education**
- **Interactive environment**
- **Promotes action**

Workshop Tools

- **Professionally prepared program materials**
- **Complete and thorough**
- **Entertaining and informative**



Interactive Professional Workbook

- Exercises
- Worksheets
- Resources



Workshop Tips

- **Sessions over 2 hours in length should be delivered after work hours**
- **Participants appreciate the opportunity for a spouse or life partner to attend the program**
- **Each session no longer than 3 hours**
- **Presentations should include a generic overview of investment principles**

Value to Employers

66% of HR and finance executives at large companies believe that broader financial education at the workplace is more important today than it was a year ago.

Will Employees Value This Service?

- **In a 2008 benefit trends study, 50% of workers said they would like general financial planning information at the workplace¹**
- **Two-thirds of young adults (ages 23 to 28) said they would like their employers to offer education and guidance on a range of financial topics beyond typical employee benefits²**

Next Steps If You Decide to Proceed



● **Preparation**



● **Promotion**



● **Presentation**

Our Pledge

- **Complimentary, no-obligation financial consultation offered to all participants**
- **No self-promotion and no discussion of specific products or services**
- **No future contact with participants unless requested**

T H A N K Y O U

