

## The link between employee productivity, health, and financial stress



If you think financial wellness programs are a fad, think again. The industry consensus is that financial wellness not only produces results for employees, but it positively influences company bottom lines.

That's good news for a number of reasons, especially for the juggernaut of financial stress in the workplace.

A recent study found that nearly 60% of respondents listed financial matters as the top cause of stress. Additionally, they found that 35% of employees report that issues with personal finances have been a distraction at work.<sup>1</sup>

Causes of financial stress vary by generation but include not having enough emergency savings (millennials and Gen X) and, not surprisingly, the biggest financial worry for Baby Boomers is not being able to retire when they want.

The link between stress and employee productivity is real; experts estimate that it costs companies \$500 billion or more a year due to "health costs, absenteeism and poor performance".<sup>2</sup> More specifically, university research reported:<sup>3</sup>

- 40% of job turnover is due to stress. Replacing an average employee costs 120-200% of the salary of the position affected.
- Healthcare expenditures are nearly 50% greater for workers who report high levels of stress. According to the Consumer Financial Protection Bureau, financial stress can increase healthcare costs by about \$400 per stressed employee annually.
- The average cost of absenteeism in a large company is more than \$3.6 million/year.

By implementing a financial wellness program, your company can help its employees tackle these issues head on, which in turn may help reduce these issues and expenditures.

Expert and renowned personal finance professor, E. Thomas Garman, has stated that incorporating a financial wellness benefit to "reduce the costs associated with financial stress by even 3%-5% can improve a company's bottom line simply through cost avoidance."<sup>4</sup>

Another insight comes from Liz Davidson, CEO of Financial Finesse, who said that quantifying ROI with financial wellness wasn't a slam dunk initially.<sup>5</sup>

"CFOs who look at financial wellness through a narrow lens struggle with the fact that there is no line item on the income statement that shows increased revenue or reduced costs as a result of a financially healthy workforce. Financial wellness has a measurable financial impact but can be hard to measure."

Davidson and her team set out to research - and measure - the impact of financial wellness by conducting a case study of a Fortune 100 company's comprehensive workplace financial wellness program from 2009 to 2014.<sup>6</sup> They focused on a few tangible and trackable elements (garnishments, flex spending/health savings accounts and absenteeism) and then measured the change in employee financial wellness scores on a specialized 0 to 10 scale.

As the median employee financial health scores went up, the costs to the company diminished, resulting in a measurable bottom-line impact.

"The correlation was so strong," says Davidson. "For every point increase on the employee wellness scale, there was a direct financial savings per employee for the company."

Davidson adds that the trackable elements only represent five to ten percent of what a financial wellness program involves. She and her team are working to add elements to their ROI model, including measuring the wellness program impact on healthcare costs, delayed retirements and employee turnover.

Translation: companies could benefit financially even more when you take into consideration the overall program.

While financial wellness programs may have started out as a feel-good benefit, they have quickly become significant contributors to employee well-being and a retention tool with a much needed impact on the bottom line.

And that's just good business all around.

<sup>1</sup> PwC. "8th Annual Employee Financial Wellness Survey" June 2019

<sup>2</sup> Salary Finance. "The Employer's Guide to Financial Wellness" 2019

<sup>3</sup> Umass Lowell. "Financial Costs of Job Stress" 2019

<sup>4</sup> ASPPA. "Measuring the ROI of Financial Wellness" Sept 2018

<sup>5</sup> 401K Specialist. "How to Measure 401k Financial Wellness Success" Sept 2017

<sup>6</sup> Financial Finesse. "ROI Special Report" May 2016

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