



# Financial wellness at work: Why it matters to your employees

Blue Cross Master Class Webinar Series  
December 6, 2018



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This program is valid for 1 PDCs for the SHRM-CP<sup>SM</sup> or SHRM-SCP<sup>SM</sup>.



# What you'll learn from today's session

## *Topics*

- What is financial wellness
- How financial wellness impacts your employees and your business
- What other leading companies are doing to boost financial wellness
- What you can do for your employees and your organization
- How Blue Cross can help

# Today's speakers

*Expertise from Blue Cross leaders*



**Jeffrey Rubleski, MBA, CFP®**

Director  
Sales Strategy  
Certified Financial Planner™



**Christina Hix**

Director  
Specialty Benefits

# What is financial wellness?

- Financial wellness is simply a personal journey to financial freedom. Financial freedom puts the individual in control of events that can cause financial distress, including:
  - Freedom from financial stress
  - Freedom from debt
  - Freedom from worry about unexpected expenses
  - Freedom to make choices

Source: Employee Financial Wellness Survey, PwC, 2018



# Current situation:

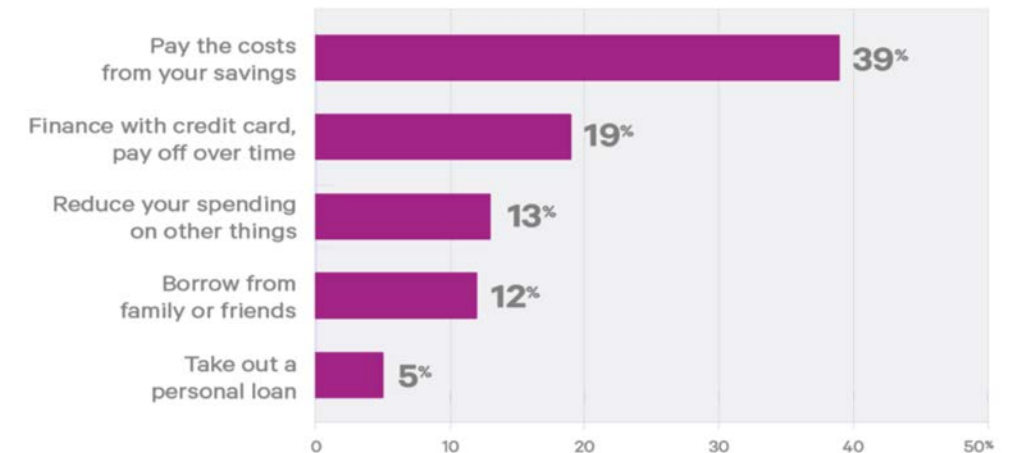
*Most people are not prepared for unexpected expenses*

- 78% of U.S. workers live paycheck to paycheck
- 6 in 10 Americans don't have enough savings to pay for a \$500 car repair or a \$1,000 emergency room bill
- 44% of Americans couldn't cover a \$400 unplanned expense with savings.
- Medical debt is #1 source of personal bankruptcy filing in U.S

Sources: CareerBuilder 2017, survey of 3,000 US employees; Bankrate survey January 12, 2017 of 1,003 adults; Federal Reserve Survey of 5,000 Americans, 2016; Kaiser Family Foundation 2014

## How Americans pay for unexpected expenses

How would you deal with a major unexpected expense, such as \$1,000 for an emergency room visit or car repair?



Responses not shown: Something else (6%); don't know/refused (6%).  
Source: Bankrate's Financial Security Index, Jan. 3-7, 2018  
<https://www.bankrate.com/banking/savings/financial-security-0118/>

**Bankrate**

# Retirement savings are inadequate...

- Nearly half of working-age Americans have less than \$10,000 stashed away for retirement
- For them, a serious lack of planning coupled with a longer life expectancy has destroyed any retirement dreams
- Fewer people have the safety net of a defined-benefit pension that they cannot outlive
- The No. 1 reason most people cited for not stashing more away was because they didn't earn enough to save, followed by the fact that they were already struggling to pay bills

Source: GoBankingRates online survey of more than 1,000 adults, February 2018



**42%**  
are at risk of  
retiring broke!



# Out-of-pocket health care costs in retirement are staggering

- Fidelity Investments estimates that a 65 year old couple retiring in 2018 will need about \$280,000 in retirement to pay for healthcare and medical costs not covered by Medicare!
- This represents a 75% increase from Fidelity's first estimate in 2002
- Breaking it down by gender, a man will need about \$133,000 and a woman will need \$147,000

Source: Fidelity Investments 16th Annual Retiree Healthcare Cost Estimate, April 2018

# Unexpected costs from a health event can be overwhelming for anyone

- Deductibles and other out-of-pocket medical costs
- Meals
- Transportation
- Child care
- Housecleaning
- Lost wages due to missing work
- Bankruptcy due to medical events





# For Millennials:

- Outstanding student loan debt in the U.S. has tripled over the last decade, surpassing auto and credit card debt and only second to housing debt, and now stands at almost 1.5 trillion.
- Student debt is the second highest source of consumer debt, behind only mortgage debt which stands at 8.8 trillion.

Source: Federal Reserve Bank of New York February 13, 2018

# #1

financial  
concern is student  
loan debt



# Signs of financial distress on your employees

- Unpaid medical bills
- Wage garnishments
- Asking for pay advances
- Unexpected absences
- Loans from retirement plans
- Not enrolling in or under-funding retirement plans
- Foregoing enrollment in FSAs or not funding HSAs
- Calls from creditors
- Frequent changes of personal addresses



# Effects of financial distress on your business

## *Your retirement plan*

### **LOWER CONTRIBUTIONS**

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Average participant contributes 5.5% of their income to retirement savings plans (Plan Sponsor Council of American 2013)

### **LOWER BALANCES**

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36% of Americans have less than \$1,000 saved for retirement (USA Today 2014)

### **HIGHER LOANS**

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21% of eligible participants borrow against 401K (Employee Benefit Research Institute 2014)



# Financial distress hits all income categories

- In 1995 Joe Smith was the #1 draft pick in the NBA
- He had a 16 year career and earned over 61 million
- He is now living paycheck-to-paycheck and has a negative net worth of \$157,000
- Taxes, overspending, poor investments, a costly divorce and a lack of solid financial planning during his basketball career have him in a difficult financial situation

Source: CNBC interview with Joe Smith and host Alex Rodriguez, March 7, 2018



# Employees want help with their finances and benefits

- “Employees want a financial wellness benefit with access to unbiased counselors and help understanding and using their benefits”
- Getting help with finances—**54%** want to make their own decisions but want someone to validate that decision
- What is the most desired workplace benefit they don't have
  - **25%** say financial wellness with access to unbiased counselors
  - **20%** say help in understanding and using their employee benefits

# Multiple sources affirm the need for action

52%

of eligible millennial adults participate in employer-sponsored defined contribution retirement plans as compared to

32%

of American adults maintain a household budget and only

25%

of workers suffer from serious financial distress

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75%

of Generation X adults

80%

of baby boomers

30%

of American adults have a long-term plan that includes savings and investment goals



## How does this impact your organization?

The number of plan sponsors using a financial wellness program is expected to increase from 17% to 51% in the next five years.

Financial wellness is growing at the workplace 15

A look at what  
some companies  
are doing to  
boost financial  
wellness





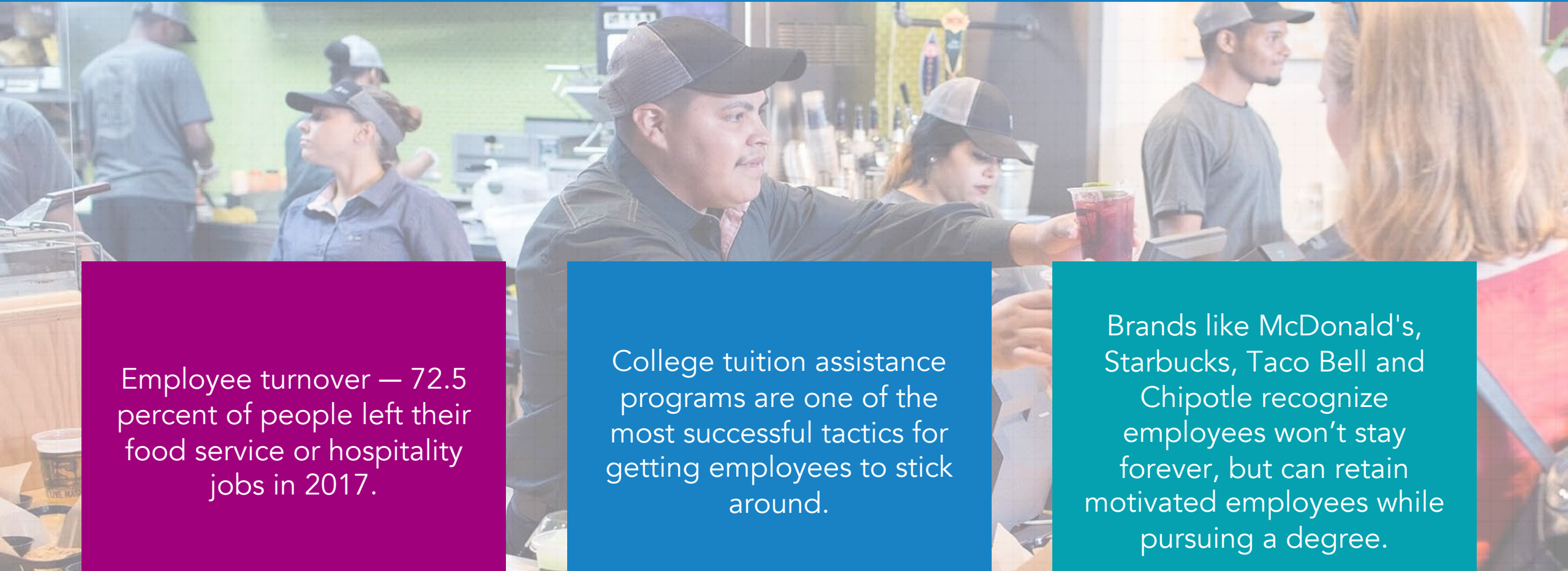
# An emerging benefit— student loan repayment

- Great employee recruiting and retention tool for recent graduates
- Around **70%** of college graduates are in debt today
- The average person leaves school **\$30,000** in arrears and many owe more than **\$100,000**
- Hundreds of companies are now offering student loan repayment assistance to their workers—as competition for talent becomes more intense, expect this benefit to proliferate

Source: 2017 Student Loan Debt and Housing Report



# Educational assistance is a key perk in the fast food industry



Employee turnover — 72.5 percent of people left their food service or hospitality jobs in 2017.

College tuition assistance programs are one of the most successful tactics for getting employees to stick around.

Brands like McDonald's, Starbucks, Taco Bell and Chipotle recognize employees won't stay forever, but can retain motivated employees while pursuing a degree.

# Walmart

*Is addressing employee cash flow & higher education needs*

- In 2017, learned that employees needed to improve cash flow between paychecks.
- An alarming number of employees were using “payday” loans between their bi-weekly paychecks. Employees can access a financial app, called Even, to access a portion of wages for hours they have already worked.
- Employees can receive advances, up to eight times per year for free.
- In 2018 began the college tuition \$1 per day program for online degrees offered by three schools — the University of Florida, Brandman University and Bellevue University — and specifically focused on bachelor’s or associate degrees in either business or supply chain management.



# Pitney Bowes

*Is educating and incentivizing HSA participants*

- Pitney Bowes believes that understanding how to use and fund the HSA is important for both financial and physical wellness
- They use a corporate match and a wellness reward to encourage employees' HSA contributions
  - Matches half of an employee's HSA contribution, up to \$500 for single coverage and up to \$1,000 for family coverage. The company deposits 50% of the match in January to help enrollees establish a financial cushion for their account
- They link a wellness benefit to their health insurance benefit
  - The employee and spouse each can receive a \$400 contribution if they "complete a physical exam (and) a biometric screening"



# Blue Cross encourages voluntary ancillary benefits

For 2019 open enrollment, Blue Cross Blue Shield of Michigan offered 3 types of ancillary coverage on a voluntary basis to help employees with financial protection



ACCIDENT



HOSPITAL RECOVERY



CRITICAL ILLNESS

What can  
**YOU** do?



# Evaluate the benefits you offer or are considering

- 401 K
- HSA or other health spending accounts
- Tuition reimbursement
- Student loan repayment
- Care-giver assistance
- Financial planning services
- Voluntary ancillary benefits



# Measure specific benefit programs and develop baseline metrics to measure progress



- Document 401(k) metrics—participation rates, contribution percentages of participants, account balances, asset allocations, loans, hardship withdrawals, company matching strategy, vesting schedules
- Examine health plan metrics—health plan selection, funding HSAs and FSAs, participation in voluntary benefits, employer contribution strategy
- Evaluate turnover rates, absenteeism, participation in wellness programs and targeted incentive programs, employee demographics



# Survey employees to understand financial education needs

- Managing debt—especially credit card debt
- Paying for college and student debt
- Saving and budgeting
- Having an emergency fund
- Planning major expenses

- Understanding health and financial benefits
- Planning for retirement
- Investment planning
- The importance of credit scores
- Privacy, identity and fraud protection
- Caring for others

# Evaluate Health Savings Accounts

*An investment tool for health care expenses now and in the future*

- HSAs are available with qualified high-deductible health plans
- Can be used for current and future health care costs, including health insurance premiums or deductibles in retirement
- HSA funds are tax deductible, grow tax-free, are portable and roll over every year
- Max out HSAs before age 65, and draw down balances for Medicare premiums, prescription drugs, co-pays and deductibles, medical equipment, even long term care

**A tax-preferred account. Using one for current and future medical expenses can be a an effective strategy for many people.**

# Improve your 401(k) program

- What is eligible employee participation? Aim for **90%** or better
- Does your plan offer low cost index and target-date funds?
- What is the percentage of eligible employees currently contributing? Set goal of **85%** or better
- Do employees have access to objective financial guidance?
- Does your plan offer auto enrollment and auto escalation?
- How well do employees understand your plan?  
Good way is to determine percentage that take full advantage of company match. Set goal of **90%** or better of those contributing
- Does your employer contribution matching encourage employees to save at least **10%** of pay?



# Essential financial wellness programming topics

- **Basic Budgeting**—this need will cut across demographic and income classifications. Develop “pay yourself first mindset”
- **Creating an Emergency Fund**—most employees don’t have 3-6 months of living expenses saved and need to start this to avoid an unexpected financial “shock”
- **Debt Management**—another area that hits every demographic profile. The main areas of emphasis include consumer debt, installment debt, mortgage debt and college debt



A woman in a grey blazer and blue jeans stands in a bright room, gesturing towards a large whiteboard. She is addressing an audience of several people seated in the foreground. The room has large windows in the background, and the overall atmosphere is professional and educational.

# Essential financial wellness programming topics

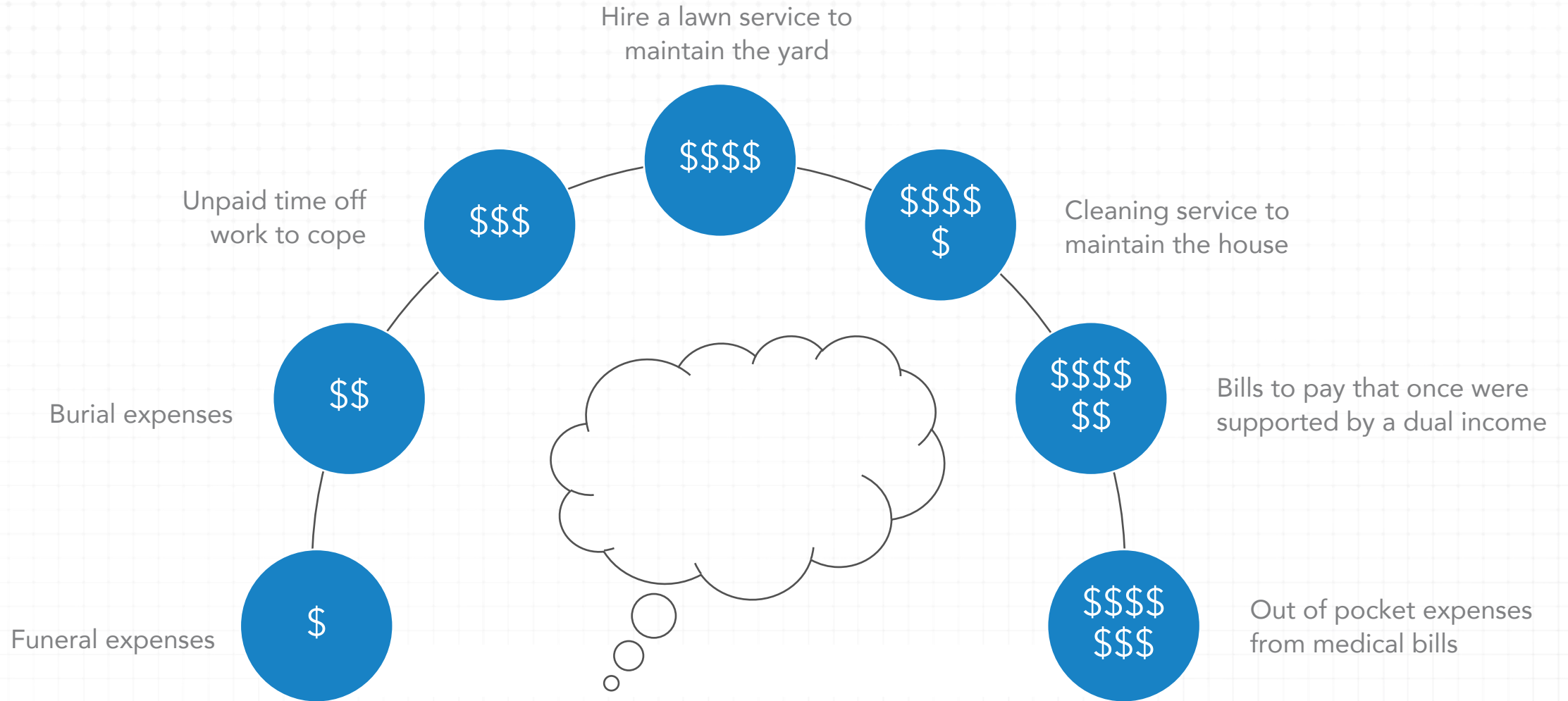
- **Planning for Major Purchases**—major purchases often put the most strain on employee budgets because of the size of mortgage/rent, vehicles and education
- **Investment Education**—focus on 401(k) plan options, the importance of sufficient employee payroll contributions, the value of proper asset allocation, the value of matching contributions and avoiding financial market timing
- **Understanding Health Benefits**—communicate outside of open enrollment and inform employees about the benefits of supplemental benefits including HSAs, FSAs and appropriate voluntary benefits

# Leverage the skills of trusted advisors

- Your benefits broker can be a great source for employee benefits training and materials
- Your 401(k) administrator will often conduct educational sessions and may have great content for employees
- Financial planners and accounting professionals may provide budgeting and asset allocation education for a low cost
- Also look at internal resources—often existing staff can lend expertise on a number of personal finance topics



# Imagine



# How Blue Cross can help



## Cash based- specialty or ancillary benefits can help your employees with:

High deductibles and other out-of-pocket medical expenses

Lost wages

Transportation

Meals and home care

Child care

Any other needs



## Specialty Benefits

Life & Disability

Accident

Hospital Recovery

Critical Illness

Long term care

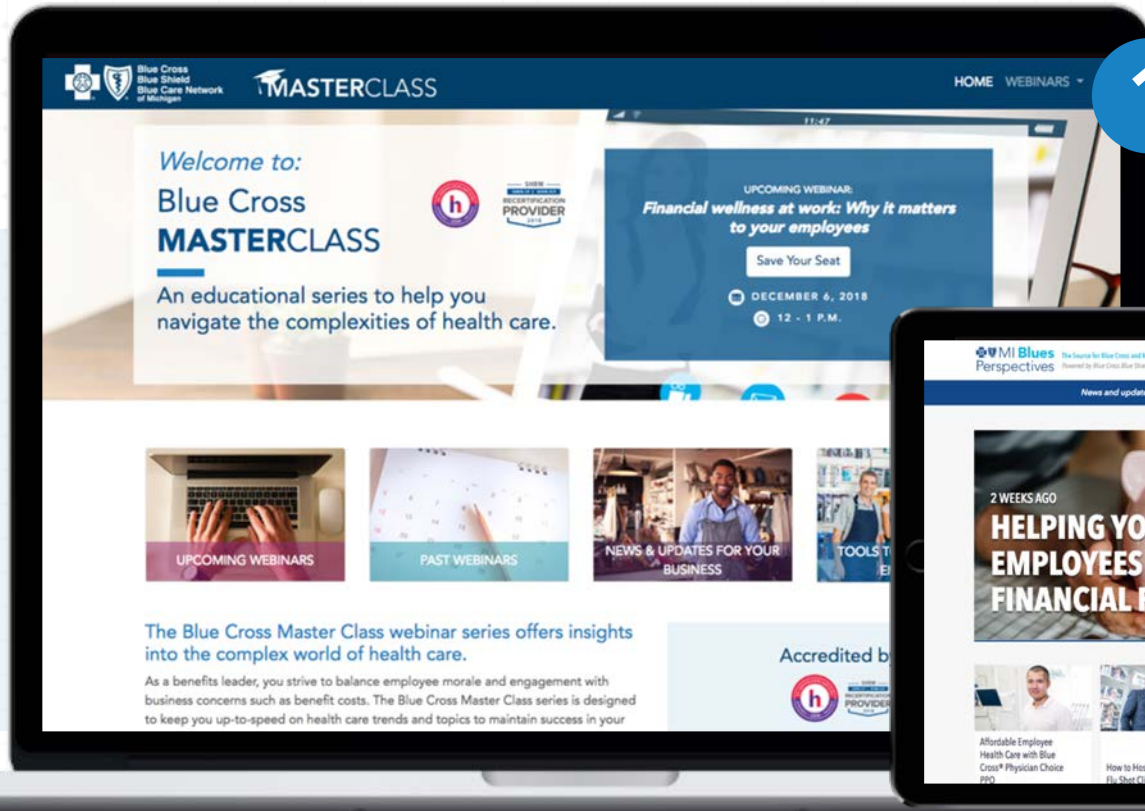


# Recap of what you can do

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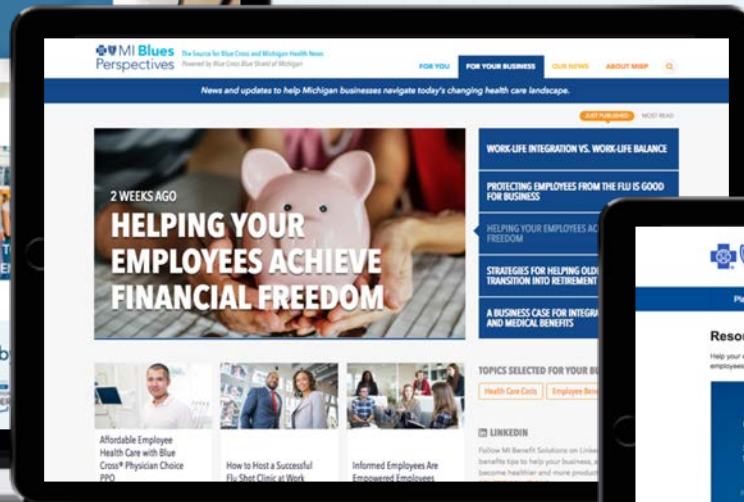
- Understand how financial distress impacts your employees and your business
- Evaluate your offerings to incorporate financial wellness benefits that are appropriate for your business and employees
- Share resources to educate your employees on their health plan, treatment costs, and other financial wellness information
- Contact your Blue Cross representative for more information

# For more information:



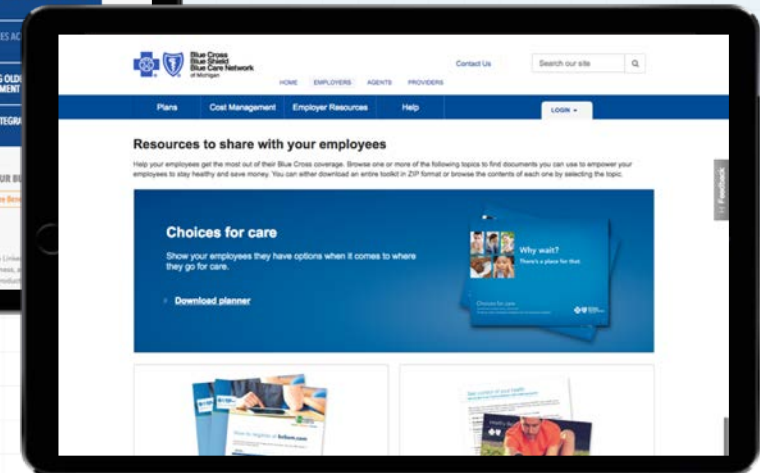
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# MASTERCLASS

# Thank You.

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