

Should Workplace Financial Program Providers Teach to the “Test of Financial Health”? Yes!

If a financial program is to be successful, it should “teach to the test.” The *Personal Financial Well-Being (PFW)* scale is a valid and reliable measure of “financial health.” Both the communications efforts to reach employees and the financial literacy program itself should aim to help employees reduce their financial distress and increase financial well-being, and that is what the PFW measures. Employers may use the PFW (with permission) at no cost. The Personal Finance Employee Education Foundation does not provide financial programs; instead we recommend the best.

The Goal of Quality Workplace Financial Programs

A workplace financial program that accomplishes the goal to increase employee financial well-being will over time result in more and more employees reporting higher financial well-being. Every year perhaps 10%, 20% or even 30% of employees should be able to self-report higher scores on their perceptions about their personal finances. These employees are those who are more satisfied with their financial well-being and less stressed about financial matters. These are good workers, too.

If the measured financial health of employees is not rising over time, the employer should consider firing the primary financial program provider. Alternatively, perhaps the employer could give the provider one year to make improvements in their communications and financial program. The provider can make needed changes, they should, and if they can’t they quickly will learn how. After all the financial provider work for the employer and they should deliver what is asked.

A quality financial program should have multiple components to truly reach all the employees and provide the best resources to help employees improve their financial lives. Teach to the test: Aim to reduce employees’ financial distress and improve their financial well-being. How? Communicate these key messages.

The Key Messages of Quality Workplace Financial Programs

1. Emergency Savings. Without \$500, \$1,000 or \$2,000 in emergency savings, depending upon the income of the employee, simply living life and its frequent financial challenges, will continue to regularly wreck that person’s finances...every year...forever. Having an emergency savings fund reduces financial distress.

2. Pay Down Bills. Employees who usually make the minimum payment or just a little more will never get out of credit card debt. One who owes \$8,000 on credit cards at 18% interest and makes a 3% monthly payment will pay on that debt for 11 years—assuming they never put another charge on the card. Making progress reducing credit card balances reduces financial distress and increases financial well-being.

3. Spending Plan. Most employees do not make a budget or follow one. They have no spending plan. Employees who have some kind of written spending plan—no matter how elementary—are those who have more confidence about their personal finances. Having a spending plan reduces financial distress and increases financial well-being.

4. Benefits Selections. Six in 10 employees make their selections among their employer-provided benefits in less than one hour; many take less time. Wisely made benefit choices help employees balance their budgets as well as find money to contribute to their retirement plan, frequently with no change in one's net pay. The result is more saving and better financial well-being.

The Result of Providing Employees Quality Financial Programs

When effectively communicated these key messages cause employees to live their everyday financial lives with more satisfaction as well as prepare well for a financially successful retirement.

Quality Requires a Team of Financial Providers

It is impossible for one primary financial provider no matter how excellent to offer employees easy access to all of the financial resources to genuinely help them change their financial lives for the better. It is widely understood that 401(k) education providers are not as successful as they should be since the great majority of employees are not saving enough for retirement. Many employees are living paycheck-to-paycheck and it is not just those with moderate or low incomes.

Employers should offer employees the multiple services and products of a team of quality financial program providers who coordinate their services. Communications to employees on the key messages should regularly emphasize the availability of provider services such as credit counseling, credit union, benefits selection education, income tax preparation, speedily paying off a home mortgage, 401(k) education, and financial advice.