Financial Well-Being Benefits Get a Rebrand

Workspan Article
February 05, 2025

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Employee Benefits   Well-Being

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When it comes to inspiring employees to engage with employer-sponsored financial well-being initiatives, words matter.

Case in point: As part of its robust offerings, American Express Co. changed the way it refers to the financial planners it makes available as a financial well-being benefit to its 26,000 U.S. employees.

"Now we call them financial coaches," said Barbara Kontje, the company's director of retirement and smart savings, who explained that the moniker is more relatable to many workers. "People will say, 'I don't make that much money. I don't need a planner. I just need to figure out how to pay my bills,' " she noted.

Kontje, who shared company strategies during the Employee Benefit Research Institute's (EBRI) recent annual symposium about prominent financial well-being trends, also said American Express has moved away from talking to employees about "budgets," since some workers find the word off-putting or stress-inducing. Instead, the company uses the term "spending and savings plans."

Such subtleties may seem nuanced, but they're joining larger modifications as employers get more intentional about reexamining financial well-being programs — and redoubling efforts to make them more effective.

"Companies are still trying to figure out how to best position these benefits," said Jake Spiegel, senior research associate at EBRI, "and how to connect them to the outcomes they want to see."

The Effectiveness Mandate

Despite more than a decade of attention and investment, financial well-being remains an area in which many organizations acknowledge that efforts to date have largely failed to yield desired outcomes.

WTW's U.S. Wellbeing Diagnostic Survey found that financial well-being is the top employee challenge for employers, and also the area in which they believe they're least effective. Only 19% of 535 organizations employing 8 million employees worldwide reported being effective at supporting the financial well-being of their workforce, survey data showed.

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Part of the problem may be a lack of alignment. "What plan sponsors and employers are looking to do for employees and what we hear directly from employees [about what they need]? Oftentimes, they are not aligned," said Megan Conroy, director of financial education and strategy delivery at Bank of America.

However, a few prominent initiatives have emerged nationally to help address that gap.

In addition to provisions of the SECURE 2.0 Act that took effect this year, the Treasury Department has launched its first-ever National Strategy for Financial Inclusion, a landmark plan aimed at helping households achieve long-term financial well-being. Employers have a role to play in the new policy strategy, which states: "Employers should offer and promote inclusive emergency and retirement savings plans and provide relevant financial educational resources and coaching."

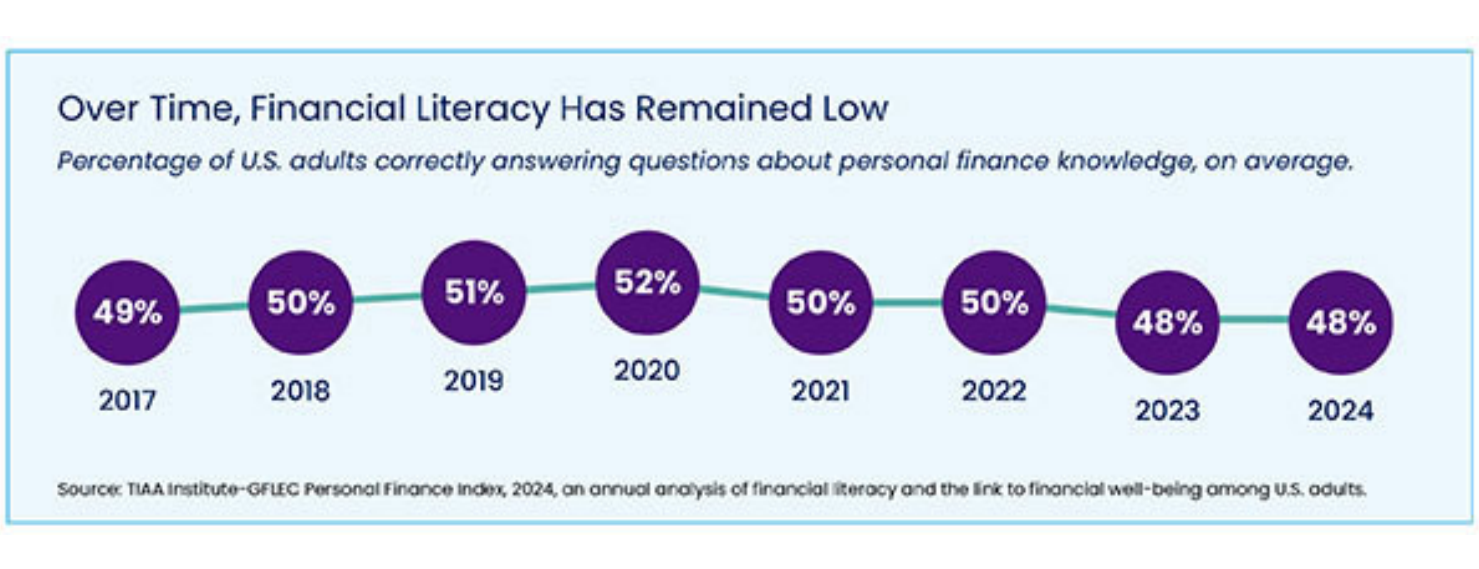
Such efforts dovetail with other evolving trends in financial benefits, which increasingly target not only retirement and financial planning, but also the everyday, foundational building blocks of financial security. A reframed focus on personal finance essentials is leading many employers to more closely connect financial well-being with the often very real employee needs related to financial literacy and personalized guidance.

Back to Basics, With a Twist

For employees who may not need (or be ready for) a full financial plan or have assets that necessitate investment advice, benefits like financial therapy (examining the psychological and emotional drivers of financial decisions), financial coaching (providing professional guidance to help build healthy money habits) and financial education (focusing on knowledge and literacy) can be more appropriate steps on a path toward financial security.

Indeed, the top challenges that employers with financial benefits programs believe they should address are mostly near-term in nature: healthcare costs, the high cost of daily living expenses, financial-related stress, budgeting, money management and retirement preparedness, according to EBRI's latest annual Financial Wellbeing Employer Survey.

This, of course, is easier said than done, considering U.S. adults have for years shown low levels of financial literacy. On average, adults correctly answer only about half of 28 questions about financial concepts like borrowing, earnings, insurance, investing, risk comprehension and savings, according to an annual assessment of Americans' working financial knowledge conducted by the TIAA Institute and the Global Financial Literacy Excellence Center. This figure has consistently hovered around the 50% mark since the index was first released in 2017.



Compared with those who have a high level of financial literacy, the index found that those with low financial literacy levels are:

- Twice as likely to be debt-constrained.
- Four times more likely to lack a month's worth of emergency savings.
- Three times more likely to spend more than 10 hours per week on personal finance issues.

The report also revealed some demographic differences regarding financial literacy. For example:

- Financial literacy tends to be low across all generations, but particularly so among Gen Z (those ages 18 to 26).
- Financial literacy among women tends to lag that of men.
- Financial literacy among Asians and whites is roughly equal.
- Financial literacy among Blacks and Hispanics is comparable, although significantly lower than for Asians and whites.

By being aware of these differences, employers can highlight, enhance and target their offerings in a way that will maximize the effectiveness of their programs.

The Importance of Relevance

At American Express Co., a recently held retirement investment webinar exploring general topics geared toward a broad employee audience drew about 25 attendees. When a second webinar was offered, which intentionally included two changes — adding "women" in the title and targeted educational content pointing out the extra challenges women often face in retirement planning (due to interruptions in earnings and savings opportunities because of career breaks for family or caregiving, for instance) — attendance was vastly different.

"It broke the webinar," in terms of turnout, said Barbara Kontje, director of retirement and smart savings. "It was really fascinating to see that happen." And proof that you always have to think about tailored relevance, she added.

"There are a lot of basic [financial well-being] concepts that apply to everybody, and there are some that don't apply," she said. "When it's general, sometimes that can be a mistake. It's got to be specific, too — the 'what's important to me' aspect."

Employers should also strive to provide the benefits employees want at precisely the right time, according to Shannon Hanko, director of financial resilience at WTW.

"Employees will engage when they have a need, and just expecting them to grow their financial literacy when they're not necessarily experiencing a need is unrealistic," she said. "We have limited hours in the day, and we have different priorities. But if you're able to present it on that personalized level and help them achieve their individual goals with just-in-time support, financial wellness becomes much more effective."

That might mean sending information and resources for 529 accounts to employees who just became parents. Or it could mean making a program on Social Security benefits-claiming strategy available to workers in their early 60s. Since financial wellness is an ongoing journey, the needs of any given employee will likely change over time as they age or reach certain milestones in life.

Customized Coaching

The key to truly helping employees improve their financial lives is taking a personalized approach and helping them determine the best next step for them on their financial journey —and then focusing on just that, according to Greg Ward, CFP, director of the Financial Wellness Think Tank, the research arm of Financial Finesse.

"By prioritizing and working on just a little bit at a time, you start to build momentum," he said. "And as you build the momentum, the likelihood that they're going to continue that journey is much greater."

Demand for customized financial help among workers already exists. In fact, one-third of 3,638 employees polled in an annual financial wellness study by PwC ranked access to unbiased human coaches as *the* employer benefit they'd most like to see added to their organization's wellness offerings. In addition, EBRI's survey found that more than 1 in 3 employers worry that the financial benefits they offer aren't customized or personalized enough.

The ROI for employers who offer financial well-being benefits can be significant, according to a study in the June 2023 issue of the *Journal of Financial Literacy and Wellbeing*. The research found that a well-designed financial education program can remove at least one hour per week of worry and financial distress for each employee who participates in that program. Assuming a minimum wage of $15 per hour, at a company with 30 minimum-wage employees, an effective program can recover at least $22,500 of value per year.

Reduced Stigma

Most employees want help with their finances, with 74% seeking financial guidance when dealing with financial decisions, crises or life events, according to an annual financial wellness study by PwC.

Importantly, the findings also suggest that the stigma around getting help with finances at work may be easing: 33% of the 3,638 employees surveyed said they found it embarrassing to ask for guidance or advice about their finances, compared with 42% in 2019. It's an important measure, as such reluctance plays a role in whether people seek out financial coaching or education — stifling engagement and participation in employer-sponsored financial well-being programs.

Part of that shift likely reflects the changing demographics of the workforce, with millennials and the generations after them less likely to consider conversations about money taboo, said Kara Woolley Watkins, senior program manager for the Inclusive Saving and Investing Initiative at the Aspen Institute's Financial Security Program.

"That has really allowed people to be a little more honest and transparent about their needs and wants and also their feelings around money," she said, "and we know that money and feelings go hand in hand."

Measuring the Effectiveness of Financial Well-Being Benefits

As the scope of financial well-being needs and strategies continues to evolve, organizations are striving to more fully assess the effectiveness of these benefits, both through improvements in employee financial health and measures of program ROI.

"Really understanding the ROI is notoriously difficult," noted Bennett Hadley, financial wellness solution leader and actuarial associate consultant at Segal, in a recent advisory. "The HR benefits industry now understands the potential upside conceptually, but it remains a challenge to measure in practice."

The key, he finds, is to "think beyond traditional statistics by scoring financial well-being programs in terms of the outcome-oriented metrics that really matter, like financial stress levels, benefits satisfaction and retirement confidence."

EBRI's 2024 survey documented the fact that employers are indeed paying more attention to the ROI of their financial well-being benefits. Seven in 10 employers in that survey said they developed a cost-benefit analysis on such programs, with the most common factors examined including:

- Improved employee financial well-being.
- Improved productivity and performance.
- Improved employee recruitment or retention.
- Improved absenteeism/tardiness.
- Reduced medical/mental health claims.

According to long-standing recommendations of the Global Financial Literacy Excellence Center, best-in-class financial well-being programs cover these seven essential topics:

- The basics of financial literacy.
- A clear explanation and ongoing conversation about financial well-being benefits.
- Budgeting tools.
- Debt-management education, including the importance of credit scores.
- How and why to plan for and save for both anticipated and unanticipated expenses (such as emergency savings and 529 college savings accounts).
- The basics of saving and investing for retirement.
- Guidance for financial planning around life events, such as becoming a parent or caregiver, changing jobs or transitioning into retirement.

Measures of effectiveness have tended to center on quantifiable assessments of such essentials where possible, most often by trends in benefit utilization rates and account balances.

While these customary metrics are useful, they may not offer full insight into the financial well-being of varied employee populations, Hadley said. For example, high retirement plan-level participation statistics may give the impression that nearly all workers are maximizing the value of the plan. However, a closer look at non-participants might uncover a demographic pattern that suggests, for example, unintended inequity.

"Employee needs are never homogeneous," he said, "and it's likely that subpopulations have distinct financial situations that aren't obvious when looking at your employee population as a whole." He points out that by grouping employees into personas, based on key demographic identifiers, a clearer view of financial challenges your employees face can surface.

These segments may range from employees who say they live paycheck to paycheck to those who report being generally financially secure.

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Incentivizing Program Engagement

Research from the Financial Wellness Think Tank found that providing targeted incentives that reward employees who use financial well-being programs can boost effectiveness. An analysis of Financial Finesse clients found that those that incentivize financial wellness average 3.8 times higher engagement measures than those that do not, Ward said. Examples of incentives include perks like additional contributions to other benefit programs (such as HSA deposits), reductions in benefit costs or entries into raffles with substantial prizes (such as one mortgage payment).

Global marketing experience company Quad introduced its financial well-being benefits in 2019 as part of a revamp of its overall wellness strategy, which aims to cover four areas of wellness: physical, emotional, financial and social. Its offerings in the financial area currently include, among other things, one-on-one financial coaching (in Spanish or English), access to online retirement modeling tools and education resources, and virtual one-on-one meetings with financial advisors.

To encourage use, Quad rewards workers who take advantage of the financial benefits offerings with points via the company's QLife program, which translates to annual monetary awards for employees who tackle wellness goals across the four pillars.

"That's where the wellness benefits intersect," said Nicole Crnkovich, CCP, Quad's vice president of total rewards. "So, if diabetes management is your priority, you can earn points for different activities that will support that goal, but if financial wellness is your priority, there are different opportunities to earn points for various goals."

According to the company's 2023 Environmental, Social and Governance Update (the most recent available), 1,559, or 15%, of eligible U.S. employees completed and received the QLife Reward.

Editor's Note: Additional Content

For more information and resources related to this article see the pages below, which offer quick access to all WorldatWork content on these topics:

- Employee Benefits
- Total Rewards

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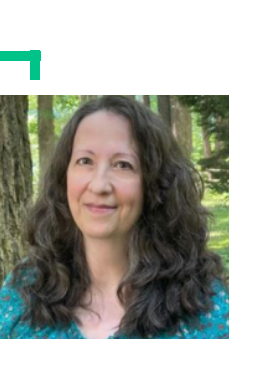

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