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financial wellbeing

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Winning combination

Jeanette Makings | Head of financial education
Close Brothers Asset Management

In simple terms, overall wellness can be looked at as a combination of physical, mental and financial wellness. Traditional wellness strategies target physical wellness and in recent years there has also been a growing focus on mental wellbeing. However, the missing piece seems to be financial wellness with only 24% of employers saying they provide any element of this in their overall wellbeing strategies, according to the *Employee Benefits/Close Brothers Pensions research 2015*, published in November 2015.

Financial wellness is not just the missing piece of many wellness strategies. Without it, there is a likely knock-on effect on mental and, potentially, physical wellness too, so including it is vital to ensure overall wellbeing.

The YouGov Barclays study, *Financial wellbeing: the last taboo in the workplace?*, published in May 2014, found that 46% of employees worry about their finances, with 18% losing sleep over it. This level of worry and the impact on essentials such as sleep is likely to have a negative impact on overall health, particularly over the long term.

So what is financial wellbeing? The US is further along the road than the UK in assessing, measuring and tackling financial wellbeing. So borrowing a definition from the US Consumer Financial Protection Bureau from January 2015, wellbeing occurs when 'an individual has control over day-to-day or month-to-month finances; they can absorb financial shock; they are on track to achieve their own financial goals; and they have the financial freedom to make the choices they want to enjoy life'.

Under this definition, the scope of financial wellness is extending beyond just subsistence. It includes financial resilience and it ties financial wellbeing to being able to attain the lifestyle they wish to have. This is an important perspective and, after all, embodies what finances represent, which is the wherewithal to live the life people choose.

The other important insight this provides is timescale. Financial wellness is not just about immediacy, it also has to work for the short, medium and long term. Many people considering financial wellbeing focus only on those struggling to manage their money day to day, those with debt problems and those starting out in their career. To assist these groups, employers may offer debt counselling as part of an employee assistance programme, arrange workplace loans and provide budgeting and loan consolidation modellers. However, a financial wellbeing strategy is not just about debt and is definitely not just for the young.

Most people will worry about money at some point in their lives and worries are not only for those who do not have enough money. People worry about what to do with their money and how to make the best decisions to make the most of what they have, where to find the right mortgage, how to choose the right pension, where to invest, whether investments are working well enough, how to help children through education and onto the property ladder, tax planning, tax returns, worrying about funding a relative's care, protecting their family, surviving a divorce, changing cars, replacing the boiler, moving house, and so on.

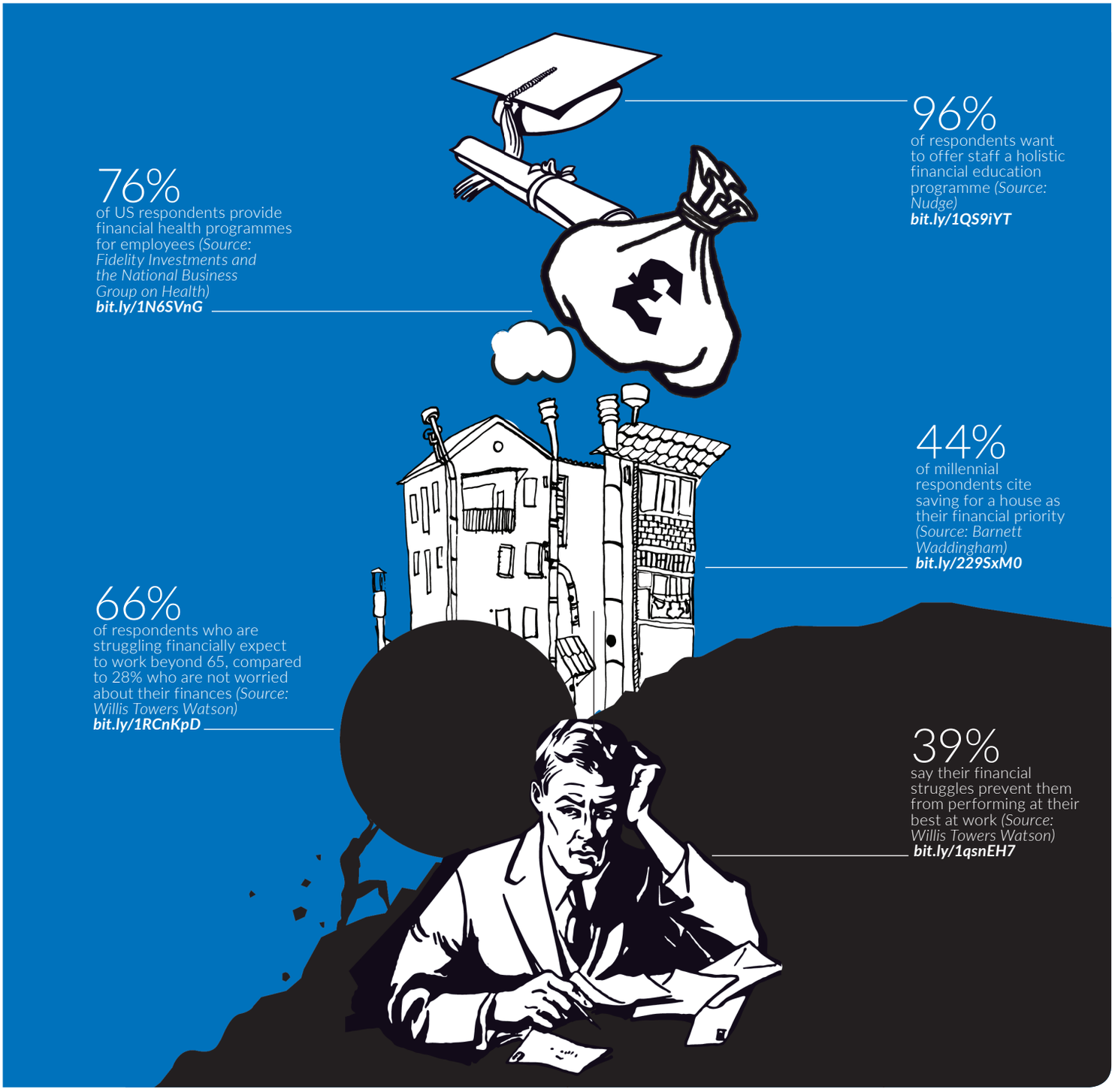
All of these can easily be addressed and the workplace is a great channel for communication, education, guidance and engagement, as well as employment reward and benefits being the single largest source for many for financing their lifestyle and future financial security.

An inclusive programme of financial education with targeted support, further guidance and access to advice will deliver improved financial wellbeing. But not all education is equal. The most important aspect of a financial education programme when driving wellbeing is that it must create positive change. Awareness and information on its own will not do this, and even inspiring and engaging information will not work effectively if there is no mechanism for employees to implement change. Information, inspiration and implementation are the cornerstones of effective financial education programmes, but these are also essential for programmes that aim to improve financial wellbeing ■

"PEOPLE WORRY ABOUT WHAT TO DO WITH THEIR MONEY AND HOW TO MAKE THE BEST DECISIONS"

Financial wellbeing in numbers

Louise Fordham rounds up some of the latest statistics around financial wellbeing in the workplace



96%
of respondents want to offer staff a holistic financial education programme *(Source: Nudge)*
bit.ly/1QS9iYT

76%
of US respondents provide financial health programmes for employees *(Source: Fidelity Investments and the National Business Group on Health)*
bit.ly/1N6SVnG

44%
of millennial respondents cite saving for a house as their financial priority *(Source: Barnett Waddingham)*
bit.ly/229SxM0

66%
of respondents who are struggling financially expect to work beyond 65, compared to 28% who are not worried about their finances *(Source: Willis Towers Watson)*
bit.ly/1RCnKpD

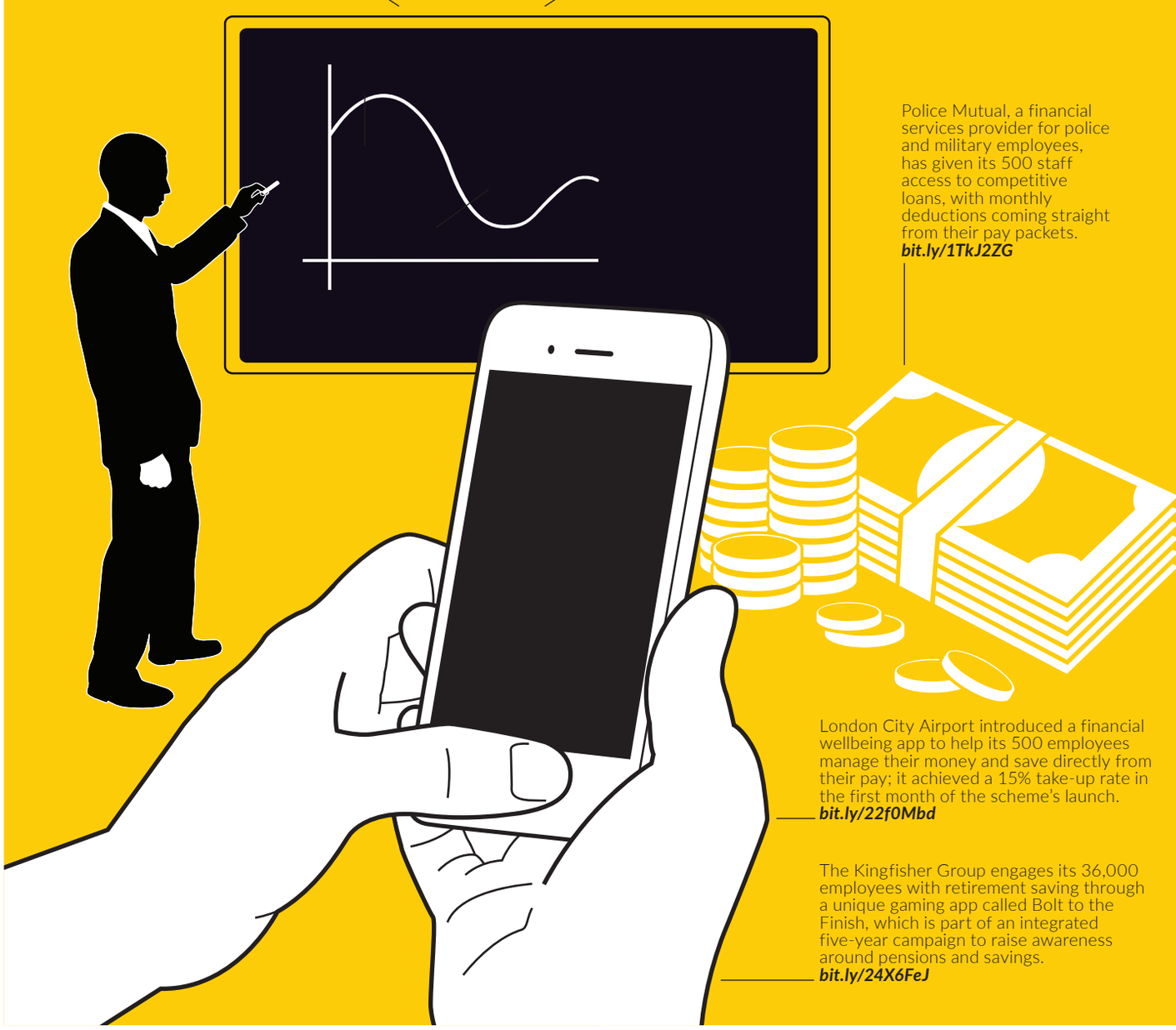
39%
say their financial struggles prevent them from performing at their best at work *(Source: Willis Towers Watson)*
bit.ly/1qsnEH7

On the case

Katie Scott rounds up some recent employer case studies around financial wellbeing

Coventry University has rejuvenated its financial education programme to increase employees' financial understanding and raise awareness of the organisation's total reward package.
bit.ly/1OB6wcW

The University of Lincoln offers four different types of tailored financial wellbeing workshops twice a year for staff. Due to its popularity, the programme has also been extended to its student population.
bit.ly/27vnmjS



Police Mutual, a financial services provider for police and military employees, has given its 500 staff access to competitive loans, with monthly deductions coming straight from their pay packets.
bit.ly/1TkJ2ZG

London City Airport introduced a financial wellbeing app to help its 500 employees manage their money and save directly from their pay; it achieved a 15% take-up rate in the first month of the scheme's launch.
bit.ly/22f0Mbd

The Kingfisher Group engages its 36,000 employees with retirement saving through a unique gaming app called Bolt to the Finish, which is part of an integrated five-year campaign to raise awareness around pensions and savings.
bit.ly/24X6FeJ

All well and good for finance

Financial worries among the workforce can be offset by effective and targeted information

Sam Barrett | Freelance journalist

Need to know

- Financial worries can affect sleep, increasing the risk of mental and physical health problems, pushing up absence and potential safety issues.
- Segmenting a workforce can make financial education more effective.
- Employers should not overlook making it easier to claim expenses or promoting the budgeting tools provided with a workplace pension.

Read also

How to engage staff with financial wellbeing
bit.ly/24X61OD

At some point most of us have struggled to make our salary last from one pay day to the next. But, for many employees, financial worries can have a significant effect on their health and wellbeing, with serious implications for employers.

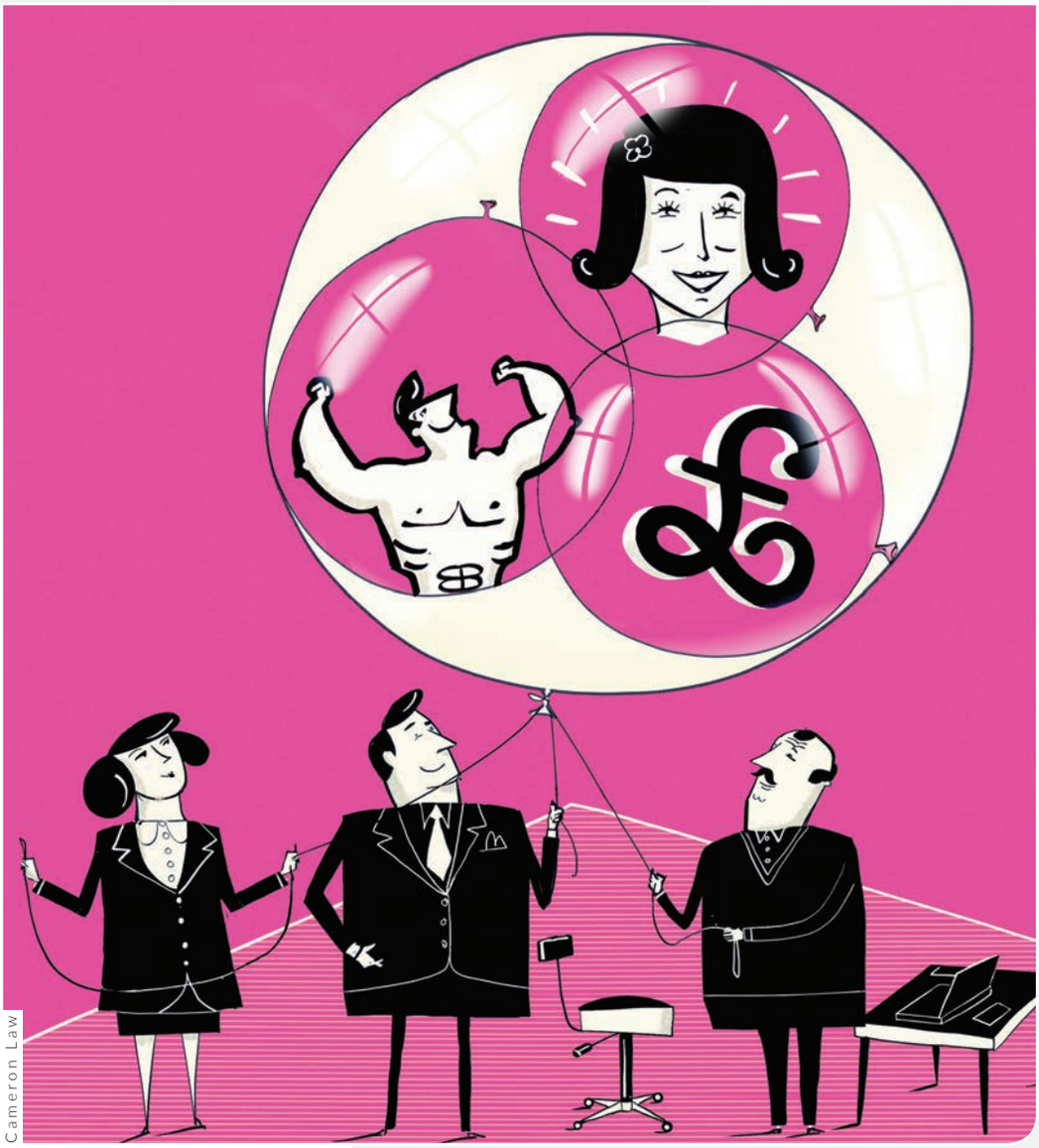
Research by Mercer, published in November 2015, found that 78% of employee respondents feel that financial concerns contribute to stress levels. The research also found that financial worries have a negative impact on motivation (57%), energy levels (51%), as well as their overall health (46%).

Financial worries can have a major impact on an employee's health and wellbeing, says Dr Mark Winwood, clinical director of psychological health at Axa PPP Healthcare. "If you're worried about money, it can affect your sleep, which can then have knock-on effects on both physical and mental health," he says. "Among the health implications are increased risk of colds and flu but also a greater risk of mental health issues such as depression and anxiety. It's hardly surprising that suicide rates increase when there's a financial downturn."

Workplace woes

These health risks manifest themselves in the workplace through increased absence but also presenteeism. For example, on average, an employee suffering from poor sleep will cost a business around nine days a year in productivity, says Winwood. There can also be workplace safety issues if someone is not feeling 100%.

It is also important to note that money worries can affect all employees, not just the low paid. Annette Cox, associate director at the Institute for Employment Studies, says: "Financial wellbeing is about knowing how to manage your money. We're



Cameron Law

"IF YOU'RE WORRIED ABOUT MONEY IT CAN AFFECT YOUR SLEEP, WHICH CAN THEN HAVE KNOCK-ON EFFECTS"
Dr Mark Winwood, Axa PPP Healthcare

faced with so many financial choices these days that it can be overwhelming."

For example, the shift from defined benefit (DB) to defined contribution (DC) pensions; the increased choice at retirement as a result of pension freedoms; and the announcement in March's Budget of the introduction of a lifetime individual savings account (Lisa) that can be used to save for a home or put towards retirement, all present individuals with greater choice.

Informed choices

Giving employees the information they need to make informed choices is key to improving financial wellbeing, says Paul Bloomfield, business development director at Aon Employee Benefits. "Financial education can help people understand their choices and make better use of what's available," he explains.

Although financial education has been around for years in the workplace, under the financial wellbeing banner it takes a much more focused approach. For example, when Aon implements financial education programmes for employers, the first thing it does is understand the needs of the workforce, says Bloomfield. "We'll run focus groups and speak to employees to find out what the issues are," he says. "You can't just dive in with a session on retirement. You need to segment the workforce to ensure the programme is relevant."

This targeted approach is also used by Nudge Global in its financial wellbeing programmes. Tim Perkins, director at Nudge Global, says: "We link into an employer's benefits or payroll system to gain insight into its employees. This gives us information such as when they have a change in pay, status or address so we can deliver relevant financial education to them." ▸▸▸

Statistics

Employees that often worry about how much debt they have

(Source: Willis Towers Watson's Global benefits attitudes survey 2015/16, published in February 2016)

Viewpoint

Chris O'Sullivan is programme lead, business development and engagement at the Mental Health Foundation

Mental health is a universal attribute. We all have it, good or bad. We all experience times where we are at our best in work and at home, and we can all think of times when we felt at the edge of coping, or beyond. When we invest in our mental health, or the mental health of the staff that work in our organisations, we invest in those individuals, their families, and in the productivity of the workplace, whatever its mission.

In an operating environment where business needs to be both lean to weather financial turbulence, and attractive and competitive to retain and acquire talent, the support package that exists for staff is critical to attracting the best, and fostering a culture of early access to support, rapid return to work and effectiveness for staff who experience distress, be that arising from events such as bereavement, or from mental health problems such as depression or bipolar disorder.

Businesses provide a range of financial, physical and emotional wellbeing offers for employees. Getting the mix of these right is a challenge best met by understanding the risks faced by staff, the needs framed by the environment of the business, and the priorities staff express via engagement activities.

Increasingly, we are seeing that focusing on improved mental health as an outcome can provide a unifying theme to support packages. These usually involve early access to evidence-based treatment or information; direct support to mitigate the effect of absence and loss of earnings; vocational rehabilitation for physical injury or illness that should include the psychological impacts; or anonymous support for concerns with family, relationships, debt and housing.

Mental health can be the thread that brings together support across a business, to ensure a compassionate response to distress, rapid access, and return to work.

For example, during Free Wills Month in March 2016, Nudge Global identified employees over the age of 55 with dependants and sent them details outlining what was available and how much people could save. "It has to be in the moment to get the most impact," adds Perkins.

Building a programme

While it is possible to buy in education and other tools, many organisations may find they already have many of the components to support a financial wellbeing programme in place. Jeanette Makings, head of financial education at Close Brothers Asset Management, says: "Many employers will have an employee assistance programme with access to debt counsellors but you can also find budgeting tools on pension and savings plans. Making employees aware that this support is available can make a big difference."

It is also sensible to look at some of the processes that may be in place within the workplace. This could include checking that day-to-day activities such as claiming expenses and overtime are as simple as possible to ensure that employees are able to benefit, says Bloomfield. "If these are too complex, people don't claim," he explains. "This can contribute to someone's financial worries."

A cultural change may also be necessary. "As a nation, we're incredibly uptight about discussing money, especially in the workplace," says Cox.

> "AS A NATION, WE ARE INCREDIBLY UPTIGHT ABOUT DISCUSSING MONEY, ESPECIALLY IN THE WORKPLACE"
> Annette Cox, Institute for Employment Studies

Case study | **Victrex**

Victrex uses segmentation to assist financial education

Global high-performance polymer manufacturer Victrex employs around 600 people in the UK in roles ranging from manufacturing to management. When Sally Knill joined as head of reward in 2013, it soon became apparent that a financial education programme was needed. "There was limited appreciation of the benefits on offer," she says. "The pension trustees were looking to change this but the two-hour-long seminar they proposed was far from engaging."

Instead, Knill segmented the Victrex workforce by age and arranged for more life-stage focused workshops to be rolled out. As well as highlighting the benefits on offer, these workshops provided employees with information about everything from student loans to retirement options and spotting financial scams. "Knowledge increased significantly and we also saw a lot of employees using this to take out additional voluntary contribution (AVC) schemes to top up their pensions," she says.

A year later, Knill introduced a broader health and wellbeing strategy, which included financial wellbeing, and decided to build on the success of the programme. "We were closing our defined benefit pension scheme to future accrual so we wanted to provide more financial education to ensure employees understood the new scheme and were able to take advantage of it," she explains.

Taking the same segmented approach as before, but adding in one-to-ones for employees requiring more detailed guidance, the new programme had huge take-up and some very positive results. Just one employee has opted out of the new scheme, with the majority choosing to pay in the 5% contribution the organisation was targeting. "Helping our employees make informed decisions about their finances is incredibly important for their wellbeing," adds Knill.

"This also translates into business benefits such as higher employee engagement and lower turnover. Financial education definitely deserves its place in the employee benefits mix."

However, turning this situation around is not always easy.

As well as making it easier to claim expenses and so on, employers can approach this by ensuring their benefits programme supports financial wellbeing.

Keep it simple

This could include keeping any literature as simple as possible, with links to further information and tools where possible, but also including products that will be relevant to every employee. For example, rather than just offering a group self-invested personal pension and a corporate Isa, employers could offer savings products and competitive loans to help those employees who might not be ready to invest for the future.

Ultimately, offering a financial wellbeing programme to employees can be instrumental in helping to change the culture. "Start out with it as part of a broader health and wellbeing strategy, at least until discussing money becomes more acceptable," says Cox

Financial wellbeing

The missing piece of wellbeing strategies

Wellbeing at work is fundamental to unlocking employee engagement, retention, recruitment and productivity. A key element of a holistic wellbeing strategy is to focus on improving the financial wellbeing of employees immediately and for their future.

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Making pots of money

Changes to pensions savings limits could bring the workplace Isa centre stage

Alison Coleman | Freelance journalist

Need to know

- Reductions in pensions savings limits could make workplace individual savings accounts (Isas) an attractive savings vehicle.
- The launch of the lifetime Isa (Lisa) next April could prove to be a catalyst for engaging younger employees with saving for their future.
- Even if employees do use the Lisa for retirement saving, most will still rely on saving into a quality pension scheme.

Read also

How to engage staff with financial wellbeing
bit.ly/24X61OD

Workplace individual savings accounts (Isas) were first introduced in 2008 as a flexible way for employees to kick-start their savings habit and supplement their pension pot at the same time.

Among the various workplace savings schemes that employers offer to their staff, however, workplace Isas have enjoyed mixed fortunes, never quite taking off in the way that providers were hoping, perhaps because many individuals do not like the idea of their employers knowing what personal savings they are making and preferring to choose their own provider.

But things could be about to change for the workplace Isa, says Kevin Wesbroom, senior partner at Aon Hewitt. "The much-reduced pension limits, down to £10,000 per annum for the high earners, and much increased Isa limits, up to £20,000 or £40,000 for a couple, from next year will make Isas much more attractive," he explains.

Financial wellbeing

With financial wellbeing now considered an important part of the workplace wellness strategy, savings schemes and other benefits that support employees' financial awareness can play a key role in an employer's overall engagement strategy. The popularity of workplace Isas will increase in line with a growing awareness among employees that retirement income is not going to be provided solely through pensions, says Sue Pemberton, head of defined contribution (DC) and wealth at Xerox HR Services. "The reductions in annual allowance and lifetime allowance mean that employers and employees should start to look at alternative savings vehicles for those contributions previously made to a workplace pension," she says.

"Employers put pensions in place to help provide individuals with a means to support themselves in their retirement. While providing a cash alternative to those who are going to breach the new annual allowance and lifetime allowance limits does not satisfy these objectives, giving employees an alternative savings vehicle goes some way to continue to do so."

> "THE LISA COULD INSTEAD ACT AS A CATALYST FOR YOUNG PEOPLE TO KICK-START THEIR SAVINGS HABIT"
> Nathan Long, Hargreaves Lansdown

Encouraging a savings habit

The Isa route also provides for short- and medium-term savings goals to be achieved where pensions do not, while encouraging the savings habit.

However, April 2017 will also see the launch of the government's new lifetime Isa (Lisa). Whether this will assist the anticipated resurgence of workplace Isas, or end up replacing these is a subject of debate. Lisas are aimed at those aged between the ages of 18 and 40, and will therefore appeal to a different demographic; younger workers.

"They will focus on government incentives to help them save for that first house and ▸▸▸

Images: iStock

Case study | **Reed Smith**

Reed Smith boosts engagement with workplace Isa

International law firm Reed Smith introduced a workplace individual savings account (Isa) in 2012, launching the scheme in conjunction with auto-enrolment reward as a way of boosting staff engagement with its new group self-invested personal pension (SIPP).

Claire Gibbens, reward manager emerging market economies, says: "We had just signed up with a new provider, Hargreaves Lansdown, and [it] implemented both schemes. The Isa really came into play when we launched our flexible benefits scheme in April 2013, which was on the back of a major communications strategy, with a benefits fair attended by individual vendors proving to be a key move in driving take-up."

There have been four enrolment periods at Reed Smith, and among the firm's 550 eligible members of staff, take-up now stands at around 13%.

"We are really pleased with the results and the feedback, and put it down to our efforts to provide financial education to our staff, particularly to new joiners and trainees, so they understand the real value of what is available," says Gibbens.

"It is a flexible way of saving for a different group of people, but as with any area of financial wellbeing, education will be the key to a high take-up within the workplace."

we believe employers will increasingly see that money invested in Lisas for the young is more value than money invested in pensions," says Wesbroom.

Future funds

While that does not solve the potential for under-saving into pensions, it does raise financial awareness among younger employees. The fact is that given the demise of final-salary schemes, the state pension age being pushed back, low interest rates, and the reality of longer life expectancy and the prospect of a longer length of time in retirement, it is the Lisa generation that will have to save more for their future.

But Elliott Silk, head of employee benefits at financial services firm Sanlam, believes it is unlikely that the Lisa will increase savings through the workplace. "The under-40 age restriction will make it more complicated for online benefit systems to administer Lisas through the workplace," he says. "Employers have already commented to us that they will find it difficult to incorporate them ethically when they are not available to the entire workforce, and some fear that they could be challenged as being discriminatory."

Lisas may well attract saving for those looking to pay in more after having already maximised their entitlement to an employer contribution, but the real area of interest will be younger employees who have yet to buy a home, says Nathan Long, senior pension analyst at Hargreaves Lansdown. "We think the powers of inertia and the valuable employer contribution on offer will keep younger members of staff in their workplace pension," he says. "The Lisa could instead act as a catalyst for these young people to kick-start their savings habit. Employers offering staff access to Lisa may well pique the interest of 20-somethings who are often seen as difficult to engage."

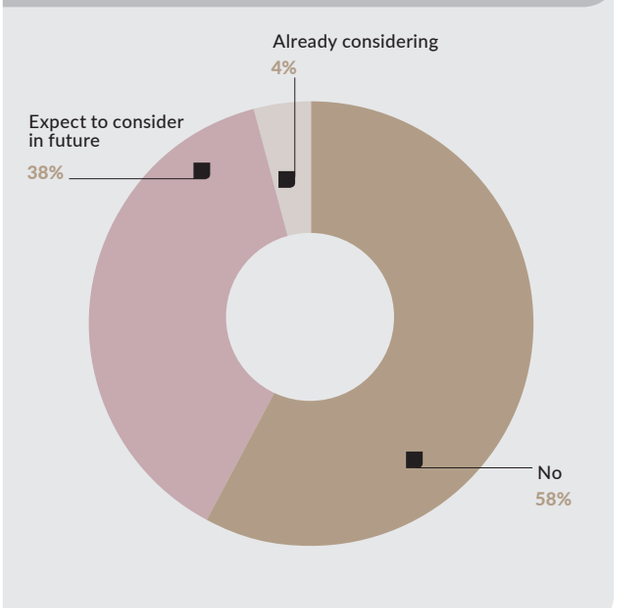
Quality control

For the majority of employees, however, retirement income needs may still be best served by good-quality pension schemes, with automatic-enrolment to encourage joining, employer contributions, and well-governed default funds.

As Alistair Byrne, senior DC strategist at State Street Global Advisors, says: "Where individuals do use the Lisa for retirement saving, it will be important to ensure an appropriate investment strategy. The majority of Isa subscriptions end up being held as cash, which gives individuals peace of mind, but will fail to generate the growth that is needed to fund retirement."

Statistics

Do you think that Lisas could form part of your employee remuneration package in the future?
(Source: Sackers, published in May 2016)



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Make sure they do not go overboard

Employers can draw on a range of proven strategies when assisting with the financial burdens facing employees

Georgina Fuller | Freelance journalist

Need to know

- The nature of a financial problem often depends on the stage of life an employee is at.
- Employee assistance programmes and debt management support are ways that employers can help employees.
- Employers can also offer online budget modellers, a debt counselling service, payroll advances, workplace lending schemes and time off.

Read also

What are the key areas of focus for financial education? bit.ly/1WCjdY4

Unless they are one of the fortunate few with a private income or have won the lottery, most employees will probably find themselves faced with a big, unexpected spend at some point in their working lives. Whether it is a boiler breaking down or a huge MOT and car service invoice, being hit with an unwanted cost can be stressful. So what sort of benefits can employers put in place to help support staff when they are in financial dire straits?

Employee assistance programmes (EAPs), debt management support and emergency loans are just some of the ways that caring organisations can help their employees during difficult times.

Life stage challenges

The nature of a financial crisis often depends on the stage of life the employee is at, says Jo Thresher, head of money at work at Jelf Employee Benefits. "With younger employees it tends to be car breakdowns, relationship problems, not making their pay last until [the next] pay day or underestimating bills or credit card costs," she explains. "By mid- to later-life it's usually things such as the boiler or washing machine breaking down, car problems again, mortgage bills, sick relatives, relationship breakdowns or children."

In an emergency

Having an emergency fund in place is vital. "There are now several organisations directly offering loans through pay, which will help with the immediate situation," says Thresher.

Debt management support schemes can also be effective, but employees may be reluctant to ask their employer for help directly. "Emergency loans in genuine need are fantastic but could make an employee resentful once they are taken back and leave the employer with a bad taste if they are needed again," adds Thresher.

Employers have a dual obligation to staff; that of supporting them in the crisis, as well as providing a good financial education and awareness scheme to help prevent future crises, says Andrew Kinder, chair of the UK Employee Assistance Professionals Association (EAPA). "Employee assistance programmes (EAPs) are a particularly effective channel to support staff [because] the 24/7, confidential nature of services can be a life-line for individuals who feel lost and anxious," he says. "They can also be a valuable channel for line managers to seek support about how they can help team members facing a financial emergency."

> "BY MID- TO LATER-LIFE IT'S THINGS SUCH AS THE BOILER OR THE WASHING MACHINE"
> Jo Thresher, Jelf Employee Benefits

A question of wellbeing

Employer support should be about addressing employees' financial wellbeing, as well as mental and physical wellbeing, says Jeanette Makings, director of financial education services at Close Brothers Asset Management. "Money worries are a common cause of stress and people with financial difficulties may not be as effective in work and more prone to take time off as a result," she adds. "Employers want to have engaged and effective workers who value them and their benefits. They need to recognise that financial wellbeing is a big part of that."

In times of trouble

There are a number of other ways that employers can help staff in times of trouble. "Employers can also offer online budget modellers, a debt counselling service, payroll advances and workplace lending schemes," says Makings. "And not forgetting time off to sort out financial issues."

Finally, it is important to remember that there can be a stigma attached to many financial problems, which can make employees reluctant to talk about them. Kinder says: "This is why it's so important to encourage employees to seek support early. To try to contain and minimise the impact of the emergency, and reassure employees who are in this type of predicament that there is a solution." EB

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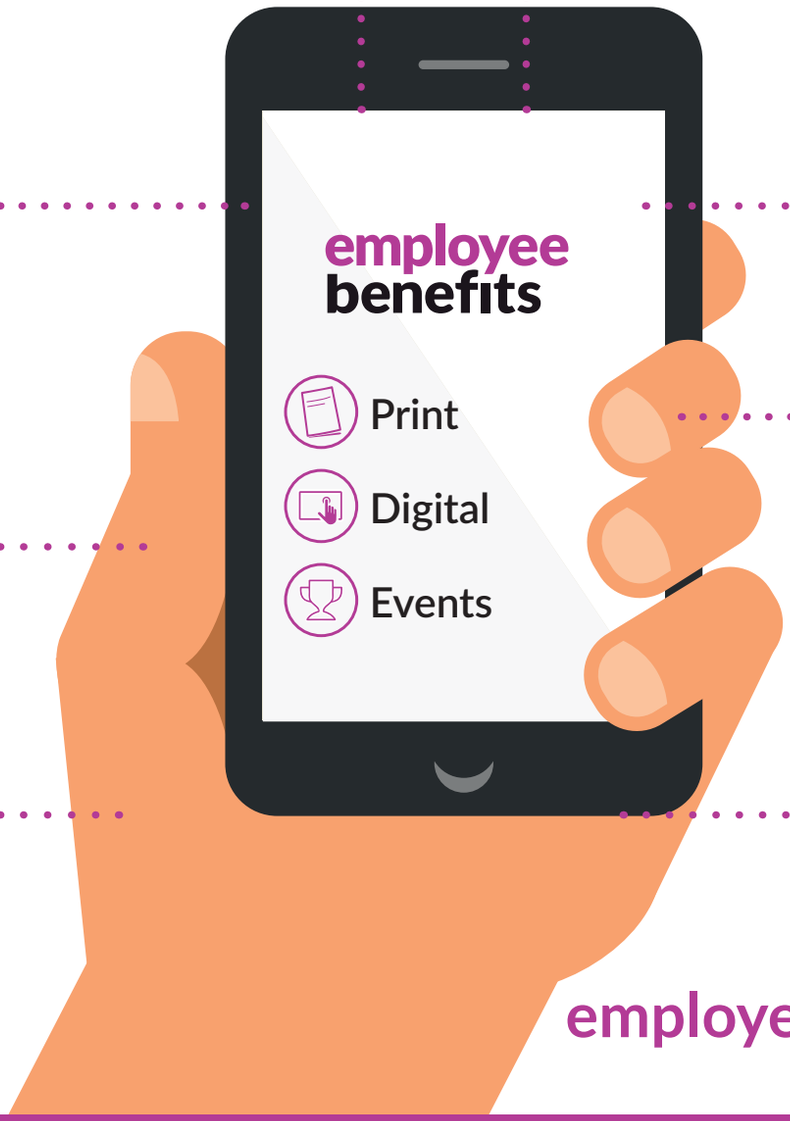

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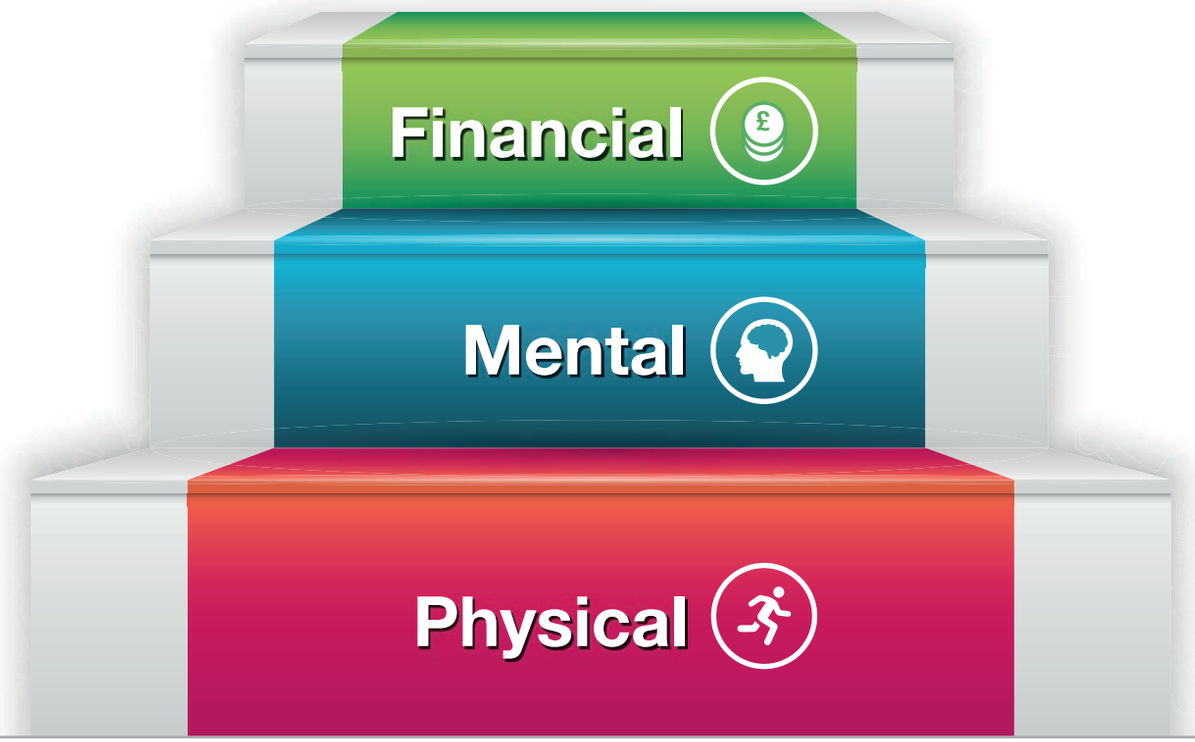
Three steps to wellbeing

Wellbeing at work is fundamental to unlocking employee engagement, retention, recruitment and productivity. A key element of a holistic wellbeing strategy is to focus on improving the financial wellbeing of employees, immediately and for their future.



For over ¾ employers* however, financial wellness is the missing piece in their overall wellbeing strategy. Without it overall wellness cannot be achieved.

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*EB Close Brothers research November 2015

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