



# DEMYSTIFYING FINANCIAL WELLNESS

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**CAPTRUST**

Leading questions:

What is financial wellness?

What components make up a complete financial wellness program?

How is financial wellness measured?

What is wellness?

## **well·ness**

Definition:  
the state of being in good health,  
especially as an actively pursued goal.



What is financial wellness?

## financial wellness

Definition:

the state of being in good financial health, especially as an actively pursued goal.

**Financial health** is a term used to describe the state of one's personal financial situation, including the amount of savings you have, how much you are setting away for retirement, and how much of your income you are spending on fixed or non-discretionary expenses.



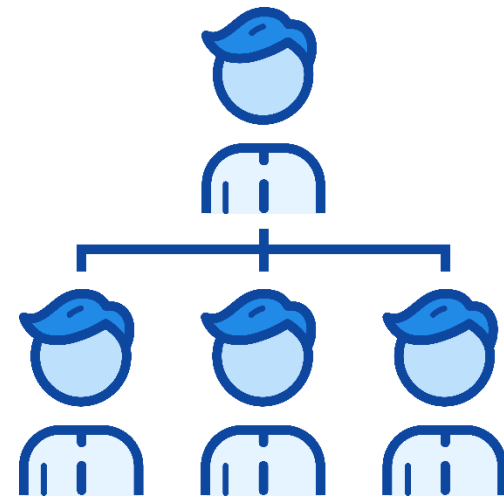
Definition for employees vs. employers:

## Employees

Financial wellness is viewed as financial health and not necessarily accumulation of money or wealth.

## Employers

Financial wellness is achieved through a program designed to improve and/or change employee behaviors using a variety of methods.



Which of the following causes you the most stress?

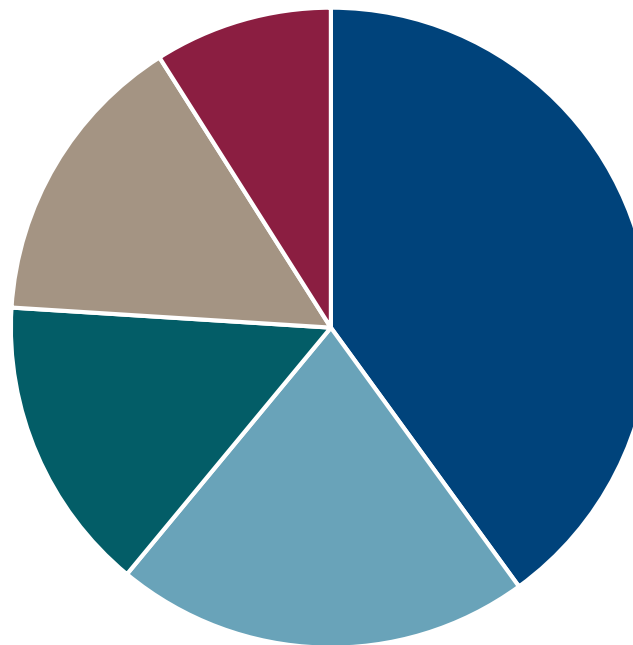
**Financial or money matters/challenges** 40%

**My job** 21%

**Health concerns** 15%

**Relationships** 15%

**Other** 8%



*Source: Wellness Under Construction, Pensions & Investments*

Disability Credit Scores Aging Parents  
 Access to Credit Debt Management 403(b)  
 Health Savings Account Stock Options  
 Healthcare Costs 401(k) Financial Plan  
 Estate Planning Charitable Giving Pension Plan  
 Income Tax Planning Medical Bills Inflation Weddings  
 Bill Paying Social Security Living Will Pension Plan  
 Education Savings Deferred Compensation Emergency Fund 529 Plan  
 Umbrella Insurance Retirement Home Balance Sheet  
 Long-Term Care Travel Cashflow Management Asset Allocation Unexpected Expenses  
 Risk Management Identify Beneficiary Designations  
 Retirement Planning Theft Corporate Benefits

**3 in 5**

Employees experience a moderate to high level of financial stress

**46%**

Of those distracted by their finances spend three or more work hours weekly dealing with personal finance issues

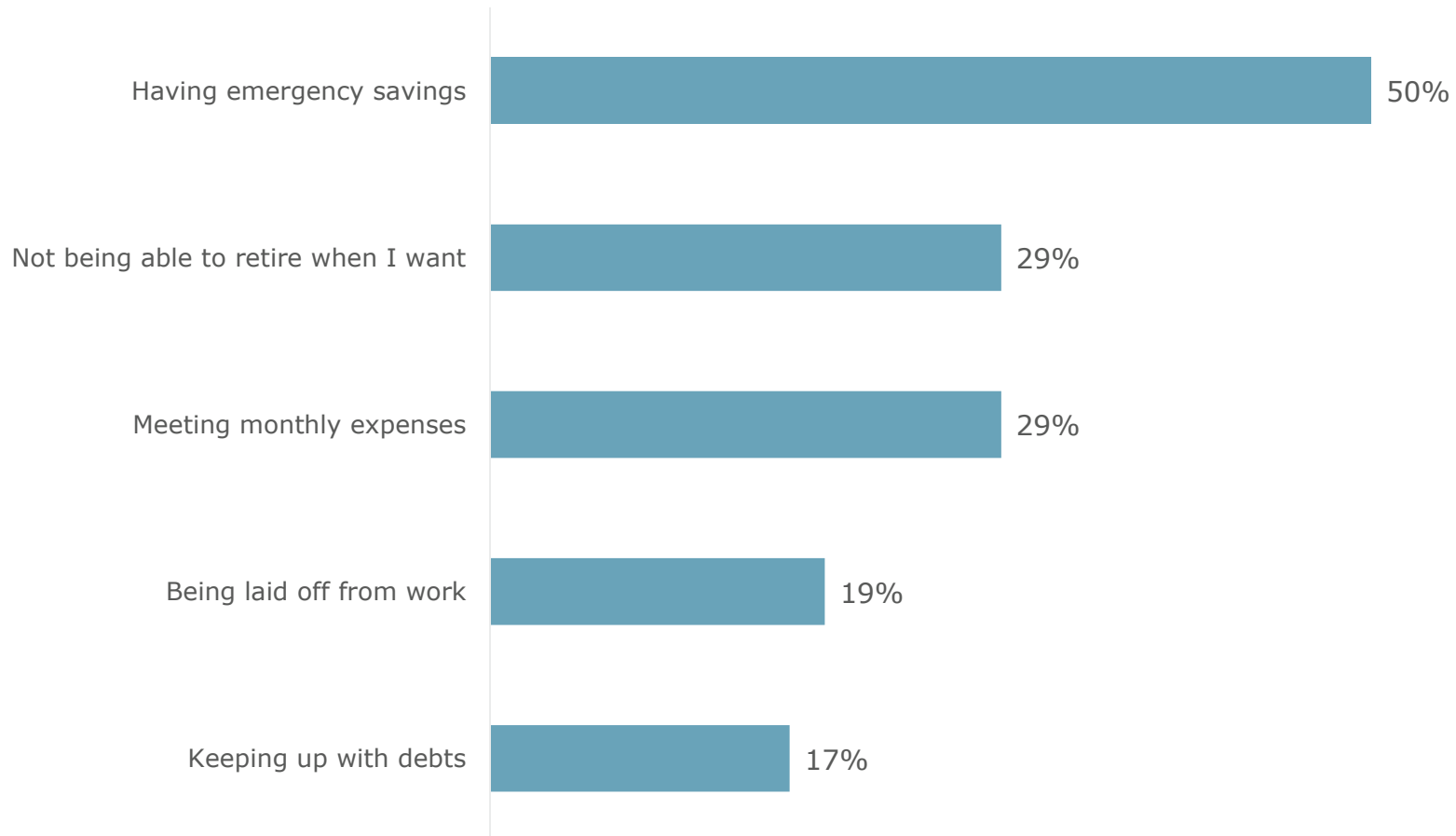
**19.5 days**

Of lost productivity per worker annually

Source: State Street Global Advisors, "DC Investor Survey: Biannual Report," 2015; PwC, "Employee Financial Wellness Survey: 2017 Results," 2017.



## Top Financial Concerns



Sources: PwC, "Employee Financial Wellness Survey: 2017 Results," 2017; New York Times, "Do Happier People Work Harder?," September 2011; AP/AOL, "Debt Stress: The Toll Owing Money Takes on the Body," 2008; State Street Global Advisors, "DC Investor Survey: Biannual Report," 2015.

## **Financial stress leads to decreased employee productivity, increased absenteeism, and higher employer health care cost.**

According to Gallup, workplace distractions, physical stress, employee dissatisfaction, and weakened job performance cost employers \$300 billion in lost productivity annually

A primary factor is a workforce ill-equipped for financial wellness

The resulting financial stress leads to a higher incidence of:

- Muscle tension/back pain
- Migraines
- Insomnia
- High blood pressure
- Stomach ulcers

A workforce of financially stressed employees translates into more sick days, higher healthcare costs, and absenteeism

29% of defined contribution participants reported missing work to deal with the emotional stress caused by their finances

Sources: PwC, "Employee Financial Wellness Survey: 2017 Results," 2017; New York Times, "Do Happier People Work Harder?," September 2011; AP/AOL, "Debt Stress: The Toll Owing Money Takes on the Body," 2008; State Street Global Advisors, "DC Investor Survey: Biannual Report," 2015.

What employers want included in their financial wellness program:



CONTENT



ACCESS



ACTION



MEASUREMENT



# CONTENT

Top five most requested topics by employers:

1	Budgeting for day-to-day expenses
2	Managing debt (credit card, student loan, etc.)
3	Saving and planning for retirement
4	Emergency savings
5	Saving for major purchases
Other	Risk management Healthcare costs Asset allocation strategy Social security Estate planning

Source: CAPTRUST Research, Provider RFI Responses June 2017

## Targeted advice based on life stage

EARLY CAREER	MID-CAREER	LATE CAREER
Budgeting questions	College savings	Social Security options
Emergency savings	Protecting family	Stock market exposure
Utilize the match	Automatic increase	Retirement preparation
Discussing plan design	Life events – marriage, children, divorce	Catch-up options
Auto features	Home ownership	Extending career
Determining saving amounts	Emergency savings	Investment strategies
Enrollment assistance	Determining saving amounts	Creating income
Health savings accounts (HSAs)	HSAs	Consolidating accounts
Investment recommendations	Investment advice	HSAs
Debt payoff strategies	Measuring progress	Saving rates and opportunities



## Retirement Planning Guide

### Twenties

- Create a budget
- Reduce and manage debt
- Invest for your future
  - Start your 401(k) or 403(b)
  - Obtain the maximum of any matching contributions
  - Increase your deferral amount 1-2 percent annually, towards a goal of 10 percent
- Start an emergency savings fund
- Review your retirement savings goals and investments annually with CAPTRUST

20s

### Thirties

- Create a financial plan and stick to it
- Increase your deferral amount 1-2 percent annually
  - Set a goal to defer a minimum of 10 percent or the maximum allowed
  - Goal: Have the amount of your yearly earnings saved for retirement by age 30
- Plan ahead for college tuition and expenses
  - 529 plans or other vehicles
- Protect your assets through family and estate planning
  - Create your will and last testament
  - Consider life insurance coverage
- Review your retirement savings goals and investments annually with CAPTRUST

30s

### Forties

- Estimate your retirement income needs to satisfy your retirement lifestyle goals
  - Goal: Have three times your yearly earnings saved for retirement by age 40
  - Maximize your 401(k) and 403(b) contributions
  - Include all investment and savings accounts in your overall retirement planning
- Manage your asset allocation
- Assess your short-term and long-term financial goals for effective planning
  - Retirement savings
  - College tuition and expenses
  - Assistance for aging parents
  - Long-term care insurance
- Re-evaluate your will and beneficiaries
- Review your retirement savings goals and investments annually, or as often as needed, with CAPTRUST

40s

### Fifties

- Eliminate debt
- Maximize your retirement savings deferral
  - Catch-Up contributions are available
  - Goal: Have six times your yearly earnings saved for retirement
- Re-evaluate your risk tolerance to confirm your corresponding asset allocation and make any necessary adjustments
- Formalize family/estate/insurance planning documents
  - Will, Living Trust, Durable Power of Attorney
  - Advance medical directive
  - Beneficiaries
  - Long-term care insurance
- Review Social Security benefits and distribution options at [www.ssa.gov](http://www.ssa.gov)
- Consider job skills if planning to work in retirement
- Review your retirement savings goals and investments semi-annually, or as often as needed, with CAPTRUST

50s



## Retirement Planning Guide

### Sixties

- Maximize your retirement savings deferral
  - Catch-Up contributions are available
  - Goal: Have eight times your yearly earnings saved for retirement
- Re-evaluate your risk tolerance to confirm your current investment mix and make any necessary adjustments
- Calculate your retirement income potential
- Review and estimate Social Security benefits and distribution options
  - Contact Social Security 3-6 months before you want to start benefits
- Assess your eligibility to receive Medicare benefits (check eligibility at [www.ssa.gov](http://www.ssa.gov))
  - Contact your Social Security office about three months before your 65<sup>th</sup> birthday to sign up for Medicare, even if you will not use it until a later date
- Review your family, estate, and insurance planning documents
  - Will, Living Trust, Durable Power of Attorney
  - Beneficiaries
  - Long-term care insurance
- Establish asset vehicles for children and grandchildren
- Review your retirement goals and investments quarterly with CAPTRUST

60s

### Seventies & Beyond

- Revisit your risk tolerance level and make any necessary adjustments to your investment portfolio's mix
- Understand when you are required to take distributions from plans and IRAs
- Review your family, estate, and insurance planning documents
  - Will, Living Trust, Durable Power of Attorney
  - Advance medical directive
  - Beneficiaries
  - Long-term care insurance
- Review your retirement goals and investments quarterly with CAPTRUST

70+

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ACCESS

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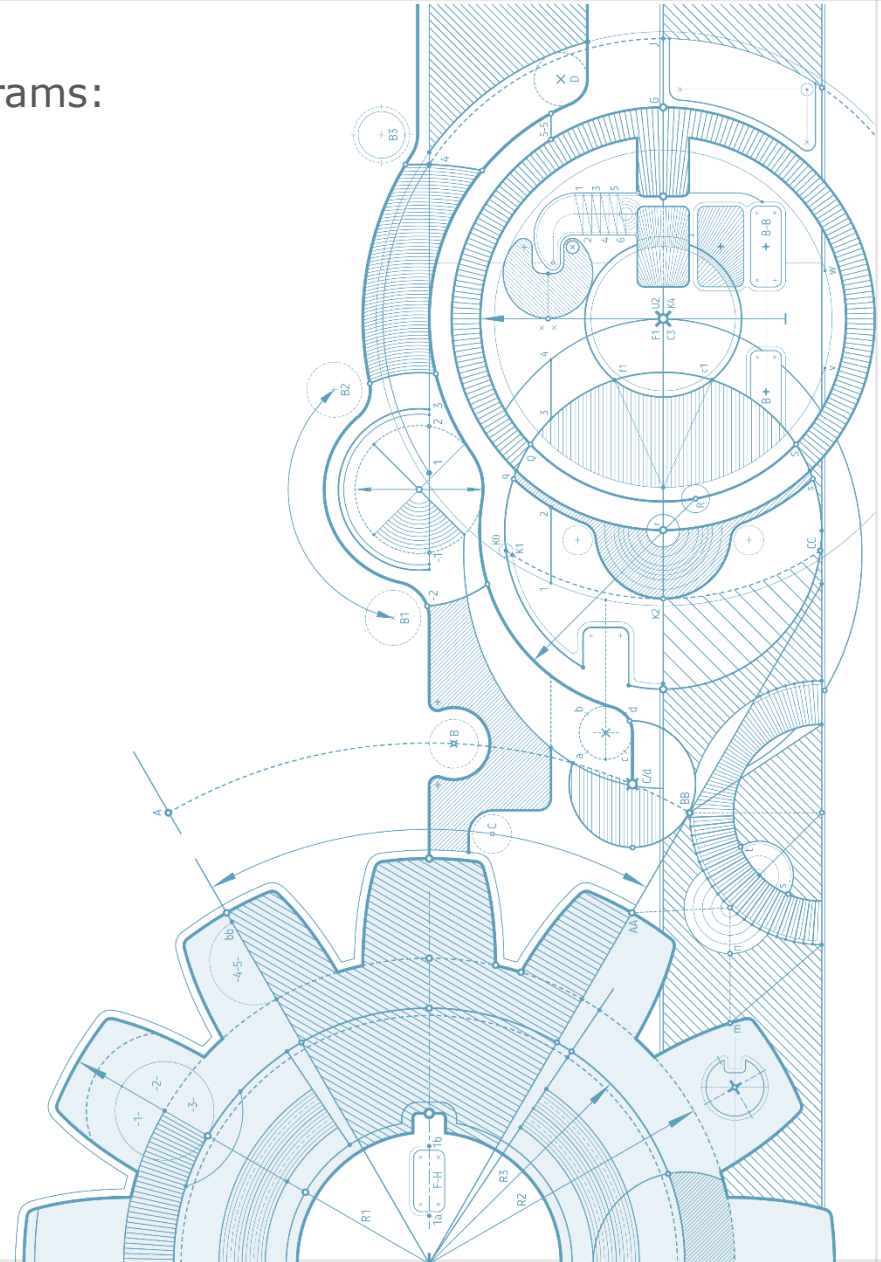
Where to turn for help:

- Benefits brokers
- Direct financial wellness providers
- Retirement plan providers
- Retirement plan consultants
- Associations



Typical components of financial wellness programs:

- Content and literature on primary wellness topics
- Retirement income guidance
- Financial assessment
- Financial account aggregation tools
- Communication materials for participant engagement
- One-on-one discussions (online chat or phone)
- Access to investment guidance



# DEMYSTIFYING FINANCIAL WELLNESS

The terms *advice* and *education* are not synonymous.

**ad·vice /n:** a specific recommendation regarding a decision or specific course of action

- Fiduciary responsibility for advice provided
- Total retirement focus
- Highly individualized, one-on-one sessions
- Specific investment recommendations

**ed·u·ca·tion /n:** the act or process of imparting general guidance to plan participants

- No fiduciary responsibility for information provided
- General plan information focus
- Financial and investment education
- Group and one-on-one sessions

PARTICIPANT QUESTIONS	EDUCATION	ADVICE
How exactly does the plan work? (Vesting, eligibility, paycheck impact, and employer match)	✓	✓
What investments are in the plan?	✓	✓
How much do I have in my account?	✓	✓
Am I saving enough?		✓
What investments should I pick? How much?		✓
Will I be able to retire when I want to, and when will I be able to?		✓
How should I allocate each of my investments?		✓
How much income will I need in retirement?		✓
How should I be thinking about Social Security as part of my retirement?		✓

## Financial wellness landscape:

	Educational Content	Educational Content with Tools	Educational Content with Tools, Including Behavioral Coaching
Breadth of Offering	Basic	Basic with Some Resources	Wellness
Service Model	Articles and videos on budgeting, debt management, credit scores, and healthcare costs	Articles and videos on wellness topics, along with accompanying tools, call center support, and technology that assist participants with planning in a self-service manner with usage reports	Robust content and technology focused on wellness, with the ability to make custom recommendations through a combination of tools <b>and human interaction providing recommendations that encourage behavioral change and measuring results and impact</b>
Cost	\$	\$\$	\$\$\$



ACTION

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Ideas for getting started:

- Survey employees
- Set up a focus group to discuss needs
- Independent research



## Structure of a well-rounded financial wellness program:

- Educational content online specifically addressing multiple generations and a wide variety of topics
- Online tools that allow participants to aggregate their full financial picture, including elements of their current state of mind regarding financial health
- Access to a call center with integrated financial wellness tools, along with the ability to offer advice and help implementing advice
- Personalized interactions with independent and licensed financial advisors
- Buy-in from the employer
- Measurement and reporting of results





# MEASUREMENT



How does an employer measure success?

Goal	Options	Measurement
Financial health awareness	Provide online content covering wide-ranging financial topics; offer financial calculators with account aggregation options; create a savings priority checklist	<ul style="list-style-type: none"> <li>• Access of online content</li> <li>• Number of users accessing calculators</li> <li>• Online measurement of active profile updates</li> </ul>
Increase plan participation	Add auto-features; targeted mailing to eligible employees; in-person enrollment meetings	<ul style="list-style-type: none"> <li>• Participation rate</li> <li>• Email open rates</li> <li>• Activity log</li> </ul>
Increase diversification of investments/deferral changes	Promote allocation funds; targeted mailings driven by age and deferral data; in-person, one-on-one advice meetings	<ul style="list-style-type: none"> <li>• Fund usage rates</li> <li>• Activity log</li> <li>• Asset allocation shifts</li> </ul>
Improve emotional state/well-being	Online surveys; direct participant feedback; wellness evaluations	<ul style="list-style-type: none"> <li>• Wellness scores over time</li> <li>• Changes in emotional state</li> <li>• Survey completion rates</li> </ul>

## Better Outcomes for Employees



88% of those who received help invested appropriately for their risk tolerance levels



Meanwhile, only 39% of those who went unadvised invested appropriately



When a professional advisor calculates the amount an employee needs to save to achieve his goals, deferral amounts increased by an average of \$1,150 per year

## Better Outcomes for Employers



A one-year delay in an employee's retirement results in \$50,000 of increased workforce costs



Across an entire workforce, the same delay could raise workforce costs by 1.0 to 1.5%



Employers who have a financial wellness program see healthcare costs decrease by as much as 4.5%

*Sources: Financial Engines and Aon Hewitt Study, "Help in Defined Contribution Plans: 2006 Through 2010," 2011; Center for Retirement Research at Boston College, "Do Income Projections Affect Retirement Saving?," April 2013; Prudential, "Why Employers Should Care About the Cost of Delayed Retirement," 2017; Corporate Wellness Magazine, "Beyond the Paycheck: When Does a Financial Wellness Program Make Sense?."*

## Roadblocks to Implementation of Financial Wellness

1

Resources → when can we make it happen?

2

Implementation → who will champion the program?

3

Business case → how to quantify value?

4

Cost → can it be viewed as an investment to improve business?

## Ideal Summary of Outcome

The ideal outcome would be a less stressed, more engaged, and productive workforce. This more engaged workforce would create a ripple effect both at work and at home.





# QUESTIONS

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