

From University of Minnesota Extension “Benefits of Workplace Financial Education” at <http://www.extension.umn.edu/family/personal-finance/about/benefits/>

Benefits to Employers

Financially secure employees are more productive employees! Employees who increase their financial knowledge will also increase their ability and confidence to make quality financial decisions and reduce financial problems. Doing so enables employees to focus more energy on work activities and less on financial problems. The ultimate benefits to employers from providing comprehensive worksite financial education include legal, financial, and social impacts as follows:

- **Manage employer liability risks** — Providing comprehensive financial education to employees helps employers manage their risk of liability as a plan sponsor and meet the ERISA Section 404(c) requirement of providing employees with “sufficient information” to make informed decisions regarding investment alternatives (Pomeroy & Reed, 1998; Bernheim & Garrett, 1996).
- **Reduce expenses** — Increases in employee participation in health and dependent care flex plans will reduce employer paid Social Security/Medicare taxes by 7.65% (Pomeroy & Reed, 1998). HR expenses will also be reduced when employees improve their money management skills and require fewer payroll advances, wage garnishments, and 401k loans (Joo & Garman, 1998).
- **Increase ROI** — Conservatively estimated, financial education provides an ROI of up to 3:1; this results from increased productivity and reduced direct costs (Garman, 1999). Financial education also helps increase the ROI for benefit programs. When employees understand benefit programs, they are also more likely to participate in them (Bernheim, 1998).
- **Improve productivity** — Financial education increases productivity and enables employees to focus on work activities rather than financial problems. Sixty-five percent of employers said that employees are less productive at work when worried about personal financial issues (MetLife, 2010). In that same MetLife study, 45% of employers acknowledged that financial education programs are effective at improving employee productivity (MetLife, 2010)
- **Reduce employee stress** — Financial education helps reduce both financial stress levels and overall stress levels for employees (Bailey, 1998).
- **Improve workforce planning** — Increasing the financial security of employees and helping them plan for retirement also helps employers improve workforce planning and

attrition rates. Financially secure employees are more likely to be able to retire when they choose rather than have to delay retirement.

- **Increase the employer's ability to attract and retain satisfied employees** — Employee retention is the second most important benefits objective; controlling health and welfare cost is the highest employer priority (MetLife, 2010). When unemployment is low, it becomes even more important to attract and retain quality employees; worksite financial education can be an inexpensive, attractive tool to help employers do so. Workers have identified their employers as trustworthy sources of information; and almost two-thirds of employees indicate a need for trustworthy financial advice to help them achieve their goals (MetLife, 2010). Employers offering worksite financial education can help address this employee need.

Comprehensive financial education is less expensive and more effective than the alternative of offering workers a 3% match (Garman, 1999).