A Prescription for Better Financial Wellbeing
December 8, 2016
Today’s Speakers

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Overview

• The State of Financial Wellbeing: Causes and Symptoms
• Targeting Treatments for Better Results
• A Prescription for Success
• Upcoming Webinars
• Questions?
The State of Financial Wellbeing: Diagnosis and Symptoms
The History of Retirement

“Retirement,” as we think of it, could be considered a short-lived experiment, while the need for good financial health has always been and will always be.

Pre-industrial Age
Work = Life

Industrialization
Work ‘til you can’t

Birth of a retirement system

ERISA leads to “the golden age”

“Lifetime” employment gives way to “Brand You”
Employer-sponsored health care coverage has evolved.

<table>
<thead>
<tr>
<th>Wellness 1.0</th>
<th>Wellbeing 2.0</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Promote Health</strong></td>
<td><strong>Control Costs</strong></td>
</tr>
<tr>
<td>• Prevention and health promotion activities</td>
<td>• Health screening</td>
</tr>
<tr>
<td>• Focus on awareness and participation</td>
<td>• Lifestyle coaching</td>
</tr>
<tr>
<td>• Little measurements of outcomes</td>
<td>• Targeted communications and technology</td>
</tr>
<tr>
<td></td>
<td>• Incentives to motivate participation</td>
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<td>• A start on defined clinical outcomes</td>
</tr>
</tbody>
</table>
Employer-sponsored financial programs also “evolved.”

<table>
<thead>
<tr>
<th>DB Plan: Security</th>
<th>DC Plan: Responsibility</th>
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</thead>
<tbody>
<tr>
<td><strong>Focus: Appreciation and Awareness</strong></td>
<td></td>
</tr>
<tr>
<td>• Improve awareness</td>
<td></td>
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<tr>
<td>• Increase appreciation</td>
<td></td>
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<tr>
<td>• Manage workforce</td>
<td></td>
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<tr>
<td><strong>Focus: Improved Savings</strong></td>
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<tr>
<td>• Encourage participation</td>
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<tr>
<td>• Provide investment education</td>
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<tr>
<td>• Suggest target level of contributions</td>
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<tr>
<td>• Estimate amount of savings needed in order to retire</td>
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</tbody>
</table>
The Results

Working Well: A Global Survey of Workforce Wellbeing Strategies
Seventh Edition — October 2016
Rising Priority of Financial Wellbeing

92%

Sponsor retirement financial security and preparedness
Financial Stress of Poor Financial Wellbeing

Ways that poor financial wellbeing is negatively impacting your organization

- Lower productivity: 67%
- Absence from work: 50%
- Delayed retirement: 45%
- Unwanted turnover: 36%
- Higher health care costs: 28%
- Other: 6%

Changes over the last 2 years in financial stress indicators

- Staying about the same: 66%
- Getting better: 18%
- Getting worse: 16%

Financial wellbeing, which affects emotional/mental wellbeing, is urgent: over 2/3 see productivity declines – troublesome in light of 59% globally who cite performance and productivity as the top wellbeing objective.
Financial stress drives up health care costs and negatively impacts productivity.

- Seven out of ten under stress
- Almost half (48%) under financial stress
- One in five skipped work
- 61% impact on performance
- 22% impact on engagement
- 6% of employers help

<table>
<thead>
<tr>
<th>Condition</th>
<th>High Levels of Financial Stress</th>
<th>Low Levels of Financial Stress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Muscle Tension/Back Pain</td>
<td>31%</td>
<td>51%</td>
</tr>
<tr>
<td>Migraines/Headaches</td>
<td>15%</td>
<td>44%</td>
</tr>
<tr>
<td>Insomnia/Sleep Trouble</td>
<td>17%</td>
<td>39%</td>
</tr>
<tr>
<td>High Blood Pressure</td>
<td>26%</td>
<td>33%</td>
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<tr>
<td>Severe Anxiety</td>
<td>4%</td>
<td>29%</td>
</tr>
<tr>
<td>Stomach Ulcers</td>
<td>8%</td>
<td>27%</td>
</tr>
<tr>
<td>Severe Depression</td>
<td>4%</td>
<td>23%</td>
</tr>
<tr>
<td>Heart Attacks</td>
<td>3%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Sources: AP-AOL Health Poll; Debt Stress: The Toll Owing Money Takes on the Body. The American Psychology Association; PricewaterhouseCoopers, LLC; American Institute of Certified Public Accountants; Society for Human Resource Management; and Gallup
Global Prevalence of Wellbeing Programs

<table>
<thead>
<tr>
<th>Region</th>
<th>Health and related mental/emotional wellbeing</th>
<th>Financial wellbeing</th>
</tr>
</thead>
<tbody>
<tr>
<td>US/Canada</td>
<td>81%</td>
<td>77%</td>
</tr>
<tr>
<td>Latin America</td>
<td>26%</td>
<td>40%</td>
</tr>
<tr>
<td>Europe</td>
<td>23%</td>
<td>40%</td>
</tr>
<tr>
<td>Australia/NZ</td>
<td>23%</td>
<td>34%</td>
</tr>
<tr>
<td>Asia</td>
<td>30%</td>
<td>45%</td>
</tr>
</tbody>
</table>

• Health is still the top-most wellbeing focus. But financial wellbeing, assessed for the 1st time, is a priority.
Convergence of Health and Wealth

Drive Organizational Performance
- Leverage data to integrate health, wealth and career
- Align with business mission, EVP and culture
- Combine extrinsic and intrinsic motivators
- Use innovative personalized technologies and communications
- Establish metrics to measure outcomes
But what does this all mean?
Targeting Treatments for Better Results
How do you define financial wellbeing?

“The absence of financial stress.”

“You are financially prepared with money in a savings account and have money for a financial emergency. You have financial security including Social Security, Medicare and other retirement savings. You can take care of health care and be financial sound in retirement independent of your employer.”

“Security in being able to meet financial goals and a framework for meeting those goals. Confidence you are working towards meeting those goals.”

“The ongoing practice of striking a balance between living responsibly today and planning wisely for tomorrow.”

“Varies by individual – different people have different targets and needs. It depends on what the individual wants to achieve. You need to determine what you want to do and then figure out how to get there.”

“Getting the financial outcomes that you want.”

“Physical health, financial security, emotional health, job satisfaction, and social connectedness.”
What is Financial Wellbeing?

Total Wellbeing

- Physical
- Professional
- Social
- Community
- Financial

Financial

An individual:
- Has control over daily finances
- Can absorb a financial shock
- On track to meet financial goals
- Has the wherewithal to enjoy life
Financial Wellbeing Inroads

Employers are offering a bevy of tools and services to promote financial wellbeing.

20% of employers offering a comprehensive financial wellbeing program.

$113.5K average account balance.

6.5% average contribution rate for active employees.

14.6% vs. 26.2% significant decrease in outstanding loans.

87% participation rate for plans with an automatic enrollment feature.

52% of plans have automatic enrollment.

65% of these plans also have an automatic escalation feature.

US and Canada (77% of respondents) lead the rest of the world in offering financial wellbeing programs; Europe follows with 40%.

Source: 58th PSCA Annual Survey; Buck Global Wellness Survey
Annuity-Based Government Program Focus

Strong focus on individualism providing tools and benefit choice. Making headway on overall financial wellbeing.

Source: Buck Global Wellness Survey
## DC-Based Governmental Program Focus

### Australia/New Zealand

<table>
<thead>
<tr>
<th>Service/Feature</th>
<th>Offered today</th>
<th>Plan to offer in next year</th>
<th>Considering offering in next 2-3 years</th>
<th>Don't currently offer and no plans to offer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to a personal financial advisor</td>
<td>73%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Retirement planning tools/calculators</td>
<td>64%</td>
<td>9%</td>
<td>9%</td>
<td>18%</td>
</tr>
<tr>
<td>Financial literacy education</td>
<td>55%</td>
<td>18%</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>Financial health assessment</td>
<td>45%</td>
<td>18%</td>
<td>9%</td>
<td>27%</td>
</tr>
<tr>
<td>Money management or budgeting tools</td>
<td>45%</td>
<td>9%</td>
<td>9%</td>
<td>36%</td>
</tr>
<tr>
<td>Interactive retirement/investment games</td>
<td>36%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voluntary (optional employee-paid) benefits</td>
<td>36%</td>
<td>9%</td>
<td>55%</td>
<td></td>
</tr>
<tr>
<td>Tools to maximize employer-sponsored savings programs</td>
<td>27%</td>
<td>9%</td>
<td>82%</td>
<td></td>
</tr>
<tr>
<td>Retirement savings drawdown strategy/assistance</td>
<td>18%</td>
<td>9%</td>
<td>82%</td>
<td></td>
</tr>
<tr>
<td>Robo-investing</td>
<td>9%</td>
<td>9%</td>
<td></td>
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</tr>
</tbody>
</table>

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Strong focus overall financial guidance and decision support tools.

Source: Buck Global Wellness Survey
What Employers are Looking to Achieve

### All Regions

- **Save for retirement or other future needs**: 61% Very much so, 30% Somewhat, 9% Not at all
- **Ensure fair and adequate wages and benefits**: 55% Very much so, 33% Somewhat, 12% Not at all
- **Ensure adequate insurance protection**: 51% Very much so, 37% Somewhat, 12% Not at all
- **Increase ability to manage day-to-day finances**: 29% Very much so, 45% Somewhat, 26% Not at all
- **Reduce debt and improve credit score**: 26% Very much so, 47% Somewhat, 26% Not at all
- **Address legal needs**: 23% Very much so, 48% Somewhat, 29% Not at all

### US/Canada

- **Save for retirement or other future needs**: 73% Very much so, 24% Somewhat, 3% Not at all
- **Ensure fair and adequate wages and benefits**: 59% Very much so, 37% Somewhat, 4% Not at all
- **Ensure adequate insurance protection**: 53% Very much so, 35% Somewhat, 12% Not at all
- **Increase ability to manage day-to-day finances**: 32% Very much so, 51% Somewhat, 17% Not at all
- **Reduce debt and improve credit score**: 29% Very much so, 45% Somewhat, 26% Not at all
- **Address legal needs**: 27% Very much so, 48% Somewhat, 25% Not at all

Source: Buck Global Wellness Survey
What’s Getting in the Way of Financial Wellbeing

- **Debt**
  - 42% of Millennial employees have student loan debt
  - 26% of all employees are using credit cards to cover monthly expenses they can’t afford otherwise
  - 37% saying “that at work each week, they spend three hours or more thinking about or dealing with issues related to their personal finances
  - An increase in elder care financial responsibilities seem to be carrying over to the next generation

- **Health**
  - 28% say their health is impacted by financial worries
  - Only 38% of employees with mid to high deductible health care plans contribute to their HSA
  - Between 75% and 90% of all visits to primary care doctors are for stress-related medical issues
  - Opioid abuse – Inpatient charges related to opioid abuse/dependence reached $14.85 billion in 2012

Source: PwC 2016 Wellness Survey; The Journal of American Osteopathic Association
From Paternalism to…?

Health Care Programs
Many include a high degree of consumerism and engagement

Retirement Programs
A few employers are still paternalistic, but most have moved to an individualist approach

Old Approach
Current Health: Strategic Approach
Current Retirement: Accidental Approach

Paternalism
Consumerism (shared responsibility)
Individualism

The concept of consumerism needs to be exploited to drive greater employee financial health and facilitate better financial decisions
What does poor financial health in a “typical” 7,500-employee workplace look like?

- Paying Off Student Loans: 1,350
- High Personal Debt: 1,725
- Struggle to Make Ends Meet: 1,800
- Dealing with Credit Problems: 3,450
- Financially Stressed: 5,475
- Worried About Savings: 5,775
Introducing “our” employees...

Terry
25 Years Old
Single
Programmer

- Graduated $100k in debt: has accelerated payments—only $75k to go!
- Off his parent’s plan, Terry is paying for health care coverage for the first time
- As a result, is not saving in the 401(k)... Is this the right answer?

Paige
38 Years Old
Married
2 Kids
Sales

- Spouse laid off in 2012; was unemployed 2 years
- Finally paid down credit cards; after a 2-year hiatus re-enrolled in the 401(k) plan
- Monthly expenses include child care and saving for their children's college education

Chris
55 Years Old
Married
Empty-Nester
Truck Driver

- Not taking advantage of employer’s wellbeing incentive program
- Has built up some savings but unsure whether it will be enough and even less sure about how its invested
- 10 years until “retirement” no longer seems so far away
A Prescription for Success
The Four Pillars of Financial Success

“I can manage my daily finances, absorb a financial shock”

Spend Smarter

Save More

“I’m on track to meet my financial goals”

Invest Better

Protect Wisely

“I am able to enjoy life… Throughout my lifetime”

Concepts from the Consumer Financial Protection Bureau
But, how do you know where to begin?

From A to V
Solutions you can implement today to help employees achieve greater Financial Wellbeing

<table>
<thead>
<tr>
<th>Participant-Facing Solutions</th>
<th>Spend Smarter</th>
<th>Save More</th>
<th>Invest Better</th>
<th>Protect Wisely</th>
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<tbody>
<tr>
<td>Activity + Incentive-Based DC Plan</td>
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<td>○</td>
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<tr>
<td>Auto-Enroll/Auto-Escalation</td>
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<tr>
<td>Budgeting Tools</td>
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<tr>
<td>Decision Support/Modeling Tools</td>
<td>○</td>
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<tr>
<td>Financial Advisory Platform</td>
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<td>Financial Counseling</td>
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<td>Financial Health Assessment</td>
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<tr>
<td>Investment Education</td>
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<tr>
<td>Retirement Planning Curriculum</td>
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<tr>
<td>Tax-Advantaged Accounts</td>
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<tr>
<td>Voluntary Benefits</td>
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</table>
Helping “our” employees…

• Offers a 401(k) with a match: by design, along with social security, should provide 80% income replacement
• Auto-enrollment and auto-escalation could help employees like Terry
• Provides a Health Savings Account
• Decision-support tools would be beneficial to Terry to determine if paying off the student loan first is best financial decision to promote financial wellbeing… and how to best utilize the HSA

Terry

25 Years Old
Single
Programmer

• Graduated $100k in debt: has accelerated payments—only $75k to go!
• Off his parent’s plan, Terry is paying for health care coverage for the first time
• As a result, is not saving in the 401(k)... Is this the right answer?
Helping “our” employees...

Paige

- 38 Years Old
- Married
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- Sales

- Spouse laid off in 2012; was unemployed 2 years
- Finally paid down credit cards; after a 2-year hiatus re-enrolled in the 401(k) plan
- Monthly expenses include child care and saving for their children’s college education

- Offers a 401(k) with a match and non-elective employer contribution; provides a managed account feature which if elected, is paid by the employee.
- Offers choice between a high deductible health care plan or a PPO
- Provides a robust EAP program
- An effective communication campaign with personal messaging could direct Paige to the assistance available through voluntary benefits
Helping “our” employees…

- Offers a 401(k) with a service based match
- Financial advisory services fully paid by the employer
- Offers a high deductible health care plan which includes a tobacco surcharge; offers a Quit for Life coach to help smokers remove the surcharge
- Provides a Health Savings Account
- Data mining could uncover financial stress indicators where personalized messaging could encourage Chris to us the free services currently offered.

Chris

- 55 Years Old
- Married
- Empty-Nester
- Truck Driver

- Not taking advantage of employer’s wellbeing incentive program
- Has built up some savings but unsure whether it will be enough and even less sure about how its invested
- 10 years until “retirement” no longer seems so far away
Of course, it starts with planning.

A strategic planning and initial development process (“Phase 0”) that facilitates and supports the completion of a robust strategic and implementation plan.

<table>
<thead>
<tr>
<th>Pre-Work</th>
<th>Visioning</th>
<th>Roadmap</th>
<th>Execution Planning</th>
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</thead>
<tbody>
<tr>
<td>Review/analysis of existing data; inventory of programs, etc.</td>
<td>Facilitated stakeholder workshop to identify goals and objectives</td>
<td>Development of roadmap and high-level tactical plan</td>
<td>Confirmation of implementation activities and roles</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tools in the Toolkit</th>
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</thead>
<tbody>
<tr>
<td>Demographic &amp; Plan Analysis</td>
</tr>
<tr>
<td>Financial Health Assessment</td>
</tr>
<tr>
<td>Population Assessments &amp; Dashboards</td>
</tr>
</tbody>
</table>
Which includes making the business case.

Overall, the business case is clear – building out the business model is not.

The greater acceptance of the relationships between stress management, physical health, and financial security on overall workplace productivity.

More and more public and private studies seem to be supportive of the business case: some suggest a 300% ROI is possible.
Calculating the Cost of a “Financially Unwell” Workforce

<table>
<thead>
<tr>
<th>Cost Driver (7,500 employees)</th>
<th>Estimated Impact ($)</th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Per Employee</td>
<td>Total</td>
</tr>
<tr>
<td>Productivity loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unplanned absences, workplace disruption/distractions</td>
<td>$633</td>
<td>$4,750,000</td>
</tr>
<tr>
<td>Financial stress-related health care costs</td>
<td>320</td>
<td>2,400,000</td>
</tr>
<tr>
<td>Unwanted retention:</td>
<td>427</td>
<td>3,200,000</td>
</tr>
<tr>
<td>(Due to low population retirement readiness score)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unwanted turnover:</td>
<td>850</td>
<td>6,375,000</td>
</tr>
<tr>
<td>1% of population (avg. salary = $85,000); 1x multiplier</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total costs</td>
<td>$2,230</td>
<td>$16,725,000</td>
</tr>
<tr>
<td>(2.6% of payroll)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A $750,000 ($100 per employee) Financial Health program that reduces these expenses by 25% would result in an ROI of 5.5X

Model developed by Buck Consultants, a Xerox Company.
Sources include Alliant Credit Union, Principal Financial Group, Purchasing Power, Mercer, Financial Finesse, Human Nature at Work.
And, identifying what a Financial Wellbeing Program can do for your organization.

- Improve financial literacy; reduce financial stress?
- Increase plan/program participation?
- Enhance the employee “experience” and thus overall employee satisfaction?
- Ensure more effective 401(k) Plan usage?
- Improve recruitment and retention?
- Reduce unwanted turnover?
- Improve retirement readiness?

Thereby optimizing workforce transitions
Upcoming Webinar
Wage Matters: Health Care Utilization Patterns of Low-Wage Workers

Date:
Monday, December 12, 2016

Time:
12:00 – 1:00 p.m. ET
11:00 a.m. – 12:00 p.m. CT
9:00 a.m. – 10:00 a.m. PT

Registration:
http://info-hrconsulting.external.xerox.com/health-benefits-for-low-wage-registration
Questions?

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