PRACTICAL GUIDE TO PREPARING FOR A NEW ERA OF FINANCIAL WELLBEING

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REBA introduction

Financial wellbeing in the workplace is shifting, driven by social and economic factors, changing working habits and employees' increasingly diverse needs.

The cost-of-living crisis exposed financial fragilities that employees of different ages and income levels face in their day-to-day lives. An ageing workforce and shifts in the way we choose to retire are changing our approach to long-term financial planning. Buying property later in life, the rising financial costs of parenting, increased rates of chronic illness in the workplace, and many other factors are influencing the way that employees plan financially and save for the future.

Working models are also changing. For example, hybrid working is here to stay for many employers and employees, affecting the types of financial benefits that people value, and how they manage their money.

Not everyone in the workforce will have the same financial needs and priorities, even if they are the same age, or at the same point in their career.

All this means that employers need to prepare for a new era of financial wellbeing.

This practical guide explores how to create and deliver inclusive financial wellbeing benefits and support that will meet the varied and changing needs of the whole workforce. That might also include revisiting benefits to make sure they are still fit for purpose in changing circumstances. It covers:

- The process of identifying what you already offer and how that matches employees' current needs
- How to decide if current benefits remain appropriate for your workforce
- Ways to evolve your strategy, the practicalities involved in putting planning into action, and how to measure success.

As employees' financial wellbeing needs continue to evolve, so must employers' strategies. This practical guide will support you to create and deliver an inclusive financial wellbeing strategy for a varied workforce.

Maggie Williams
Content Consultant
Reward & Employee Benefits Association (REBA)

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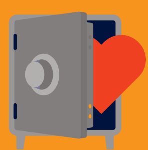

This report was devised by REBA in association with Close Brothers.

The guide was edited by Dawn Lewis, written by Maggie Williams and designed by SallyannDesign.

Sponsor's comment

Keep it practical, fair and flexible

Financial wellbeing varies. The underlying numbers change over time, people change their goals and circumstances, the economic and legislative environment changes, and how people feel about their finances varies in line with what's going on in the world and their lives.

Since 2020, finances have faced one challenge after another, resulting in depleted resources and lowered financial resilience, leaving many still struggling to keep on top of everyday living costs. People and their budgets have had to adapt to changing working patterns, such as home- or hybrid working, and having longer working lives. Economic uncertainty has dented consumer confidence, pushing more would-be retirees to defer retirement, and leaving other workers worrying whether they will ever be able to afford to retire.

Against this backdrop, it's easy to see why there are now more employees seeking help with their finances, and more employers focused on revisiting their financial wellbeing support.

Make the most of what you've got

For most people, their pay and benefits are the primary source of income. So ensuring that employees understand and make the most of their workplace benefits – and make good financial decisions with their pay – is the bedrock of financial wellbeing.

Inclusivity is not optional; workplace provisions must be inclusive both in terms of accessibility and meeting differing needs. Therefore, in order to support financial wellbeing, organisations must ensure that their benefits meet a wide range of current employee needs. However, in many UK workplaces, these fundamentals are not universally in place or fully functional. In Close Brothers' 2023 *Spotlight on UK Financial Wellbeing* research, only two-thirds of workplaces had a financial wellbeing strategy, and, of the top workplace benefits valued by employees, only half are offered in UK workplaces. However, with a few simple steps, and the practical tips in this guide, organisations can boost employee financial health.

One, two, three, go…

First, offer benefits that can make the biggest, immediate difference to everyday costs. For example, ensure that shopping discount schemes include discounts at all UK supermarkets, and offer a mortgage advice service. Neither of these measures should increase an organisation's benefits costs but both will immediately put more money into employees' pockets.

Second, provide a financial wellbeing programme that is multi-channel and delivers education across the whole range of workplace benefits and all areas of personal finance. Financial education delivered in silos by individual providers leads to gaps and won't equip employees to understand the whole picture or to make comparative decisions between different benefits or products. People access information in different ways, so if, for instance, resources are online only and you have no one-to-one support, you will not reach the whole workforce.

Third, benefits must remain useful and relevant in today's world. Offer flexibility so that individual employees can choose benefits most suited to their own needs at any given time. And keep benefits under review to assess employee understanding, take-up and relevance and to keep pace with employee needs.

In a changing world, and with employees' financial health still under pressure, this guide offers practical tips for every organisation, no matter your starting point or budget.

Jeanette Makings
Head of Workplace Financial Wellbeing
Close Brothers

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Chapter 1: What is changing in financial wellbeing?

Close Brothers' 2023 *Spotlight on UK Financial Wellbeing* report found that more than a quarter (28%) of employees are unhappy with their finances, and 36% say they worry about money always or often. There's a predictable knock-on effect at work, with 24% saying that this affects their work and 22% saying it affects their mental health.

It can be easy to assume that these worries are restricted to low-paid employees, or people approaching retirement. But they are likely to affect the whole workforce, regardless of pay or seniority. Every employee will have their own blend of personal financial circumstances, priorities, aspirations and standards of living, which will determine their financial wellbeing.

That means financial wellbeing strategies need to be flexible enough to meet the needs of a wide range of employees – of all ages and career levels.

How to identify financial wellbeing needs within your workforce

With such significant societal shifts going on, it's more important than ever to understand whether financial wellbeing programmes are meeting genuine employee needs.

Employees are unlikely to want to share the finer detail of their financial lives with their employer. But there are ways to find out more about what their needs might be. These are also excellent ways of monitoring whether an existing financial wellbeing strategy is working.

- **Pulse surveys –** quick, anonymised pulse surveys can help employers get an understanding of employees' worries and aspirations when it comes to financial wellbeing.
- **Employee networks –** workplace networks for groups such as parents and carers can act as feedback channels and sounding boards to gauge how current financial wellbeing strategies are meeting their needs.
- **National trends –** data from the Office for National Statistics (ONS) can be a valuable source of high-level information about spending and savings patterns, as well as retirement and health trends, across the UK.
- **Data from products and services –** combined with other sources, such as employee feedback, data about how benefits are being used and accessed can help to shape future plans.
- **Providers and consultants –** the partners that you work with (and those that you might work with in the future) will have insights about your workforce and trends in financial wellbeing that can help build your strategy.

Changing employee needs

Societal shifts mean employees are facing new financial challenges that might not have existed, or were a low priority, in the past. As circumstances change, financial wellbeing strategies will need to change, too.

Different working patterns. The ONS found that, in 2023, the majority of 25- to 54-year-olds are either based at home, work in a hybrid way, or can work from home but choose not to. Changes in working arrangements can affect employees' financial wellbeing needs – a season ticket loan may no longer be a desirable option – as well as the way in which financial guidance is accessed.

Longer working lives. Retiring from work no longer happens overnight. Both employees and employers can benefit from longer working lives, but it raises new financial considerations. These could include how to transition from a full-time to a part-time role, or how to access pensions savings to complement continued working.

Shorter healthy lives. Healthy life expectancy (HLE) is the amount of time someone can expect to live in good or very good health. This fell between 2011-13 and 2021-22 by 9.3 months for men and 14 months for women. The average HLE for males in England is now 62.4, and 62.7 for females. That means an increased likelihood of poor health – employees' financial planning needs to take this into account, and employers need to be prepared to support ill-health for those in later career stages.

Buying property later in life. In 2022-23, the average age of a first-time buyer was 34 years. By comparison, in 2014, 61% of first-time buyers were aged between 25 and 34, suggesting that people are now buying their first property later in life. Helping employees to save for a deposit through products like Lifetime Individual Savings Accounts (LISAs), giving access to mortgage brokers and recognising that many employees rent rather than own property can all help as part of a financial wellbeing programme.

Paying off student loan debt. The average balance for student-loan-holders in England when they start making repayments is £48,000, with 2.8 million people making repayments as of 2023-24. Although repaying student debt is a long-term project and won't affect aspects of financial wellbeing such as applying for mortgages and loans, it can still feel like a burden for some employees.

The link between financial wellbeing and diversity, equity and inclusion

Financial wellbeing strategies can form a vital part of a diversity, equity and inclusion (DEI) strategy. Gaps, such as the gender pensions gap, undermine equity and can have a damaging long-term effect on employees' money goals.

This means that financial wellbeing strategies (including pay) need to be equitable, and also link to wider corporate DEI goals or initiatives. Here are our top tips for creating an inclusive financial wellbeing strategy:

- Use digital tools effectively (see page 7) to make financial wellbeing benefits more accessible.
- Create an education, guidance and advice strategy that gives everyone the right level of support when they need it most.
- Personalise messages so that they are relevant and engaging.
- Offer financial benefits flexibly, so that employees can choose what's right for them, in association with education, guidance and advice.
- Think about the needs of the whole workforce, not just new joiners, those in debt and employees approaching retirement.
- Be transparent about pay and other financial benefits to help improve fairness.

Chapter 2: How to build and evolve a financial wellbeing strategy

Financial wellbeing shouldn't exist in a vacuum, or a silo. To make the strategy successful for the long term, it needs to link to wider organisational and HR goals, such as improved productivity or talent management.

For example, explaining the range of financial benefits on offer and processes such as matching contributions into the pension scheme can help new employees appreciate the full value of their package and strengthen retention.

Who and what to prioritise in a financial wellbeing strategy

Having a longer-term plan for financial wellbeing enables employers to adapt new benefits and support over time as budget allows, but it's still important to prioritise what matters to employees now and for the future.

- **Identify gaps in products and services.** You might already have a strong retirement offering but recognise from employee feedback that debt management, or saving for a mortgage deposit, is a major priority.
- **Look at the impact on the business.** Recruiting and retaining in-demand skills are priorities for many employers, and businesses without the basics of a quality financial wellbeing programme are likely to get left behind. Poor financial wellbeing can undermine productivity, affecting employers' ability to grow and build profitability.
- **Use feedback to identify needs.** As we saw on page 4, there are many sources of information that can help to determine employees' financial wellbeing needs. Information from sources such as employee networks and good-quality employee assistance programmes (EAPs) can help to identify priorities.
- **Think about all life stages.** Employees need help with their financial wellbeing throughout their lives. Some common moments are:
  - › Changing job / a change in income
  - › Becoming a parent
  - › Buying a first home
  - › Bereavement
  - › Redundancy
  - › Experiencing ill health
  - › Change in family or relationship circumstances

Helping employees to engage with financial wellbeing support

By making financial wellbeing communications timely, relevant and personal, employees are more likely to respond and engage with information about financial wellbeing benefits.

Communications to an individual employee could be triggered by a known change in circumstances – such as a promotion, or by a particular behaviour – for example, stopping pension contributions. That could be used as the basis for messages to think about saving more effectively with a salary increase or reminding people of the value of the pension plan.

Different people will respond to different types of communication, so think about a mix of approaches – such as video, email, print – that will engage as many people as effectively as possible.

Five ways that technology can drive engagement with financial wellbeing

1. **See everything in one place**. Forthcoming pensions dashboards and similar available tools can help employees see the big picture of their savings and investments. That can help to change behaviours and give employees more of a sense of ownership.
2. **Improve planning and budgeting**. Many banking apps have a range of tools to help you track expenditure and find out where your money is going. Helping employees to make the most of these can help improve budgeting and money management.
3. **Complement one-to-one support**. Technology isn't the answer to everything, and there will be times when employees need to speak to someone for one-to-one guidance or advice. But digital channels can be great for wider financial education or preparing administration before a one-to-one meeting.
4. **Manage benefits more effectively**. From an employer perspective, the right technology can streamline benefits management, enabling reward and benefits professionals to understand how financial wellbeing services are being used.
5. **Embrace emerging technologies**. Employees will already be using generative AI tools (such as ChatGPT) in their everyday lives, at home and at work. If used effectively, these tools can provide a good starting point for exploring financial wellbeing products and concepts – but it's important to recognise their limitations and educate employees about risks such as scams and where to find professional support when needed.

Chapter 3: Putting plans into practice

Financial wellbeing can encompass a wide-ranging set of products and services that need to be presented to employees as a coherent programme.

Playing to providers' core services and strengths is crucial. Relying on each provider to deliver financial wellbeing services alongside their core product is likely to lead to a variable and disjointed financial wellbeing programme, one where there will inevitably be gaps. This won't help employees to see the overall picture or support them to build financial awareness and confidence across all aspects of their financial wellbeing.

Similarly, providers may offer to cover employee communications, but it's important that these tie in with wider HR and benefits messaging, are tailored to individual employees' needs, and branded appropriately for the employer. Inconsistent communications can cause confusion rather than breaking down barriers for employees.

Likewise, when selecting a provider, it's vital to identify what's important to your organisation in terms of the service they offer (for example, evidence of good governance, feedback on usage patterns, branded communications), as well as from a strategic perspective (value for money, meeting employee needs, fit with other benefits and wider financial wellbeing strategy).

Five questions to ask when introducing new financial wellbeing benefits or services

1. **What will a new benefit or service offer our employees?** Does it address a known problem for people in the workforce and/or give employees a way to improve their financial wellbeing in a way that suits their needs?
2. **How will it work alongside existing products and services in our financial wellbeing programme?** Check for overlap with other services – for example, employers may have an EAP that supports employees with financial worries as part of an existing insurance product.
3. **How will it support wider HR and business goals?** Will it support DEI initiatives by making a financial wellbeing programme more inclusive or equitable? That could include support for higher earners or more senior employees, as well as helping low-earners.
4. **What are the provider's strengths and weaknesses?** Exploring what potential partners do well, and not so well, is a key part of any decision-making process. That could include governance structures, or plans for how the product or service will evolve in the future.
5. **Do we need to remove or change any other benefits before introducing anything new?** Adding a new benefit or service will inevitably add extra cost. There may be other financial wellbeing benefits – or products from other parts of your reward and benefits portfolio – that are no longer relevant or need to change.

Differentiate between education, guidance, coaching and advice

Financial education, guidance, coaching and advice can all add value for employees at different times and in different circumstances. But there are some important differences between them.

Helping employees to better understand their financial options and feel confident in making money decisions is crucial to good financial wellbeing.

Choosing the right financial wellbeing approach

	What does it offer?	Good for	Limitations
Financial education	• Information about finance-related topics (eg, pensions, savings, budgeting) • Universal principles • Explains choices and decision-making criteria and rules • Can be made available to the whole of a workforce • Unregulated	Raising awareness and providing information that employees can act on themselves	Not tailored to an individual's circumstances and cannot provide product recommendations
Financial guidance and coaching	• Aside from AI guidance or guidance provided in financial education group sessions, guidance and coaching is usually one-to-one • Explains how financial topics relate to the individual • Outlines and guides through options and choices • Arms employees with tools and knowledge to make decisions • Coaching can add accountability and check-ins with the individual • Unregulated	Putting financial education into context and relating it to individual needs. Coaching can also offer accountability and check that individuals are acting on the information and ideas they've been given	Unregulated, usually focuses on one issue not whole financial wellbeing and can't make recommendations about specific products
Financial advice	• One-to-one • Tailored fact-find across an employee's finances • This can include an employee's family members • Written financial advice, including recommendations and an action plan • Regulated and provided by a qualified financial adviser	Supporting employees with major financial decisions and bespoke recommendations. Advisers must be regulated and are accountable for their decisions	For many financial decisions, most people may not need financial advice; education and guidance will be enough

Strategy action plan

Understand employees' needs across the whole workforce

Everyone in the workplace has a unique set of financial needs. Although retirement adequacy, financial literacy or debt issues will be priorities for some employees, there will also be others that want to buy property, need help with investing, or are thinking about protection needs.

Identify gaps

Armed with knowledge about employees' needs, reward and benefits professionals can explore the benefits they already offer and identify obsolete benefits and gaps. Many benefits, such as group income protection and car salary sacrifice, can form part of a financial wellbeing strategy, so think creatively about what you already offer.

Think about timing

There are many points in an employee's life where they might need help with their financial wellbeing. Think through how employees will find the right type of help, such as financial education or financial advice, and at the right time.

Link financial wellbeing with wider benefits and HR strategies

Financial wellbeing can help support many HR and top-line business objectives. These could include recruitment and retention, supporting employees' mental wellbeing, or reducing inequalities, such as gender pensions gaps.

Be clear what you want from providers and partners

Do products or services meet the objectives you've set for your financial wellbeing programme, as well as wider benefits strategies and HR goals? How can providers and partners work with employers to meet these goals – for example, in terms of data/feedback, use of apps or other services to support employees, and willingness to work alongside other providers. And, when it comes to a holistic, clear financial wellbeing strategy, you will get better outcomes by asking providers to deliver their core services, and not also requiring them to deliver financial education as an add-on.

Look to the long term

Create a longer-term plan for financial wellbeing that, as well as focusing on the most immediate priorities for employees, explores how to introduce products and services that will help people over time. This should also include reviewing the strategy regularly, offering what employees need and supporting wider business goals.

Who we are

Close Brothers

Close Brothers' workplace financial wellbeing services have been making a real difference to employees' financial health for over 50 years.

We have worked with every type of organisation, all employee demographics and a wide range of pension and benefits. We know first-hand that one size doesn't fit all, so we have developed an extensive range of financial wellbeing services that suits all businesses, every need and every budget.

Our approach starts with a conversation so we can understand your organisation, and where you and your people are on your financial wellbeing journeys. A simple but important process, we can usually get a good idea of what's needed and next steps in less than an hour.

Organisations all have different starting points, so our team is well versed in starting from scratch, taking over from previous providers or working with other providers to ensure a clear and joined-up approach.

We know that financial health will only improve when individuals take action. Our programmes combine financial education, guidance and advice to empower employees to take control of their finances, to make the most of their workplace benefits and to build financial resilience and confidence so that they make better-informed financial decisions throughout their lives.

To discuss which service would be right for your business, please call us on 0800 028 0208 or email financialwellbeing@closebrothersam.com

Please be aware that the value of investments can fall as well as rise, and that you could get back less than invested.

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REBA

The Reward & Employee Benefits Association (REBA) is a thriving community of HR professionals dedicated to pursuing best practice in reward and benefits. Synonymous with excellence, REBA informs and empowers its members to grow their network, advance their knowledge, source and connect with market-leading vendors, and be prepared for what's coming over the horizon. We support the HR community to pursue best practice and drive excellence in their reward, benefits and employee wellbeing strategies through the following:

Hosting world-class conferences and events

Producing data-led benchmarking research, insight and data reports on key reward and benefits themes

Creating and distributing digital information, including industry insights, case studies and thought leadership

Curating an industry-wide library of research, reports, white papers and guides

Delivering focused content through daily emails and social media

Helping members to source market-leading vendors

Facilitating peer-to-peer networking for members

Facilitating senior career development opportunities through an executive search and selection service.

Find out more at www.reba.global

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