Guide to getting started with financial wellness

Part of the REBA technical training series

REWARD & EMPLOYEE BENEFITS ASSOCIATION
reba
PURSUING BEST PRACTICE

In association with

Close Brothers
Driving financial wellbeing

Editor's comment

Welcome to REBA's Technical Guide to Getting Started with Financial Wellness. If you're considering a financial wellness strategy for the first time, then this guide is a great place to begin. It explains what financial wellness is, why it matters, how it can benefit both employees and employers, and ways to measure success.

The relationship between staff's overall wellness and productivity at work has become high profile in recent years. Wellbeing is no longer a slightly vague nice-to-have, but a measurable practice that, when implemented effectively, can deliver genuine benefits to businesses as well as to individual employees.

A wellbeing strategy will take physical and mental health into account. But there is also increasing recognition of the role that an individual's finances play in their wider wellbeing. Anyone who is losing sleep worrying about money, or is having to take time off work to deal with financial matters, cannot perform at their best. Money worries are one of the biggest causes of stress and so have a knock-on effect on mental and physical wellbeing.

And it's not just lower paid employees, or those with debt issues who are struggling. Those on higher incomes, but with more financial commitments, are equally likely to need support. In fact, all employees need help at some point as they navigate the complexities of saving and making the most of their finances throughout their lifetime, managing changing priorities and the added responsibilities that pension freedoms bring. Financial wellbeing is a workplace-wide issue, not just something that affects a handful of workers.

This guide explores what financial wellbeing is, why it matters and how to build a strategy that will enable all of your workforce to benefit.

Maggie Williams

Editor

Contents

This report was devised by Debi O'Donovan and Phil Hayne of REBA in association with Close Brothers.

The guide was edited by Maggie Williams, written by Sara Benwell and designed by SallyannDesign.

Sponsor's introduction

Employees of all ages and levels of seniority are facing tougher financial decisions than ever before. From younger workers burdened with student debt yet aspiring to get onto the housing ladder, to those navigating complex decisions about how to fund retirement, the need to help employees feel confident about their financial future has never been greater.

Close Brothers' recent research, *The Lifetime Savings Challenge*, laid bare the extent of the UK's financial problems. A third of the employees that we surveyed said that they save less than £50 a month, and 20% are saving nothing at all.

Low savings levels and lack of financial awareness mean that employees may not be able to absorb unexpected day-to-day expenses – and are unlikely to be saving anywhere near enough to provide a comfortable retirement.

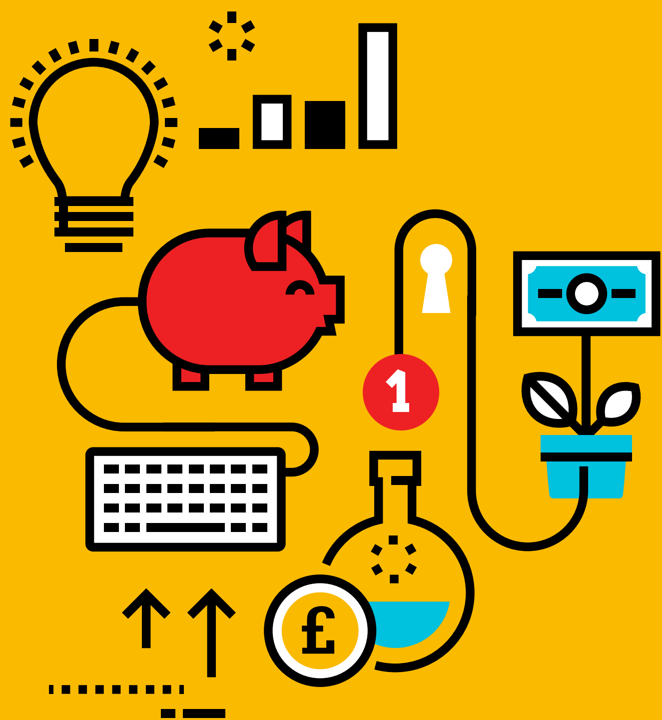
That has a knock-on effect on the workplace. According to research carried out by Close Brothers and the CIPD in January 2017 at least a quarter of staff in the UK are unable to perform at their best because they are worrying about their finances.

Employers are in a great position to help employees get to grips with their money and put themselves firmly in financial control. This guide seeks to clarify financial wellbeing. It explores some key reasons for offering a financial wellbeing strategy, and explains how to build one. I hope you find it useful.

Jeanette Makings
Head of Financial Education
Close Brothers

Close Brothers

Driving financial wellbeing



Why offer a financial wellness programme?

What is financial wellness?

Financial wellness, or wellbeing can be defined as being in control of your finances, both now and for the future. For most people, that means having a plan and knowing that they are on track to meet their financial goals, throughout their life; from dealing with debt to buying a house and saving for a pension. It means that they have the ability to manage day-to-day finances, and to absorb financial shocks.

Financial wellbeing applies to everyone, although an individual's own measure of financial wellness will be unique to them. To achieve financial wellness, there are seven areas of personal finance to be addressed:

- budgeting and planning
- debt
- savings
- investments
- planning for retirement
- protection
- tax planning.

When considering a financial wellbeing strategy or looking at how providers can help, these seven steps can provide a useful template to measure against.

Why financial wellbeing matters in the workplace

If an employee is worried about money, they will be less able to perform effectively. Financial problems can also impact an employee's general wellness. Poor financial well-being can affect your psychological well-being, causing stress and anxiety, and poor physical health. This in turn hits performance, short-term decision-making and the ability to concentrate, resulting in lower productivity and higher absenteeism.

By educating employees about finances and offering support to help staff manage their money, businesses can improve the overall wellness of their workforce; demonstrating a duty of care whilst also protecting business performance.

Advice, guidance and education – what's the difference?

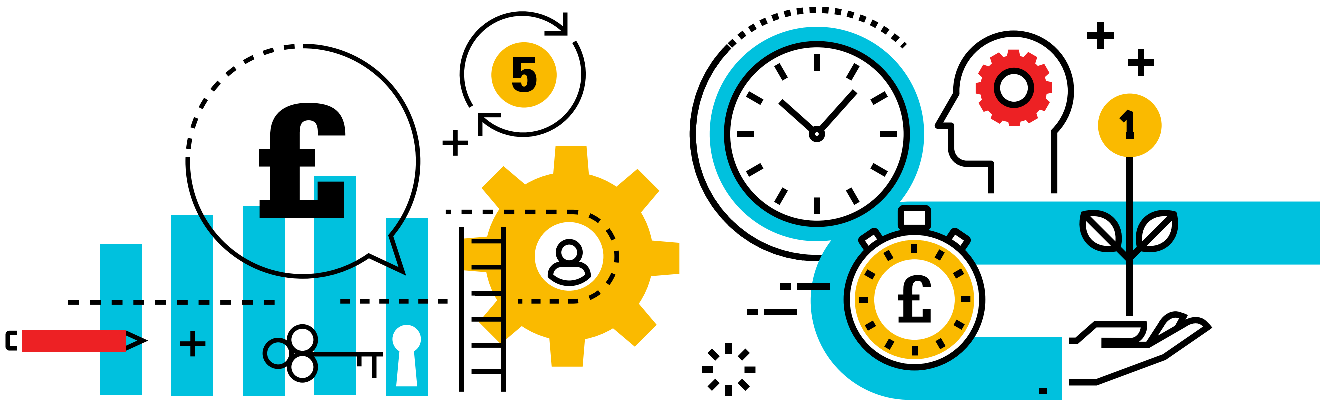
Financial advice is provided by qualified, regulated professionals, usually for a fee. It will result in a specific recommendation on what course of action to take and which products to choose. Consumers have legal protection.

Financial guidance is unregulated and so can be provided by anyone. It can be delivered to a group, say at a seminar, or in a one-to-one meeting. It helps consumers to understand and assess their options. It will not result in a personal recommendation on what to do or on specific products or services.

Financial education programmes in the workplace deliver financial guidance to help employees understand how to better manage their finances, explain what benefits are available and how to get the most out of them.

In a nutshell

- Financial wellbeing is about feeling in control of your money and being able to plan for your financial future
- If employees are worried about money they may be less productive at work, or even absent
- A financially well workforce delivers benefits to business as well as individuals



Building a financial wellness strategy

What is a financial wellbeing strategy?

A good financial wellbeing strategy will go beyond pensions advice or dealing with debt – and instead look at an employee's holistic financial situation, offering tailored solutions.

A typical holistic strategy might cover a number of key areas, such as:

1. Planning and budgeting – helping employees to take control of day-to-day finances and support with achieving specific goals, such as saving to buy a house.
2. Managing debt – reviewing debts and prioritising, making sure that interest is planned for, manageable and minimised. This might also include offering access to affordable loans through the workplace.
3. Savings – helping to make sure that staff are using the right savings vehicles for their circumstances for their short, medium and long-term savings goals. Employers might also offer access to three savings options which are likely to be at rates that individuals couldn't easily find on the open market: share benefits; workplace pensions; and ISA/LISAs.
4. Investments – helping employees to understand the investment universe, to choose the most suitable products and to equip them with the confidence to manage financial predators.
5. Retirement planning – in the years ahead of retirement as much as at retirement.
6. Protection – life assurance, loss of income or mortgage protection. This can also include arranging lasting power of attorney and making a will.
7. Tax planning – helping employees understand tax allowances and reliefs and how to utilise them.

Getting board-level buy-in

To build the business case for financial wellness there are three main factors to consider.

The effect of poor financial wellbeing on employees. According to Close Brothers' *Lifetime Savings Challenge* research, 29% of employees said that failing to have sufficient savings for later life would increase their stress levels, and 20% said that they think having insufficient funds will lead to an increase in health issues.

The effect on business of poor financial wellbeing. It's not just employees who suffer as a result of poor financial wellness. In research carried out by Close Brothers and the CIPD in January 2017, one in four workers reported money worries affected their ability to do their job. One in five people said that lost sleep was hitting their productivity, and one in ten said that they had found it hard to concentrate or make decisions at work, as a result of money worries. This impact on productivity can affect a business' bottom line – by as much as 4% for every £1m spent on payroll.

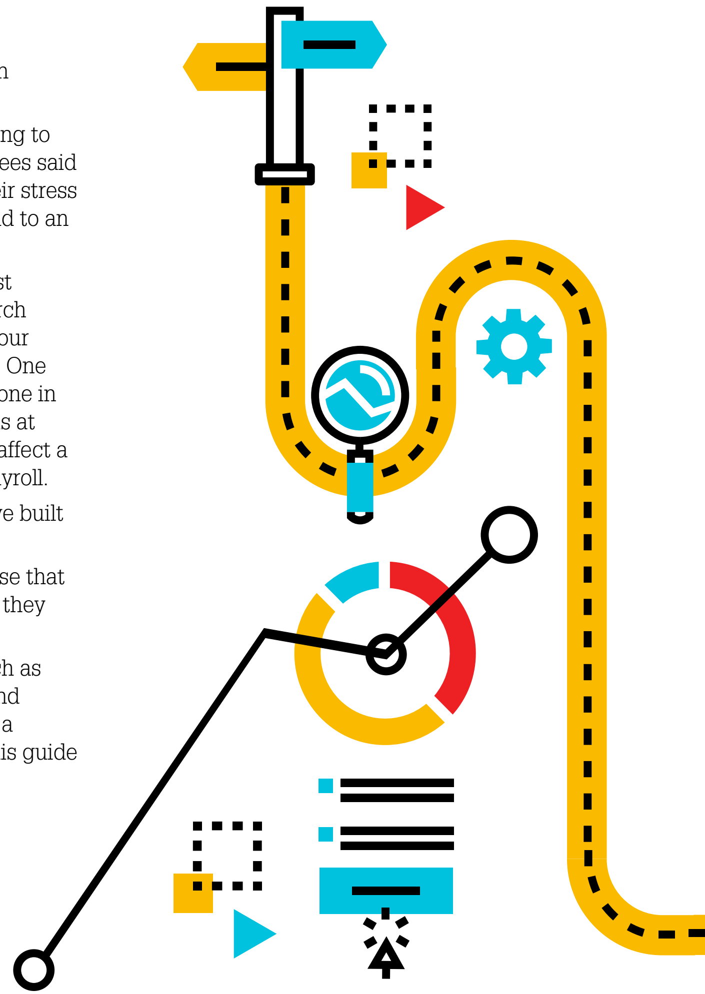
Cultural considerations. 85% of larger organisations say they have built financial wellness programmes because it is 'the right thing to do'.

By pulling these strands together, key stakeholders can make the case that not only are financial wellbeing programmes good for the employee, they also make good financial sense for the business.

Linking a financial wellbeing strategy to broader business goals, such as lowering absenteeism rates or improving staff engagement levels, and being able to measure that success is also important when creating a business case. See the "Measuring Success" section further on in this guide for more information.

In a nutshell

- Financial wellness goes beyond individual products such as pensions – it's about taking a holistic view
- Poor financial wellbeing has an impact on both employees and the business
- Identifying clear measures of success is essential



What does best practice look like?

Best practice will depend somewhat on the size and type of organisation you work at. What is right for one employer might not work for another, even within the same sector.

However, financial wellness programmes have some common features. These include:

- Appropriate pay and wellbeing benefits, with flexibility and choice – and a joined-up approach to offering them.
- Financial education for employees, delivered in a variety of different ways such as face to face, webinars and online.
- A workplace culture that's committed to financial wellbeing, right from the top.
- Access to qualified financial advice or guidance or at least some direction on where to find suitable advice.
- Comprehensive KPIs that are regularly measured and evaluated.
- A long-term strategy.

Not all organisations will have the budget or the buy-in to jump straight to a best practice model.

If you're just starting out on your financial wellness journey, it may make sense to first look at the quick, cost-effective wins and to address areas of key risk and biggest impact. These could include:

- Reviewing current pay and benefits policies, making sure they are comprehensive, fair, and understood by staff.
- Conducting a review of the take up of benefits by employees, and evaluating which benefits staff value most.
- Refreshing communications is another way to highlight the benefits already on offer, and ensure employees are making the most of them.
- Signposting to external agencies who can give free guidance such as Pension Wise or the Money Advice Service is another quick way to make sure your workforce has access to some financial guidance.
- Focusing on staff that have the greatest need, or where financial wellbeing could have the most impact. That might mean starting with employees who are approaching retirement, or those who are entering the workforce for the first time.

5 tips for great engagement

1) **Segmenting your audience can help** – employees are far more likely to engage with appropriately targeted communications. But don't make too many assumptions, as everyone is individual.
2) **Make benefits clear** – refresh your communications and make sure that for each benefit you offer, you make it crystal clear how it can help the employee – illustrate what it could do for an employee and use real examples as these can work well.
3) **Consolidate** – if you have one microsite for your pension, another for benefits and a third for money advice, consider how you can link them or use an online education portal as the hub that then enlightens them, consolidates information and includes links to them all.
4) **Vary communication methods** – a diverse workforce means that different cohorts will prefer different types of communication and multi-channel allows people more than one way to access the help they need. If you have lots of young employees, for instance, you may wish to consider communicating via mobile devices for example. Remember not everyone will have access to the internet at home. According to *The Lifetime Savings Challenge*, face-to-face (57%) and email (28%) were the preferred forms of financial education at work.
5) **Measure success** – whenever you implement changes, make sure you set KPIs and measure against these. This could include collecting feedback on the benefits and financial education you offer, measuring engagement in employee opinion surveys, measuring benefit take-up, use of online modellers and enquiries to the pensions team. These should link to your key business objectives and those specifically aimed at financial wellbeing.

In a nutshell

- What works for one company might not work for another. Build the right benefits for your staff
- Don't overlook reviewing existing benefits and communications
- Look at areas of greatest need, such as new entrants and those approaching retirement

Getting it right for your employees

To build a financial wellness strategy that's right for your workforce, there are three key ways to prepare:

- **Find out what your workforce needs and values.** Gather independent and unbiased information and input from employees to assess what their priorities are. Using data from benefits such as Employee Assistance Programmes can also help to build a picture of employees' needs. Benefits surveys can highlight where you can optimise your benefit spend to ensure you offer benefits that your employees want and so will use.
- **Assess current benefits.** Map any financial wellness initiatives that you already have in place against the seven steps in the 'What is financial wellbeing' section above, so you can assess what gaps need addressing.
- **Identify a good starting point.** Building a strategy can take time. Starting small with a project that helps a particular group of employees, for example, can be a useful way of providing support as well as building evidence inside your workplace to support a business case.

Find out what your workforce needs

Employees' financial needs will vary. For instance, employees aged 18–25 are likely to be starting their first job or apprenticeship. They may face specific challenges including learning to budget, getting credit for the first time and dealing with debt.

In contrast, older workers need to be thinking seriously about maximising their pension and the choices they need to make at retirement, as well as considering long-term care costs for elderly relatives.

But not everyone in the same age group will face the same challenges. Some people may decide they don't want to buy a house or have children, while people in their early 20s may have elderly relatives to care for. Age and life stage can be useful starting points for considering the potential financial needs of your workers but your plan needs to build in flexibility to account for those that fall outside of these patterns.

To better understand the needs of your employees it can be useful to gather information through attitude or engagement studies, and also to understand how they approach financial decisions at present.

Recording information on changes in circumstances, such as maternity, paternity or adoption-leave takers can also help employers to make sure they provide the right kind of financial support to individuals as they need it.

Assess what you already have

Analyse take up of existing benefits, to see which are most valued. This will also indicate if there are specific groups of employees who aren't making the most of what's on offer to help with specific communications.

You can use employee engagement surveys to find out what your workforce thinks of their pay and benefits, what benefits they use and what they would like to be offered. It is also worth asking how they rate your current benefit communications.

You should also evaluate your benefits in line with the pressures faced by different groups. For instance, do you offer debt counselling support or have you considered offering employee loans, which could get staff with poor credit ratings better deals? Conversely, what do you have in place for higher earners who are likely to reach the pension allowance limits? And what savings advice do you offer to middle earners looking to build a rainy-day fund alongside their pension?

Find the right place to start

Getting started with financial wellbeing doesn't have to cost the earth. It may be more prudent to identify a business case for addressing one specific issue – for example supporting people in the years ahead of retirement, or giving employees access to debt counselling – and evaluate the success of this, before going on to create further business plans for other needs.

Think about partners

There are a range of different options when it comes to choosing a partner (or partners) for financial wellness, from specialist financial education partners, through to employee benefits consultants and even your pension scheme. While it's tempting to opt for a service that's linked to an existing benefit (such as through your pension provider), it's important to consider whether this will really address all of your workforce's needs or be restricted to one topic (such as retirement planning), or one staff group (such as those with debt issues). Some key questions are:

- Is the information on offer independent?
- Can I make it inclusive for all of my employees?
- Is it a part of existing services, and if so how will this affect the breadth and objectivity of the information?
- Will it offer a gateway to financial advice and investment solutions if needed?

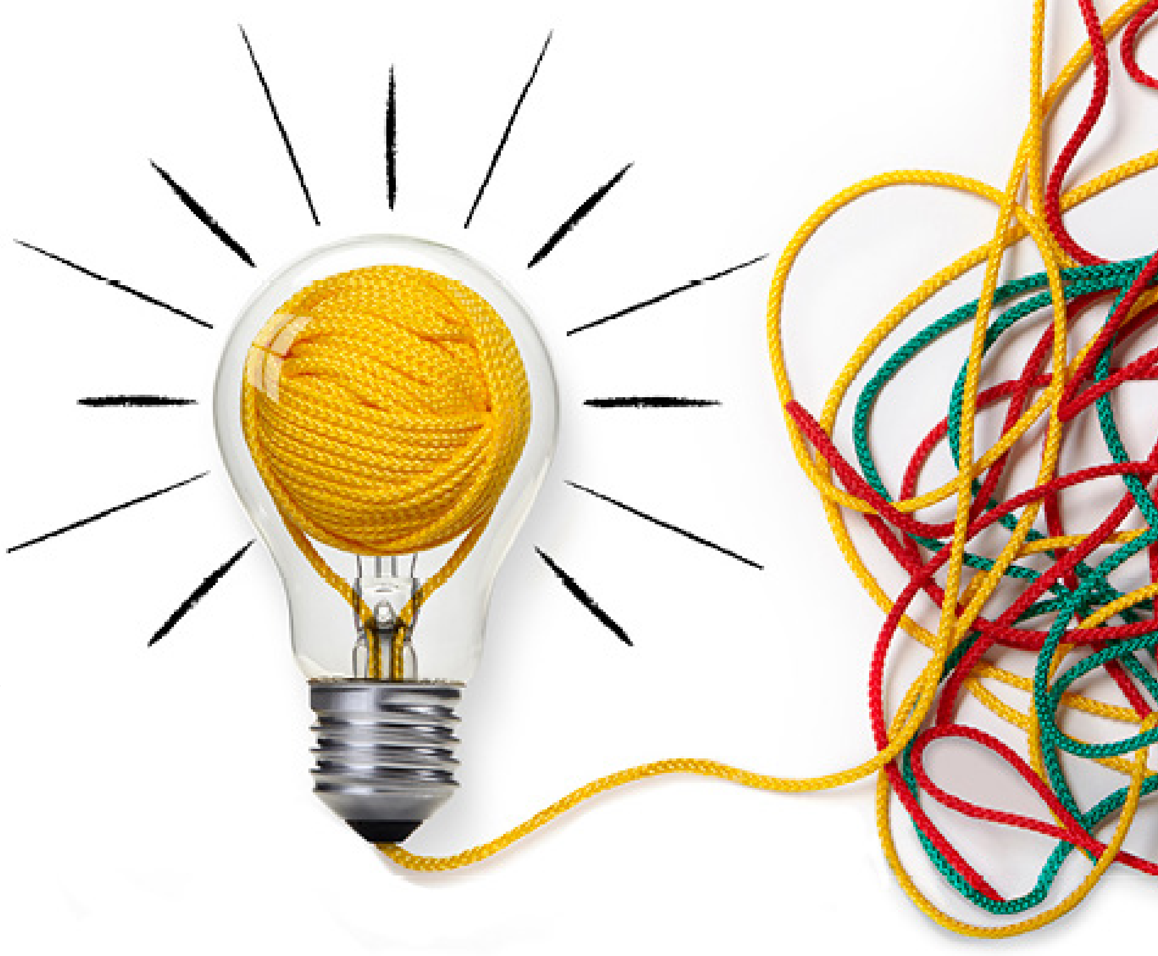
A good way forward could be to trial a few services and see how they match up to the needs you've identified in your business. This doesn't have to be a large-scale tender process – but it does mean being clear about what your employees need.

In a nutshell

- Understand your employees' needs, which may vary across the workforce and change over time
- Make sure that you assess what you already offer, and promote it effectively
- Identify a good starting point, which could be a small, easily measurable project
- Think about different provider options, and how these might match your needs

Financial wellbeing

Making the complex
Simple.



As a trusted employer, it's important to recognise the very real toll that poor financial wellbeing can take on your employees. It affects both emotional wellbeing at home, and performance at work.

Close Brothers has been inspiring employees to make a positive change to their financial future for over 45 years. Our skills and expertise help to make complicated subjects like saving for a mortgage, paying off debt, pensions or planning for retirement, easy to understand.

But more than that, we give employees the confidence to take action.

To find out how we can tailor our solutions to meet the needs of your organisation:

0800 028 0208 events@closebrothers.com www.closebrothersam.com

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Driving financial wellbeing

Measuring success

Why measurement matters

Monitoring financial wellness programmes is critical to identify which benefits, communications, or initiatives are working well and creating a good return on investment. Furthermore, without evaluation, the business is less likely to continue investment or extend this for future initiatives.

How to benchmark and measure success

Establishing a set of key performance indicators (KPIs) for success is essential. Once you've agreed on your success factors, benchmark current practice so that you can build a before-and-after picture and understand the impact of the initiative you've introduced.

Carrying out surveys to establish employees' views on current practices and benefits will give you one benchmark for financial wellness. Repeating these surveys and comparing the scores is a good way to determine changes and trends.

Make sure any current providers report the employee usage of their service and track changes over time so you can see the impact of specific initiatives or targeted communications.

Another example might be to analyse absence data to determine any change since the introduction of a financial wellbeing programme. However, if other organisational changes have happened in the same period, be careful about how results are interpreted.

Before implementing (and then evaluating) any financial wellness programmes, it is useful to answer the following questions:

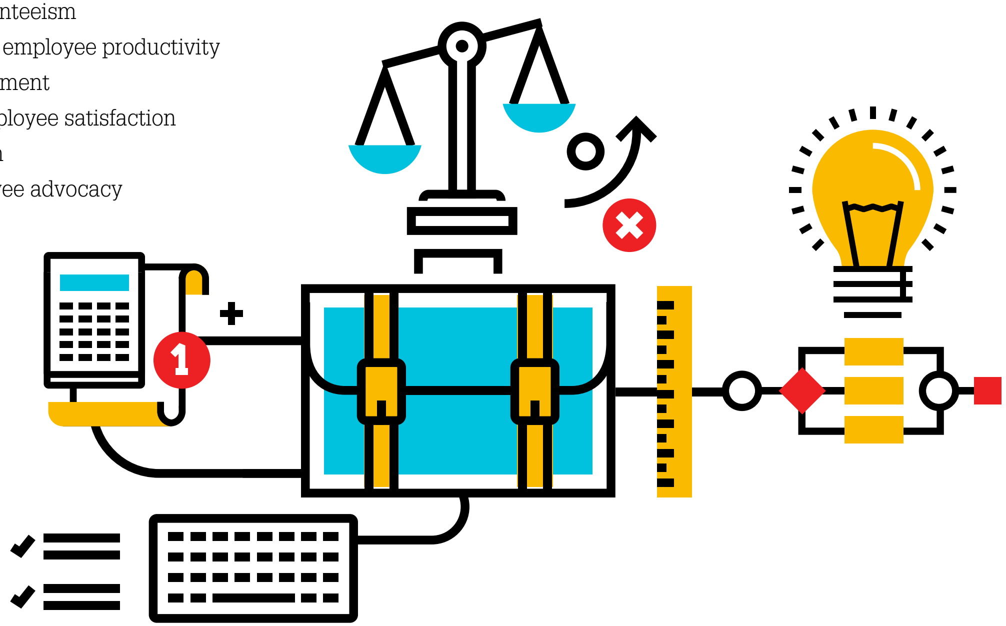
1) What is our starting point?
2) What are we hoping to achieve?
3) Do the KPIs reflect these goals?
4) Have we identified all the costs associated with the initiative?
5) Have we thought through all the possible benefits?
6) How long do we need to allow for behavioural change before we evaluate?
7) Can we use measures such as Net Promoter Scores to evaluate success?

Concrete benefits to look for include:

- Improvements in employee health
- A reduction in absenteeism
- An improvement in employee productivity
- Higher staff engagement
- Higher levels of employee satisfaction
- Great staff retention
- Increases in employee advocacy

In a nutshell

- Measuring success is essential, particularly if you want to justify future spend
- Establish meaningful measures for your business and understand how you will collect the data
- Benchmark current practice before you implement any financial wellbeing programme, so that you can see the 'before and after' effect



Planning for the future

How to keep your programme relevant

Shifting economic pressures and changes to legislation mean that any financial wellness programme will need to adapt to remain relevant. Key issues to consider are the impact that ‘freedom and choice’ for employees at retirement is having on pensions, the rising cost of education, changes to government childcare policy, and the long-term impacts of house prices.

Regularly surveying staff to understand what challenges they’re facing, and how you can help with those is a good way to make sure that your programme stays relevant, and constant evaluation of initiatives will keep you on the right track. And hold your various providers to the same standards: do they understand your staff and their needs and are their services keeping up with the times?

Review your communications and those of your providers to make sure they are up to date, relevant and effective.

Building on success and justifying future investment

As we've seen in the Measuring Success section, above the best way to justify future investment in financial wellness, is by evaluating past successes. CIPD research in 2014 found organisations that evaluate how much they spend on wellbeing were more than twice as likely to increase their spending compared to prior years and to secure further future investment.

You’ll also need to develop the business case for any future expenditure and show how it will address any existing gaps in your programme and/or deliver better support for staff.

Questions to ask when planning for the long-term

Ask the following questions to identify areas of focus for future financial wellness initiatives:

- How can we better support our employees’ financial wellbeing in the future?
- How much change do we want to make?
- What specific changes will we need to make to pay, benefits and communications to achieve our goals?
- How big is the gap between where we are and where we want to get to? And should we consider a phased approach?
- How will new initiatives integrate with our existing programme of benefits?
- How will we deliver new initiatives? And what are the associated costs with this?
- How will we measure effectiveness?

In a nutshell

- Over time, you will need to monitor your financial wellbeing offering to make sure it remains relevant and effective
- Build on past success with new initiatives
- Keep checking with your staff to make sure what you’re offering matches their needs and wants

Quiz

1. What is financial wellbeing?

A Being in control of your finances and able to plan for now as well as the long-term

B Understanding how pensions, shares and bonds work

C Paying into your company pension

D Being able to manage debt

2. Which of the following programmes allows qualified individuals to give employees recommendations about financial products?

A Financial education

B Financial advice

C Financial guidance

D All of the above

3. Name the seven areas of financial wellbeing

4. Why is it important for a business to offer a financial wellbeing strategy?

A Our competitors are doing so

B Our current wellbeing strategy is incomplete without it

C It's the right thing to do for our employees

D Improve business performance

E Increase employee retention

5. Name three measurable benefits that you can use for assessing the success of a financial wellbeing strategy

6. What criteria should you consider when choosing a financial wellness or education provider?

7. Which of the following could be suitable benchmarks for measuring success?

A Employee surveys

B Absence data

C Take-up of financial benefits

D Aggregated data from an EAP provider offering debt support

E All of the above

8. How can you make sure that your financial wellbeing programme remains relevant?

A Measure staff take-up of benefits

B Collect information from staff about their financial situation

C Look at broader economic trends

D Identify business needs

E All of the above

Quiz: The answers

1. Answer: A. Although more sophisticated investors might want to *know more about different types of investment, this isn't necessary for wider financial wellbeing. And, although paying into a company pension or managing debt is certainly a step towards being financially well, it is only part of the picture.*
2. *Answer: B. Financial guidance and education can give information and explain products, but cannot offer recommendations for financial products or planning strategies.*
3. *Answer: budgeting and planning, debt, savings, investments, planning for retirement, protection, tax planning*
4. *Answer: any or all of these could be the right answer. However, make sure that the strategy is right for your staff, rather than replicating a competitor's offering*
5. *Answer: Any of the following:*
   - *Improvements in employee health*
   - *A reduction in absenteeism*
   - *An improvement in employee productivity*
   - *Higher staff engagement*
   - *Higher levels of employee satisfaction*
   - *Great staff retention*
   - *Increases in employee advocacy*
6. *Answer: Some areas to consider include: independence; ability to include all staff and benefits, whether the information is objective; access to regulated financial advice and investment options if required.*
7. *Answer: E*
8. *Answer: E*

Who we are

About our sponsor: Close Brothers

Close Brothers has been helping the employees of some of the UK's best known organisations to understand and make the most of their benefits and lifetime savings for more than 45 years.

We are passionate about helping people improve their finances and recognise that they can benefit from financial education throughout their career.

Whether you want to add support for those planning to take their pension, improve financial wellbeing as part of your wider strategy or engage new joiners with the importance of saving for the future, our financial education inspires people to take control of their finances immediately and for the future.

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Driving financial wellbeing

About us: Reward & Employee Benefits Association

REBA is the professional networking community for reward and benefits practitioners. We make members' working lives easier by saving you time, money and effort through sharing experience, ideas, data and insight with each other. We help members to pursue best practice, increase professionalism in the industry and prepare for upcoming changes. REBA lobbies government on members' behalf.

What REBA does:

- Runs regular conferences and networking events
- Produces benchmarking research, insight & data reports and analysis
- Curates the information you need to know, both online and in our weekly email
- Helps with supplier shortlisting and research

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