

The 401k Gate to Productivity and HR Management

If Your Employees Are NOT Financially Well, Can Your Company Prosper?

Are your employees taking adequate advantage of your 401(k) plan? Do they know how to control overspending? Are they in debt up to their ears? Do they have the right tools for proper money management? Do they have a system for making ends meet? These are all questions that should be asked, but are generally not asked by employers.

The current requirement in 401k regulations to provide participants with financial education (which can be generally paid from 401k plan assets) creates an opportunity to do two good things: a) help employees properly prepare for retirement and b) make them more productive.

Financial wellness of employees can have a significant impact on the bottom line. Studies suggest that as many as 15% of the workers in this country are so stressed about their poor financial situation that their job productivity is adversely affected. Stress leads to absenteeism, an increase in wasted work time and inattention and an increase in health care costs. With the way the economy has been lately, 15% might be a low figure.

Since 1989, Cygnet Institute of Personal Financial Literacy a non-profit Michigan corporation has been helping employers addressing the financial wellness of their workforce through financial education. Cygnet offers self-completing, interactive financial workshops which teach people how to take control of their financial life. Studies show that employees need financial education which can improve their lives by changes in their personal financial behavior which also improves productivity. Accordingly, a financial education program can be used like other employee benefits to both attract and retain talented employees while also addressing productivity and cost issues. The Personal Finance Employee Education Foundation has conducted research, which shows that there are many positive changes in personal financial behavior as a result of financial education.

Financial Literacy improves:

- Awareness about the need to plan and save for retirement;
- Knowledge of and control over personal finances;
- Confidence in managing money to achieve personal financial goals;
- Participation in employer sponsored retirement plans;
- The number of individuals who reduced personal debt

With financial education, employees become equipped with tools to make decisions that improve their financial wellness. This is good news for employers because employees with good control over their finances will not waste time focusing on financial problems during working hours.

Another positive result of financial education is its value as a tool that can lead to an increase in the number of workers who decide to retire early. This is an extremely important, yet overlooked, aspect of financial wellness. Indeed, one of the most difficult issues confronting employers is dealing with older employees who keep on working because they don't think they can afford to retire. There are many instances where employees who have saved enough for retirement are unaware of their good financial condition, so they keep working. It is no great secret that older employees tend to receive higher wages and have costlier health care needs. Cygnet's financial education provides employers with an opportunity to reduce payroll and health care costs over time by helping their employees through financial experiential workshops that shows each individual how to approach their retirement decision.

Financial education can take many forms and can be tailored to address the specific needs and budgets of most employers. As a non-profit, Cygnet Institute is an ideal resource to provide objective, non-product oriented, financial workshops to complement all the other financial benefits available to employees. Programs can range from course work in a local college classroom setting or workshops and seminars delivered on site. Financial workshops can be an employee benefit that is fully funded by the employer or partially funded by employees through a payroll deduction, like many other employee benefits. Cygnet specializes in designing financial workshops that can be tailored to fit any employer's circumstances, goals and budget.

-Ted Lakkides, CFP®