

MoneyFit: The Best Employee Benefit

Executive Summary

According to well-documented studies of stress in the workplace, personal money problems are affecting Canadian employees more than ever. Plummeting rates of saving, and soaring consumer debt, coupled with the blurring line between our work and personal lives, are causing these problems to spill into the workplace.

The result?

Lateness, unnecessary time off, absenteeism, there-but-not-there presenteeism, disability, sick claims, accidents, easily avoidable mistakes, compensation claims, and flattening (if not decreasing) productivity.

In other words, the bottom line of your employees can affect your own bottom line as well.

By investing in your employees, you are making an investment in your own company. Giving them access to financial literacy programs, and services, can create a more happy, productive, and motivated workplace. The MoneyFit program is a powerful tool for Toronto-area business who take their workforce productivity seriously.

Money is the Biggest Problem In Your Workplace

Countless studies have shown that stress has negative effects on physical health, mental health, awareness, alertness, and overall desire to succeed in the workplace. Stress is a liability in the workplace, and employee stress reduction has blossomed into a multibillion dollar industry.

What is often missed: stress is overwhelmingly caused by financial issues at home. In a survey performed by Desjardins Financial Security, 44% of respondents pointed to money problems as the top source of stress. Not far behind were work pressure (19%), family issues not related to money (17%), and workload (16%). A Harris Poll conducted in 2006 also found that, of many stressors common to Canadians, the ones related to money (e.g. Emergency savings, inflation, anxiety about not having enough for basic necessities) were the ones experienced by most respondents.

Your employees know this too. The InCharge Education Foundation found that 30% of Canadian employees are uncomfortable with their personal financial situation, and even feel that they are failing. Furthermore, many employees recognize money as a key source of their stress. 30% of Canadian employees feel they are failing financially and are dissatisfied with the state of their personal finances.

We're Stressed About Money – And With Good Reason

While Canadians are innovative and excellent when it comes to business and the workplace, our personal financial situation tells a different story.

- **We spend, on average, over 25% more than we earn.** Household debt is over 125% of disposable income and this troubling statistic shows no sign of abatement. Our collective debt-to-income ratio only goes up every year. The gasoline on this fire is an all-time high for consumer credit levels and a proliferation of “lenders of last resort”, whose interest rates can skyrocket into the triple-digits.
- **We save, at best, half as much as we should.** The average savings rate is 5% of after-tax disposable income – just half of the 10% recommended by financial experts who promote the concept of “Paying yourself first”. Without a 10% savings rate, we are not creating an adequate safety net.
- **Pensions and retirement savings are becoming rarer every year.** Defined benefit pension plans are disappearing from the private sector, and continually being restructured in the public sector. Only 27% of Canadians expect to receive any sort of pension plan at all. Additionally, 45% of Canadian families approaching pre-retirement (Defined as adults aged 45-64) are outspending their income. 38% of pre-retirees believe that their income and investments will be “very inadequate, inadequate or barely adequate to maintain their standard of living” through their retirement years.
- **We lack financial literacy.** 42% of adult Canadians do not even have the basic literacy and life skills to keep up with the continuous changes and demands of our information-based society and economy. In regards to money and finances, many of the mainstream sources of financial information (e.g. Business section of the newspaper, business news channels, investing and financial websites, etc.) are poorly understood by many people.

Sources: Canadians and Their Money: A National Symposium on Financial Capability, Ottawa, 2005; Statistics Canada, 2005.

Your Employees' Bottom Line Affects Your Bottom Line

When an employee walks through the door, there is no invisible screen which filters out their financial problems. These issues, some of them very serious (e.g. Bankruptcy, wage garnishing, etc.) stay on your employees' minds while they are supposed to be totally focused on their work. The gradual encroachment of the workplace into personal life – through e-mail on PDA devices, “On Call” status, and fraternization outside the workplace, just to name a few – causes employees to associate the workplace with their personal lives. Through this increasingly interconnected lifestyle, employees are, for better or worse, making a mental association between their experience in the workplace and their experience at home.

This sword cuts both ways. Employees who make poor personal decisions at home may exhibit the same weak decision-making tendency at work. 35% of financially stressed employees are bringing these problems into the workplace, and it affects both the quality of their work, and the decisions they make (Garman, T. et al, Personal Finances and Worker Productivity, 1999). This problem is not limited to any particular sector or level of employment – it affects highly skilled and educated workers, managers, and low-level employees alike. To be clear, “(E)very time someone on your work team brings his/her money worries to the job, productivity drops” (Garman, T., Financial Literacy and Workplace Productivity presentation, Georgia Consortium for Financial Literacy, April 2007).

The researchers behind the same study found that the return on investment in a financial education program for employees of all levels is estimated to be **as high as a 9-1 dollar ratio** (Garman, T., Personal Finance Education Can Save Nation Billions in Lost Productivity, 3rd Annual American Personal Finance Employee Education Conference, November 1998).

A Boost to Your Business

Many employers don't realize this simple truth: it is in their best interest to keep their employees educated and motivated to be financially fit. Think about what the workplace would look like, if every employee checked into work, not just to perform a job, but motivated to use their earnings to break free from nagging financial difficulties. Think about whether those employees would become more likely to value their work, and value their employers, if their employer were to help them remove their financial stumbling blocks.

When employees become financially fit, they leave behind the stress of personal financial burdens, and begin to build and protect what truly matters at home, the effect is reciprocal to the workplace. Among both quantifiable and qualitative positive results, this will lead to:

- Less time at work spent worrying about or trying to fix personal money issues
- A drop in absenteeism, time off, and late arrivals
- Less “There-but-not-all-there” presenteeism (e.g. Showing up for work sick, injured, mentally unfit, distracted, burned out, and even hung over)
- Lower employee turnover
- Lower demand on private health care insurance
- Less sick days, both actual and questionable
- Fewer accidents and mistakes
- Fewer workers' compensation and short term disability claims
- Fewer wage garnishments
- Better job performance, better productivity, higher quality work, and increased engagement with the tasks at hand

A worker under financial distress spends an average of 21 hours per month (Or 5 hours per week) attending to personal financial issues at work. Think about how much those weekly five hours cost you, when multiplied by the size of your workforce. (Garman, T. et al, Personal Finances and Worker Productivity, 1999).

You Should Know

Employees want these programs, and value them immensely

A great workforce doesn't just happen. It requires more than just competitive income, benefits, and opportunity for promotion. It also means paying attention to the way your employees' personal lives affect their work and careers. Training and development doesn't have to stop with job-specific parameters. In this new economy, employees aren't just loyal to the companies who will cut a decent cheque. They are looking to their employers for personal development, as they don't believe they can dedicate the time for these pursuits during off-the-clock hours. Employees who are offered, and participate in financial education programs are shown to have more respect and loyalty to their employer. Additionally, they show a marked improvement in their ability to handle their household finances (Hira, T., Financial Education in the Workplace; A Good Business Practice, Proceedings from Financial Forum II, Vancouver, BC, December 2006).

When hiring younger employees, especially new recruits from college and university (Or who have had less than 3 years in the full-time workforce), the importance is even higher. Younger employees have not had the experience or training to manage money well, and are susceptible to predatory lending and alternative financing strategies. They spend more impulsively, and are more likely to become "emotional shoppers", which increases their debt, suffocates their ability to manage money efficiently, and creates problems both at home and in the workplace.

(Hira, T. Financial Education at the Work Place: A Good Business Practice. Proceedings from Financial Forum II, Vancouver, BC, December 2006).

Financial problems are a stealth problem, because of the taboo nature of the subject.

Identifying and assisting, motivating – even terminating – employees with financial difficulties is highly difficult, if not impossible, before the problem has developed drastic consequences. Money is something we simply don't discuss. A Money Magazine poll in 2005 found that 50% of us consider money a more sensitive issue than politics and religion.

The reason for this shouldn't come as a surprise; we value the opinions of others. Because money is tied so closely to our identity, we tend to repress our money problems until they have become too large to ignore. Nearly a third (30%) of Canadians admit to misrepresenting their financial success or status to friends and family (There is no word on how many Canadians admit to misrepresenting their financial success to survey-takers). With so many of us spending outside our means, the Keeping Up With the Joneses mentality has pervaded every aspect of our society. To the extent that 90% of Canadians don't believe that they are personally guilty of having that mentality (Genworth Financial Survey, 2005). The incongruity of these statistics should tell us that the problem is foreseeable, and preventable. Unfortunately, we would rather not face reality. 36% of us take extraordinary steps to avoid doing so, and 17% of us won't even check our bank balances and financial statements.

Being intelligent does not equal being financially fit. Having a great education does not equal being financially fit. Despite higher earnings, more desirable careers, and social standing, intelligent and well-educated people don't always take the right steps to achieve financial fitness at home. In fact, of that population those with the highest IQ, 6% will regularly max out credit cards, and 11% admit missing bill payments (Jagorsky, J., *Intelligence*, Vol. 35, Issue 5, 2007).

Earning more money often leads to spending more money. Many of us believe that a raise, promotion, or new job will help us take care of money problems at home. What may appear to be positive changes, however, are more like climbing a ladder with a ball and chain attached to the ankle. Earning a good wage does not mean knowing how to manage a good wage. This requires a different skill-set, which can easily be picked up through financial education.

So What Can You Do?

As an employer, you have some responsibility and a role to play in helping your employees become financially fit. This isn't a matter of choice, since your employees' financial situation is inextricably tied to your bottom line. Investing in your employees' education is an investment in your own business – with a very high ROI.

Putting together a **comprehensive and objective financial education** program means more than hiring an investment or insurance representative. These services are widely available, but the desired end result for many (if not most) investment and insurance representatives is to sell a product to your employees. This is not necessarily a bad thing, as it your employees can get access to beneficial products and plans that they may not have used otherwise. However, when it comes to comprehensive financial education, the boundaries of your employees' learning should be far beyond product sales.

Comprehensive means more than sales. It means that the program covers the whole spectrum of personal finance, from prevention, to treatment, to thriving. Ensure your company has a comprehensive and quality financial program/services for employees. The program should be geared towards keeping your employees and their families financially fit. Classes on household money management, personal coaching and debt counselling, and access to financial planning seminars can included in your benefits package. Money-related issues in your employee newsletter can foster an environment where your employees “come out of the dark” and put themselves on the track to financial fitness.

Objective means that the information is presented clearly, completely, and straightforward. It should be focused on the employees' life worth, and geared to their best interests – as opposed to that of a particular company with a stake in selling products. There is a low amount of profit to be made by product salespeople in the arena of coaching and money management, since the client is not necessarily “purchasing” something. The steps to financial fitness, through proper debt management, budgeting, tax planning, will/estate planning, and risk management may be missed if a non-objective presenter doesn't have sufficient motive to cover those topics thoroughly.

In any financial education program, an **approach and style which is aimed at helping individuals develop skills to make informed choices and take action to improve their financial well-being now and in the future** is absolutely essential.

Financial Education means a true client-focused program, where the motive is to help your employees become financially fit, and not simply to sell a product. Don't be afraid to ask about this; the program syllabus is freely available, and any employee that wishes to engage with the coach in regards to financial services products may do so on their own time. The goal here is to help your employees develop skills, and not to sell a product.

Use due diligence when assessing benefit plans and other money-related opportunities.

True financial coaching can't happen in a one-hour session over the phone. It takes a face-to-face discussion of goals, facts, and solutions to help your employees get on the path to Money Fitness. Adequate coverage comes in the form of classes and in-person coaching appointments which motivate them to make changes for the better.

Your "To Do" List

- Give a copy of this document to your company's human resources, employee assistance, management, and other relevant personnel. Set a time to discuss this further, and don't forget to mark a date on your calendar.
- Find out if your company benefits program covers financial programs, coaching, and services. If not, contact your provider to discuss inclusion. If you do have this coverage, but aren't sure about the fine print, contact your provider to discuss the specifics and limitation, and make any necessary changes to include such a program.
- Make sure your employees are aware of the financial programs and services your company offers. Most employees are, in fact, unaware of most what is available in their benefits and EAP packages (Swartz, M., Take Advantage of Employee Assistance Programs, Toronto Star, 2007).
- Set a date and organize a seminar on money-related issues for employees. Consider inviting their partners/spouses as well.
- Arrange training for Human Resource and/or EAP staff so they can better identify and help employees with money problems.
- Choose one way to include some money management information (highlighting the company's existing financial programs/services could be a good start) in the next employee communiqué, whether it be an intranet notice, in your company newsletter, on your company bulletin board, or with the next paycheck stub.
- Contact the International Capital Management to find out how we can be of service to you and your employees

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