



AMERICAN BENEFITS COUNCIL

FINANCIAL WELL-BEING IN THE WORKPLACE

BACKGROUND

Employers have established financial well-being programs to help employees make good financial decisions. Workers' financial stresses are detrimental to workplace productivity and reduce retirement savings. Employers report that some workers use Employee Assistance Program (EAP) repeatedly for financial crisis assistance, or make frequent requests for 401(k) plan loans or hardship distributions.

Financial well-being programs offer an integrated approach to financial planning and savings. Issues addressed in financial well-being programs include topics such as household budgeting, insurance needs, retirement savings, debt reduction and credit repair. Addressing financial concerns and financial planning helps employees save more for retirement.

TALKING POINTS

- Employer-based financial well-being programs are about empowering individuals to make informed and responsible decisions regarding the financial implications of their actions.
- Financial well-being programs prepare employees to deal with risk: debt risk, market risk, health risk and longevity risk.
- The federal government should improve employee preparedness to manage their finances by establishing financial education as a secondary school graduation requirement: curricula should include saving, investment, income management, as well as risk principles.
- Individuals could better evaluate health and longevity risk if the federal government provided access to information on Social Security and Medicare on an integrated basis, rather than separately, as is currently is the case. Retirees could then examine

the contributions they receive from Social Security and Medicare in a coordinated manner.

- The federal government should increase public awareness of the risk associated with longevity by increasing every Americans understanding of the value of delaying Social Security benefits and the importance of planning for longer life expectancies.
- Closely related to financial well-being programs are technology tools that assist employees in understanding and managing their finances and employers in informing workers about their retirement benefits.
 - Electronic communication will allow employers to utilize technology to educate and support financial well-being programs. The default use of electronic disclosure is consistent with emerging information trends and technologies and should be permitted.
 - The government should adopt a ‘presumption of good faith’ standard allowing employers to use technology as it becomes available, rather than waiting for regulatory approval.
- Congress should reduce or combine the number of retirement plan notices and plan information disclosure requirements to eliminate redundant or obsolete plan information. Out-of-date or unnecessary notices or information adversely affect transparency for retirement plan participants. Transparency is better served by delivery of concise, well-organized information. For example, the summary annual report, the deferred vested pension statement and the notice of determination letter application, should be eliminated.