



your financial wellness

Empowering Employees

The Strategic Imperative of Financial Wellness Education

2023 White Paper by Your Financial Wellness



Contents

Executive summary	3
Intoriduction	4
Financial wellness defined	4
Financial stress: the numbers	5
Financial stress: impact on workplace performance	6
Elements of a successful financial wellness education program	7
The impact of financial education	9
Organisational benefits	10
Conclusions	11

Discover the untapped potential within your workforce through comprehensive financial wellbeing education. In this white paper, we unpack the profound impact of financial stress on employees and workplace performance. With a focus on empowering employees to make informed financial decisions and overcome immediate challenges, we outline key elements of a successful financial wellbeing program.

From customisation and comprehensive resources to financial assessment and employee engagement, learn how to transform your organisation by fostering financial stability and enhancing employee confidence. Take the strategic leap towards a more financially resilient workforce and unlock the path to sustained success.

Executive summary

This white paper unpacks the profound impact of financial stress on employees and workplace performance. By empowering employees to make informed financial decisions and overcome immediate challenges, organisations can foster financial stability and enhance employee confidence. Implementing a strategic financial wellness education program is crucial to unlocking the path to sustained success.

Financial stress is a pervasive issue affecting Australian workers and their families. Studies reveal that stress-related absences cost Australian employers an estimated \$24 billion annually. Additionally, 60% of Australian households find it difficult to save money and are unprepared for financial shocks. Financial stress not only affects personal relationships but also has adverse effects on employees' health and workplace performance.

To address these challenges, organisations must prioritise comprehensive financial wellness education programs. Customisation is key, offering resources tailored to individual employees' financial situations. A successful program should include comprehensive resources covering budgeting, debt management, savings strategies, and long-term investment planning. Conducting financial assessments and providing ongoing support and guidance are vital to track progress and address emerging challenges.

Employers who invest in financial wellness education benefit in multiple ways. They experience increased employee retention, enhanced recruitment of top talent, improved workplace morale, and a positive brand reputation. Financially empowered employees are more engaged, productive, and focused, resulting in improved performance. By reducing financial stress, organisations may also see a decrease in healthcare costs associated with stress-related conditions.

Implementing a strategic financial wellness education program is imperative for organizations to unlock employee potential and achieve sustained success. By addressing financial stress and providing employees with the knowledge, tools, and support they need, organizations can foster financial stability, enhance employee well-being, and improve workplace performance. Prioritizing financial wellness education is a win-win situation for both employees and employers, leading to a more financially resilient workforce and a path towards long-term success.

Introduction

Understanding how to make sound financial decisions is a crucial skill in today's society, irrespective of one's age. It not only influences our quality of life and the opportunities we can pursue but also affects our sense of security and the overall economic well-being of our society. However, the unfortunate reality is that financial education is not adequately provided in high schools, universities, or most workplaces, leaving a critical gap in our understanding of managing our finances. This gap has profound implications for Australian workers and their families, which we will explore in this paper.

Every night, many Australians find themselves grappling with the challenge of making ends meet. They worry about their children's difficulties in entering the workforce and their friends who have lost their jobs. When morning arrives, these same individuals assume their positions in factories and offices, where they are expected to compete in a global economy. However, their money-related concerns do not remain at home; instead, they carry the weight of financial stress into their workplace. Consequently, their personal anxieties become their employers' problem, impacting overall workplace performance.

So, what can be done to address this issue? The answer lies in financial wellness education. By offering their employees assistance with short-term and long-term financial issues, as well as helping them develop better financial behaviours, employers can play a significant role in empowering their workforce to make more informed financial decisions. This white paper aims to delve into the impact that financially stressed employees have on their companies and the compelling need for implementing a financial wellness education program.

Financial Wellness Defined

Financial wellness is a subjective concept that varies for each employee, as households have diverse priorities and financial responsibilities. In broad terms, financial wellness refers to an employee's ability to effectively manage their finances to meet short-term needs while also saving for mid- and long-term goals. To cater to individual preferences, a comprehensive financial wellness education program implemented by employers should offer a range of options that enable employees to access information relevant to their specific circumstances.

Financial stress: the numbers

Recent studies continue to highlight the profound impact of financial stress on workplace dynamics in Australia. For example, recent studies reveal that stress-related absences cost Australian employers billions of dollars each year. According to the Australian Payroll Association's 2022 survey, absenteeism costs employers an estimated \$24 billion annually.

The struggle to make ends meet remains a prevalent issue, with a significant portion of Australian households living paycheck to paycheck. The latest figures from a study conducted by the Australian Securities and Investments Commission (ASIC) in 2021 indicate that 60% of Australian households find it difficult to save money and are unable to handle a financial shock or emergency expense.

Financial problems continue to be a leading source of stress for both women and men, and they can have detrimental effects on personal relationships. A survey conducted by Relationships Australia in 2021 found that financial issues were the second most common cause of relationship breakdowns, impacting 44% of couples.

When faced with unexpected emergencies, many Australian workers and their families lack adequate financial resources. According to the Reserve Bank of Australia's Household Finance and Consumption Survey conducted in 2022, approximately 40% of Australian households have less than \$1,000 in readily available savings. Additionally, the survey revealed that 25% of households would struggle to access \$3,000 in an emergency.

The Australian Psychological Society's annual Stress and Wellbeing in Australia survey consistently identifies financial concerns as a significant source of stress for individuals. In their most recent survey conducted in 2022, financial issues were reported as a cause of stress by 57% of Australians.

These figures demonstrate the ongoing prevalence and impact of financial stress on Australian workers and their families, highlighting the urgent need for comprehensive financial wellness education programs to address these challenges.

Financial stress: impact on workplace performance

Numerous recent surveys and studies have provided concrete evidence of the detrimental impact that financial stress has on employees' health and their overall performance in the workplace. These findings highlight the urgent need for comprehensive financial wellness programs to address these challenges.

One ground-breaking study conducted by ABT SRBI in 2008, based on a survey of over one thousand adults, revealed a strong association between financial stress and adverse health outcomes. Individuals experiencing high levels of debt stress reported a higher prevalence of headaches, severe depression, anxiety, and digestive tract problems compared to those with low debt stress. This underscores the negative impact of financial stress on employees' physical well-being.

The impact of financial stress extends beyond physical health; high levels of debt stress have been linked to difficulties in sleeping and concentrating, resulting in reduced focus and productivity in the workplace. These findings emphasise the broader consequences of financial stress on employees' overall well-being and their ability to perform effectively in their roles.

The Australian Payroll Association conducted a survey in 2022, revealing that 40% of employees expressed a desire for assistance in achieving financial security. This indicates a widespread need for support in managing financial stress and highlights its impact on employee wellbeing. Financial problems significantly affect employees' productivity, with 81% of workers reporting that financial issues have had an adverse effect on their productivity. In addition, 35% of workers admit that financial concerns have prevented them from performing their best at work. These statistics underscore the negative consequences of financial stress on workplace performance.

A 2022 survey by PwC highlights the pressing issue of financial stress faced by managers and human resources departments. The survey found that 61% of HR professionals believe financial stress has an impact on employee work performance, while 22% state that worries over personal finances have a "large impact" on employee engagement. These findings reinforce the need for comprehensive financial wellness programs that address the specific challenges faced by employees and provide support to alleviate financial stress.

This growing body of evidence demonstrates the significant impact of financial stress on employees' health and their ability to perform effectively in the workplace. The studies referenced above highlight the strong association between financial stress and adverse health outcomes, reduced productivity, and hindered employee engagement. To address these challenges, organisations must prioritise the implementation of comprehensive financial wellness programs that provide support, resources, and education to empower employees to manage their finances effectively and improve their overall wellbeing.

Elements of a successful financial wellness education program

Recognising the need to address the complexities of each employee's financial situation, employers are incorporating financial wellness education programs as part of their benefits offerings. These programs aim to promote behavioural changes that address immediate financial needs while also fostering long-term financial planning. The following elements contribute to the effectiveness of a financial wellness education program:

1. Customisation

Successful programs are tailored to meet the unique needs of individual employees. Employers should provide resources and tools that can be customised to each employee's financial situation, empowering them to make informed decisions.

2. Comprehensive resources

Employers can either develop their own financial wellness education initiative or partner with non-profit organisations, consulting firms, or existing company offerings to provide comprehensive services. Online education, tools, and resources should be made available to employees, covering topics such as budgeting, basic financial management, debt repayment strategies, saving methods, emergency fund establishment, and long-term investment planning.

3. Financial assessment

The initial step of any financial wellness education program involves conducting a financial assessment for each employee. This assessment should evaluate their current financial situation, identify areas for improvement, and prioritise actionable steps. By setting clear goals and implementing targeted actions based on individual circumstances, employees can create a roadmap towards financial success.

4. Employee engagement

To enhance program participation and effectiveness, employers can incorporate rewards and incentives at different stages of the financial wellness education program. These incentives can serve as motivators, encouraging employees to actively engage with the program and take positive steps towards improving their financial well-being.

5. Ongoing support and guidance

Financial wellness education should not be a one-time event but rather an ongoing process. Employers should provide continuous support and guidance to employees, offering opportunities for further education, access to financial advisors or coaches, and regular check-ins to track progress and address any emerging financial challenges.

6. Integration with existing benefits

A successful financial wellness education program should be integrated with existing employee benefits and workplace policies. This integration ensures that financial education is seen as a holistic component of overall employee well-being and reinforces the organisation's commitment to supporting its employees' financial health.

7. Measurement and evaluation

Employers should establish mechanisms to measure the effectiveness of their financial wellness education program. This can be done through employee surveys, tracking key financial metrics (e.g., savings rates, debt reduction), and analysing indicators of employee well-being and engagement. Regular evaluation allows employers to make informed adjustments and improvements to the program based on employee feedback and outcomes.

The impact of financial education

Research and reports have shed light on the significant impact that financial education can have on employees' overall financial well-being and workplace performance. These findings emphasise the need for employers to take an active role in promoting financial education and improving their employees' financial wellness. Here are key insights from various studies:

1. Confidence in financial decision-making

According to a 2012 MetLife report, employees who have participated in financial education programs demonstrate higher levels of confidence in making financial decisions. This suggests that by providing financial education, employers can empower their workforce to make informed choices and build their financial knowledge.

2. Reduced financial stress and improved retirement readiness

Organisations that offer comprehensive financial education programs over extended periods tend to have less financially stressed employees who are more financially literate and better prepared for retirement. In contrast, organisations that do not provide financial education are more likely to have employee populations that are highly stressed, lack financial knowledge, and are ill-prepared for retirement.

3. Psychological well-being and financial capability

Extensive research conducted by the Institute for Social and Economic Research at the University of Essex reveals that improving financial well-being has a substantial positive impact on psychological health. The study found that enhancing financial capability leads to increased scores on general health questionnaires for both men and women, regardless of income level. These results highlight the wide-ranging benefits of financial education, which go beyond reducing problem debt and welfare dependency, and include improving savings habits and overall.

4. Workplace productivity and engagement

An Australian Payroll Association Survey showed that financially stressed employees are more likely to experience distractions, absenteeism, and reduced productivity in the workplace. Providing financial education and support can help alleviate financial stress and improve employee focus, motivation, and engagement, ultimately leading to higher productivity levels.

Organisational benefits

Implementing a comprehensive financial wellness education program brings several benefits to both employees and employers. For employees, it equips them with the knowledge and skills necessary to make informed financial decisions, manage their money effectively, and work towards their financial goals. This leads to reduced financial stress, increased confidence in handling personal finances, and improved overall well-being. Employees who feel more financially secure are likely to be more engaged, productive, and focused in their work, leading to a positive impact on workplace performance.

Employers also stand to gain from investing in financial wellness education for their workforce. Here are some of the benefits for employers:

1. Increased employee retention and loyalty

Offering financial wellness education demonstrates a commitment to employees' well-being beyond their job responsibilities. When employees perceive that their employer cares about their financial health and provides resources to support it, they are more likely to stay with the company for the long term and feel a sense of loyalty.

2. Enhanced recruitment and attraction of top talent

In a competitive job market, organisations that prioritise employee financial wellness can stand out as desirable employers. Prospective candidates are more likely to be attracted to companies that offer comprehensive benefits packages, including financial education and support. This can help organisations attract and retain top talent.

3. Improved workplace morale and culture

Financial stress can have a significant negative impact on employee morale and overall workplace culture. By addressing financial challenges through education and support, employers can create a positive work environment that fosters employee well-being, engagement, and collaboration.

4. Increased productivity and performance

Financially stressed employees may experience distractions, reduced focus, and lower productivity levels. By providing financial education and resources, employers can help alleviate financial stress and empower employees to be more focused, motivated, and productive in their roles. This can lead to improved individual and team performance.

5. Reduced healthcare costs

Financial stress has been linked to various health issues, including mental health problems and physical ailments. By promoting financial wellness and reducing financial stress, employers may see a decrease in healthcare costs associated with stress-related conditions, absenteeism, and presenteeism.

6. Positive brand reputation

Organisations that prioritise employee financial wellness and implement robust financial wellness education programs can enhance their brand reputation. This can lead to positive word-of-mouth recommendations, increased customer loyalty, and a favourable perception of the company among stakeholders.

It is important to note that implementing a financial wellness education program is not a one-size-fits-all solution. Each organisation should tailor its program to the unique needs and preferences of its workforce. Regular evaluation and feedback from employees can help refine and improve the program over time.

Financial wellness education is a critical component of a comprehensive employee wellness strategy. By providing employees with the knowledge, resources, and support they need to make sound financial decisions, employers can positively impact their employees' lives, improve workplace performance, and foster a culture of financial well-being. Investing in financial education is not only beneficial for employees' personal finances but also for the overall success and sustainability of organisations in the long run.

Conclusions

The findings above underscore the importance of employers taking an active role in their employees' financial wellness. By providing financial education, employers can help prevent major financial issues, guide employees towards better financial decision-making, and enhance their overall financial well-being. As workplace wellness initiatives continue to evolve, integrating a financial wellness component has become a crucial step in alleviating economic stress, overcoming financial challenges, and promoting financial health among employees. The time is ripe for employers to prioritise financial education as a key element of their overall employee wellness strategy.



Empower, nurture, and strengthen your workforce

Improved financial literacy creates win-win outcomes for employers and employees alike.

Recognising that financial literacy education is a responsibility of caring employers, Your Financial Wellness developed Australia's first financial wellness program providing financial education, helping users build confidence and make sound financial decisions. A financially resilient workforce is more engaged, productive, and loyal. Reduced financial stress translates into improved job satisfaction, lower absenteeism, and increased productivity, positively impacting your bottom line.



Your Financial Wellness
Level 2, 11 York Street
Sydney NSW 2000
www.yourfinancialwellness.com.au
+61 (2) 8091 3667