

## Financial Education as an Employee Benefit...

*An investment that makes good cents!*

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Whether you are the CEO of a high growth technology company or the owner of the local hardware store, some challenges are the same. How do you retain good employees in this tight market, increase morale and loyalty, and maximize worker efficiency? Believe it or not, one answer may be by providing financial education as an employee benefit.

If you come from a large corporate environment, chances are you have experienced some type of employer sponsored financial education. The popularity of self funded retirement plans such as 401(k) s and 403(b) s have prompted many employers to provide educational programs centered around retirement planning. Not only do these types of programs tend to increase employee participation in the qualified plan, they also help the employer to comply with regulations defined under Section 404(c) of ERISA (The Employee Retirement Income Security Act) to avoid any possible liability for losses in the plan.

It is estimated that approximately half of all workers are provided with some type of financial education at work, most of it focused on retirement. The majority of those are employees of large corporations, as very few small businesses provide this type of benefit. The number of employers providing comprehensive financial education in other topics such as college funding, estate planning and insurance topics is much lower.

The question is, why bother? A recent research study conducted by Virginia Tech's National Institute for Personal Finance Employee Education (NIPFEE) indicates that financial education and advice have a positive impact on employees' attitudes and behaviors. In other words, good financial wellness and higher productivity are positively related. Virginia Tech's studies showed that compared to employees who have higher financial wellness, workers who were less satisfied with their personal finances have:

- \*Lower pay satisfaction
- \*Poorer health
- \*Higher absenteeism
- \*More time wasted at work dealing with personal money issues.

From an employer standpoint, more financially savvy employees mean lower costs and time spent in areas such as payroll advances and administering 401(k) loans.

As an employer, how do you go about providing this type of financial education and how much does it cost? Some firms charge a flat rate based on the presentation or charge per employee participating. Others will make the presentation at no charge if given the opportunity to meet with your employees individually if they so desire. How or what you pay for the sessions is not nearly as important as insuring that they are educational in nature. Be sure that no specific products or recommendations will be made. Ask for references from other employers and consider sitting in on a presentation elsewhere. Be

sure that the financial advisor you choose is not only an excellent speaker (good advice is meaningless if nobody is listening), but has the credentials necessary for the advice they are giving.

Smart employers realize that any time and money spent providing comprehensive financial education to their employees will be returned many times over in increased productivity and morale. Small business owners can use this benefit as a tool to attract and retain employees and to be competitive with their larger counterparts. In short, any investment in financial education as an employee benefit just makes good cents.

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