



Wyoming ^{MANAGEMENT} LLC **Wealth**

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Employee Financial Wellness

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Leading-edge employers are charting a new benefits course

American employers are significantly changing how they offer financial benefits to their employees. They are charting a new course that should lead to improved employee “financial wellness.” When employees feel financially well, they tend to be more productive, and less stressed and distracted at work.

Employers remain at the forefront of providing core financial benefits for American workers. And, tremendous changes during the past several years have improved the breadth and depth of benefits offered:

Employers are retooling their retirement plans based on new regulations and requirements.

The Patient Protection and Affordable Care Act has caused employers to rethink how to offer health insurance as a core benefit.

Employees are requesting more help to navigate an increasingly complex financial world beyond their benefits packages.

As a result, we see the beginnings of a new direction in employer-provided benefits. These “leading-edge” employers are looking at their benefits offerings in a more holistic way and are considering more comprehensive financial education and solutions that may help their employees achieve financial wellness and become more productive on the job.

Charting the next course of employee benefits is in the formative stage. I welcome you to read on for the most recent findings and new information uncovered in our latest research and to use this information in your strategic benefits planning.

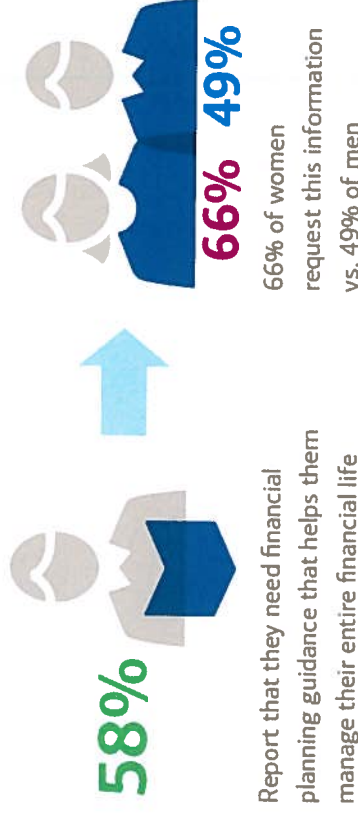
Defining financial wellness for employees is a critical first step

Financial wellness can be defined in many different ways, but the idea is that it measures an employee's complete financial picture. More specifically, it's the ability of each employee to manage household finances for short-term needs while saving for mid- and long-term goals.

In the Bank of America Merrill Lynch 2013 *Employee Workplace Benefits Report*, which was our first look at how employees rated themselves in terms of personal financial wellness, more than one-third (35%) of employees reported that they fared well and felt that they were at least managing their overall personal financial situation. But, 65% fell at the low end for financial wellness. Despite having access to retirement savings plans and health insurance at work, the majority of employees did not feel secure in their personal financial situations. (For more details, read the *2013 Employee Workplace Benefits Report*.)

Employees need more guidance than ever because most employees turn to Social Security, their workplace retirement plan and their home equity as their primary savings for retirement, and, unfortunately, these resources are not enough. Moreover, employees can't achieve financial wellness in the future if they are not managing their day-to-day finances now. In fact, 58% report that they need financial planning guidance that helps them manage their entire financial life.

Employees say they need more help*



*Bank of America Merrill Lynch Employee Workplace Benefits Report, June 2013.

How employers prioritize financial wellness education:



Top financial concerns*

2012 2013 2014 2015

Not having enough emergency savings for unexpected expenses	54%	49%	50%	51%
Not being able to retire when I want to	37%	45%	42%	40%
Not being able to meet monthly expenses	25%	22%	21%	19%
Being laid off from work	22%	19%	20%	19%
Not being able to keep up with my debts	14%	15%	15%	14%
Other	4%	5%	7%	8%
Not being able to pay for college	6%	5%	5%	7%
Losing my home	7%	4%	4%	4%

*Employees could choose up to two answers to this question.



When employees feel financially well, they tend to be more productive, and less stressed and distracted at work. But today's employees need more help and guidance. We see the beginnings of a new direction in employer-provided benefits to fill this gap.



Turning ideas into action: Help employees achieve better financial wellness

Work with your benefits consultant to construct a comprehensive framework that defines financial wellness and roll it out to your employees:

- **Make clear the connections** between benefits offered to employees. Help them optimize existing benefits.
- **Help employees consider aspects of financial life** that are beyond benefits and understand how they work together to influence their total financial wellness.
- **Provide information, tools and education** to your employees in a variety of channels.

Consider the following questions when developing and offering a financial wellness education program at your company:

1. What exactly should a financial wellness program encompass?
2. What are we offering our employees today to help them pursue a reasonable or successful level of financial wellness?
3. How are our employees using our current benefits and are they taking advantage of our offerings to improve financial wellness?
4. Are there gaps in our education and guidance that we could close to help our employees achieve financial wellness?
5. If we invest resources in a holistic financial wellness program, what improvement or outcome in productivity should we reasonably expect?

More employers recognize their influence on employees' overall financial wellness

Many employers believe that providing tools to help employees become more financially well may lead to a more satisfied and productive workforce. Moreover, an impressive **81% of employers reported that they feel at least somewhat responsible for their employees' overall financial wellness.**

Employers who believe providing financial wellness tools leads to ...



This is a marked departure from the last decade when the main focus was on providing benefit plans for employees who were expected to become self-directed, do-it-yourself investors. Between the "Great Recession," the mortgage crisis and the sting of watching 401(k) balances plummet, employees now realize they need more help navigating a complex financial world. In great numbers, as we reported in the 2013 *Employee Workplace Benefits Report*, employees are turning to their employers as trusted resources and asking for financial help that goes beyond traditional benefits offerings (see chart, right).

Employers who feel responsible for employee financial wellness

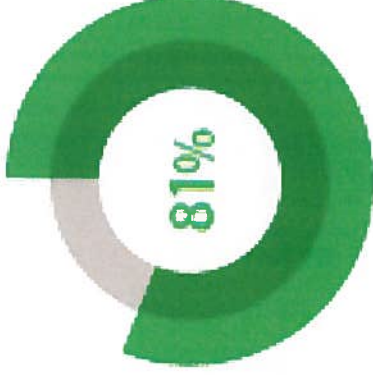


Financial Wellness in the Future

Employers say financial wellness will be a standard benefit ten years from now



LARGE

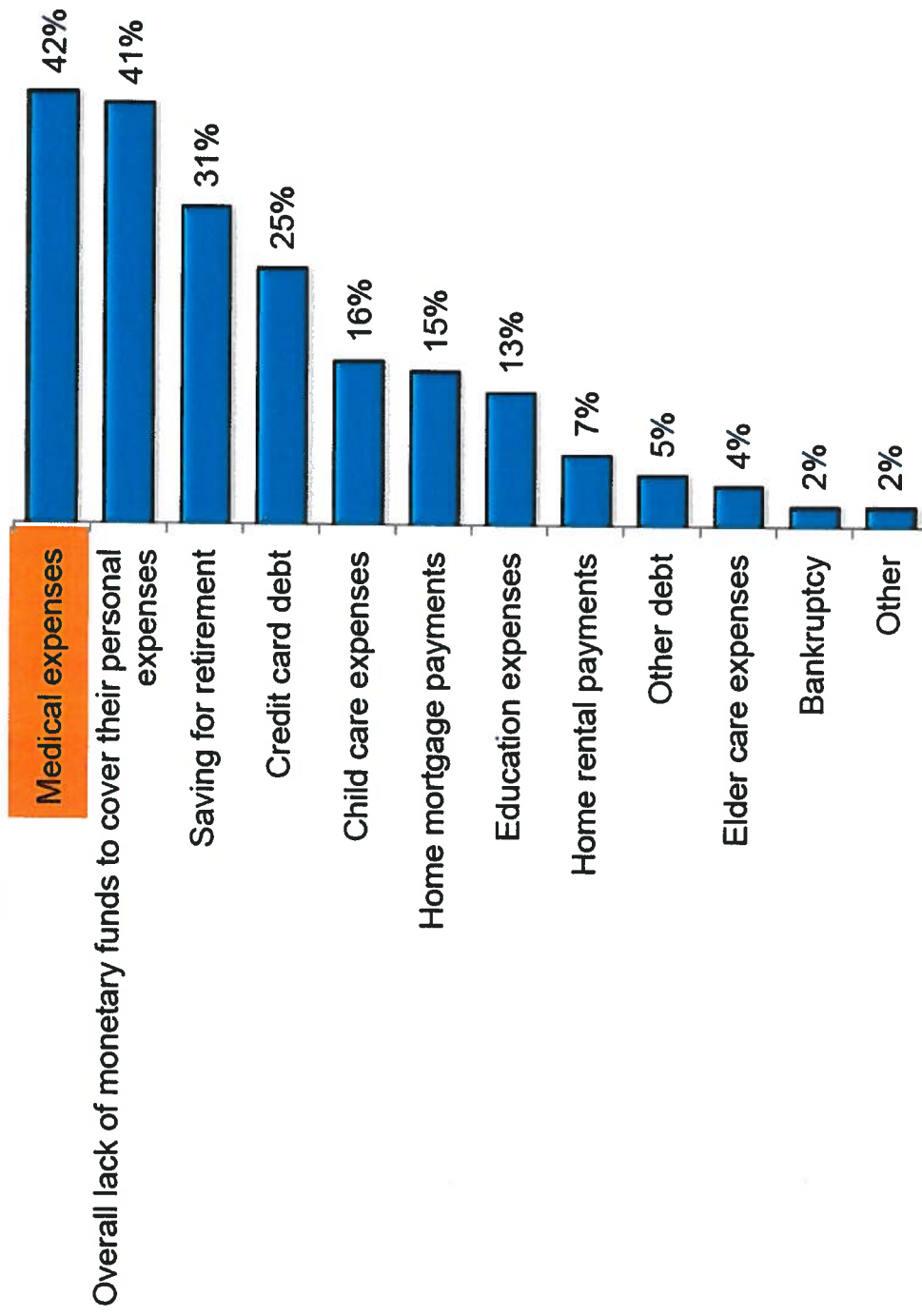


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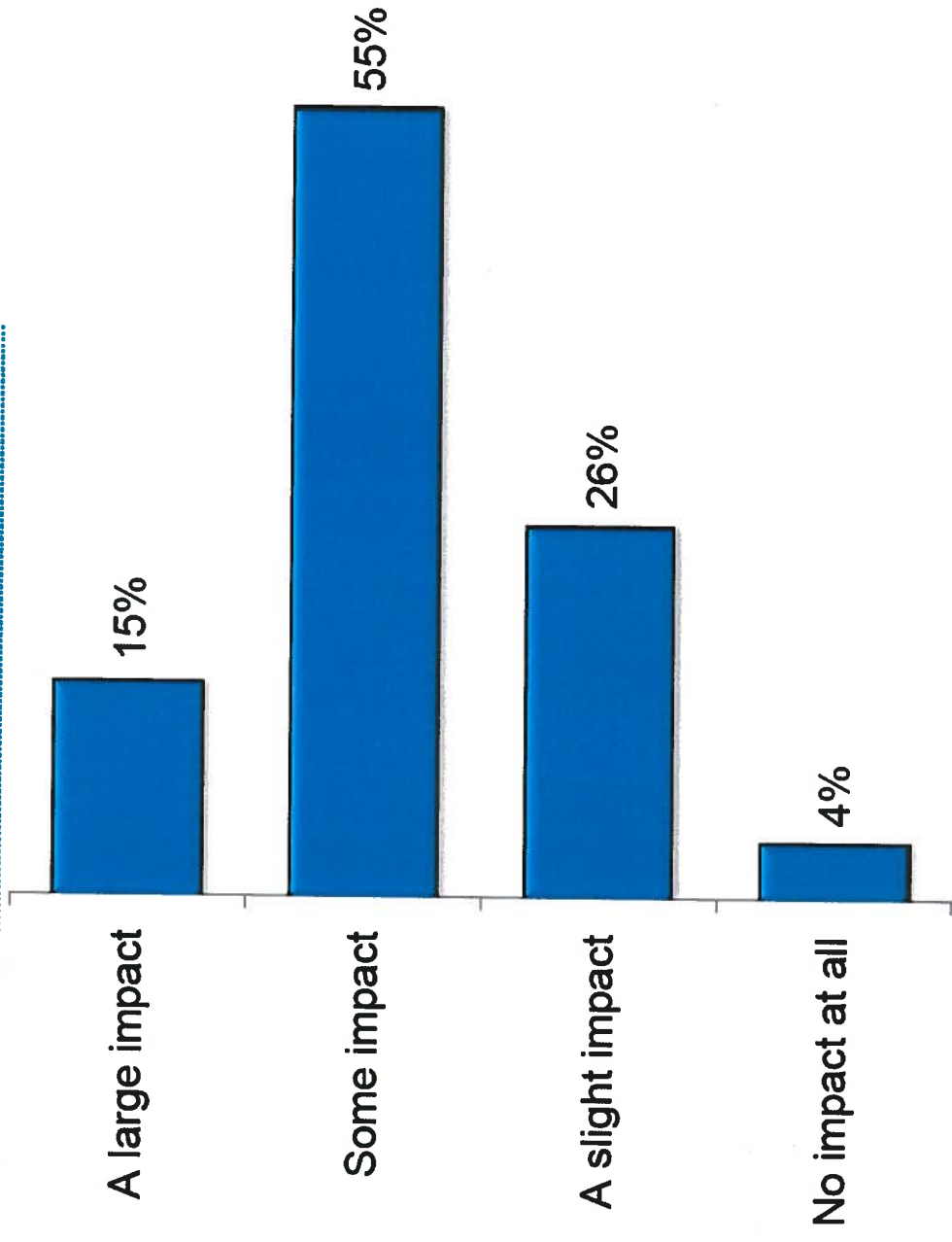


SMALL

Financial challenges organizations report as having affected employees the most:

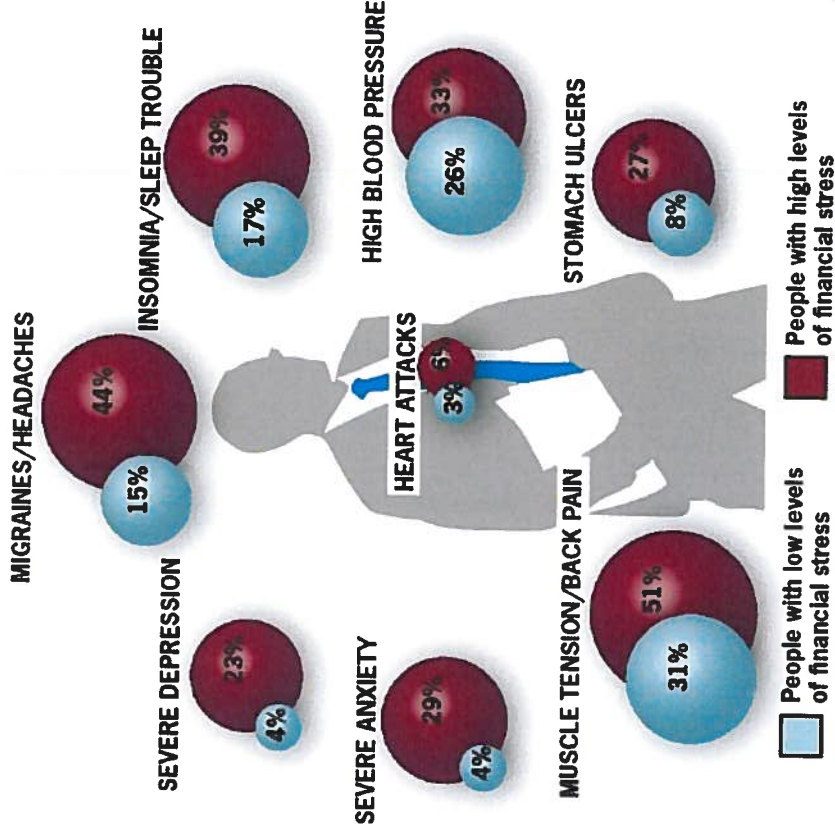


What impact do organizations report that employees' financial challenges have on their work performance?



Financial Stress Impacts Health

- Financial stress is the main cause of stress-related illnesses
- 24% higher healthcare costs in people who are stressed about finances¹
- 1 in 5 workers say that they have either considered skipping (9%) or skipped (12%) going to the doctor in the past year when they needed health care **because of financial concerns**.²



Today, the majority of companies offer education and guidance on retirement savings ...



70%

Retirement savings

... but the leaders also offer education on more financial wellness topics



50%

Planning for health care costs



25%

Budgeting



25%

Saving for college



22%

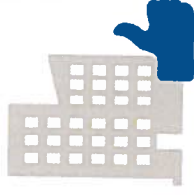
Debt management

We see the beginnings of a new direction, as evidenced by leading-edge companies that already provide more comprehensive financial education beyond a retirement plan. These leading-edge companies understand that the individual's total financial picture needs to be considered for evaluating overall financial wellness. In our estimation, the companies that recognize their evolving role will become the leaders of the future and will win the war for talent.

Financial benefits key to managing talent **

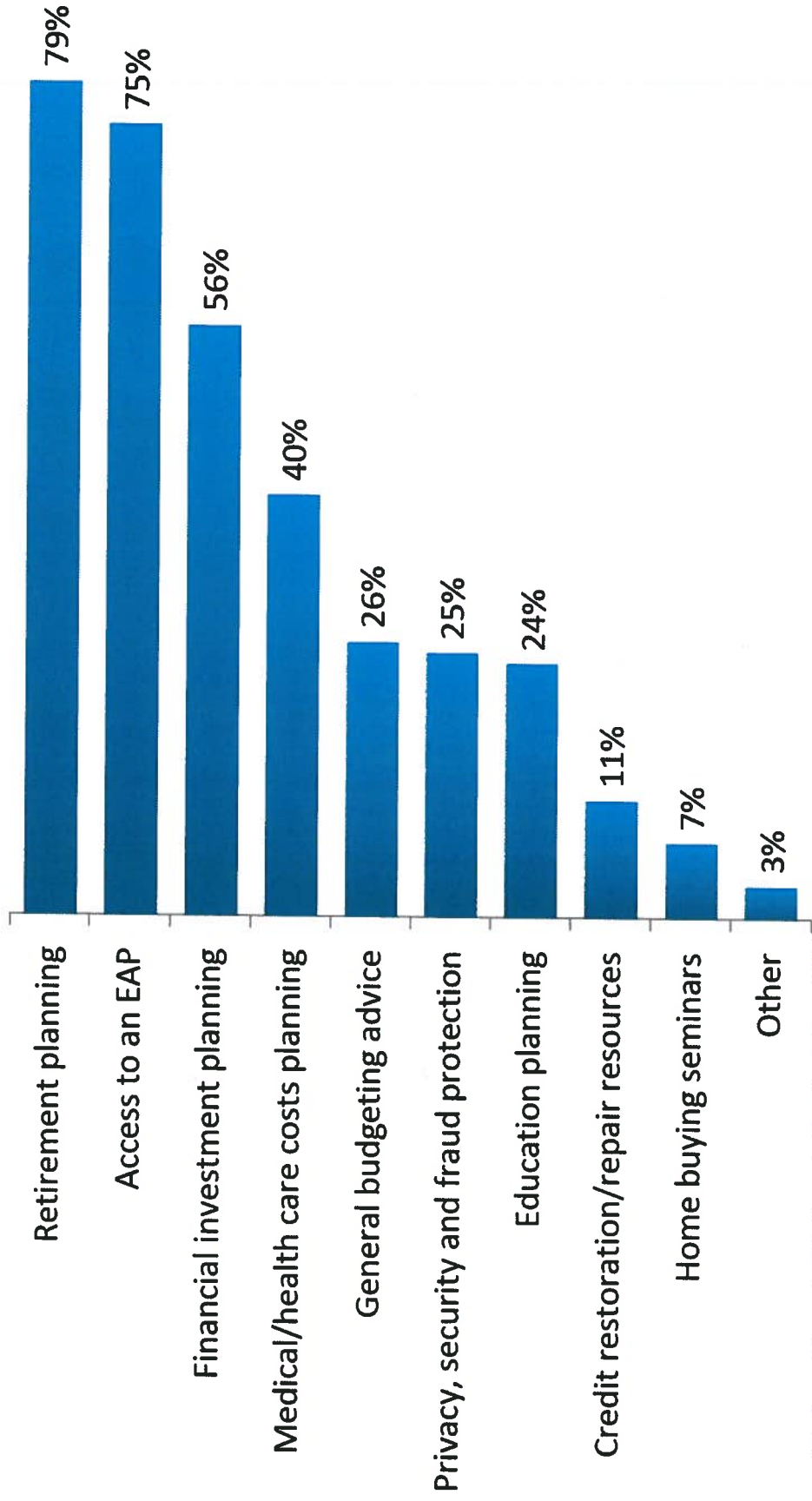
Employees who view receiving benefits such as 401(k)s, health care, financial advice and education as a key factor when considering or accepting a new position.

80%



**Bank of America Merrill Lynch Workplace Benefits Report, June 2012.

What types of financial education do organizations currently provide to employees?



What financial topic is most important to each generation?

	Baby Boomers	Generation X	Millennials
Retirement planning	77%	20%	14%
Medical/health care costs planning	9%	7%	10%
Financial investment planning	9%	44%	31%
General budgeting advice	1%	12%	24%
Credit restoration/repair resources	1%	9%	7%
Home buying seminars	1%	4%	3%
Privacy, security and fraud protection	1%	1%	3%
Education planning	0%	4%	0%
Other	0%	0%	7%



Employers remain at the forefront of providing core financial benefits for workers. But, tremendous changes during the past several years have altered the breadth and depth of benefits offered. Now, employees are turning to their employers to ask for financial help that goes beyond traditional benefits offerings.



Turning ideas into action: Help influence employees' overall financial wellness

Consider trying some of the following ideas, then getting feedback from your employees. Start by broadening your educational offerings beyond traditional retirement savings information. Roll out more complete financial wellness information on a frequent basis. Develop a communications program that could include:

- **Monthly emails** about a financial wellness topic

- **Seminars** about broad financial wellness topics targeted to specific age groups
- **Broader educational information** during open enrollment
- **In-person education and online tools** that allow employees to connect and consolidate their accounts

Leading-edge companies have already started to implement financial wellness programs

Employers have been focused on running their companies and meeting regulatory requirements. On the benefits administration side, employers have been hit especially hard with implementing a number of initiatives. These include participant fee disclosure, transparency and reporting, as well as understanding the Patient Protection and Affordable Care Act and other health insurance issues. Senior management often is challenged to rationalize spending additional resources on services that do not have an immediate impact on the bottom line.

However, with regard to employee financial wellness, we see that despite all of the regulatory action during the past few years, some companies have taken the time to implement a financial wellness strategy or are planning to do so in the next two years. This gives us a glimpse into the importance of overall financial wellness.

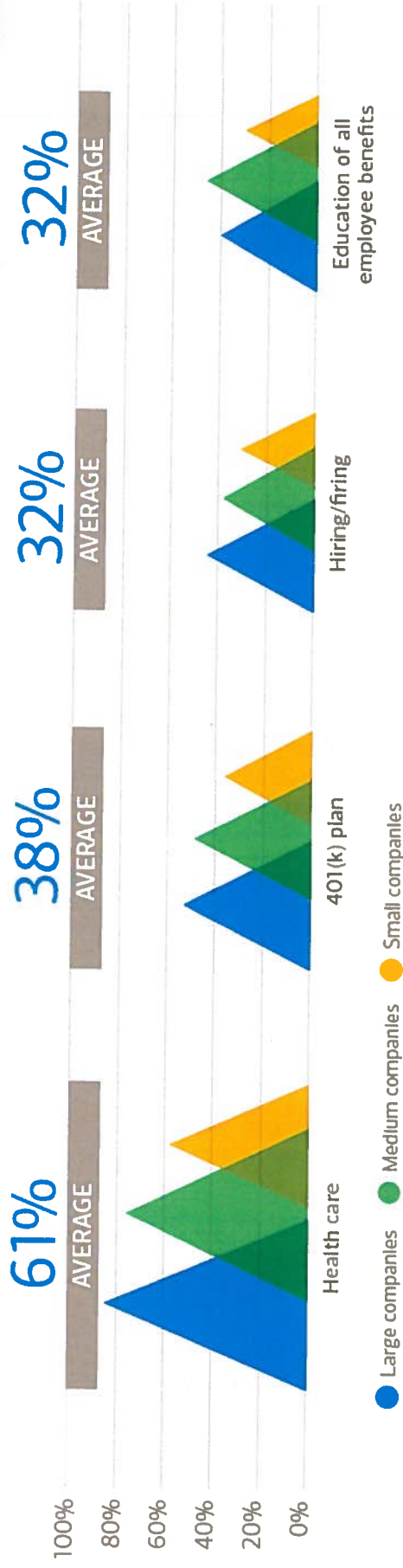
Employers who have a financial wellness strategy in place for their employees or plan to add one in the next two years



HR professionals report spending more time on traditional activities during the past two years. In addition, 32% report they have found time to expand education to help employees see their full financial picture. This increase in financial wellness education is important. We believe these leading-edge companies determined that supporting a large number of employees in owning their financial wellness would provide a payback in terms of loyalty and productivity.



Companies that report they have increased time spent on HR activities during the past two years



Turning ideas into action: Implement your financial wellness program

Set up a small in-house team to define a strategy for how your firm could make financial wellness as important as health and wellness have become in the workplace:

- Conduct focus group sessions with employees to determine the kind of financial wellness program that will be most effective in your firm.

- Utilize information from your retirement plan provider.
- Make time available during the workday for employees to attend seminars and face-to-face meetings.
- Provide access to financial content and easy-to-use tools that are supported by professional financial guidance.

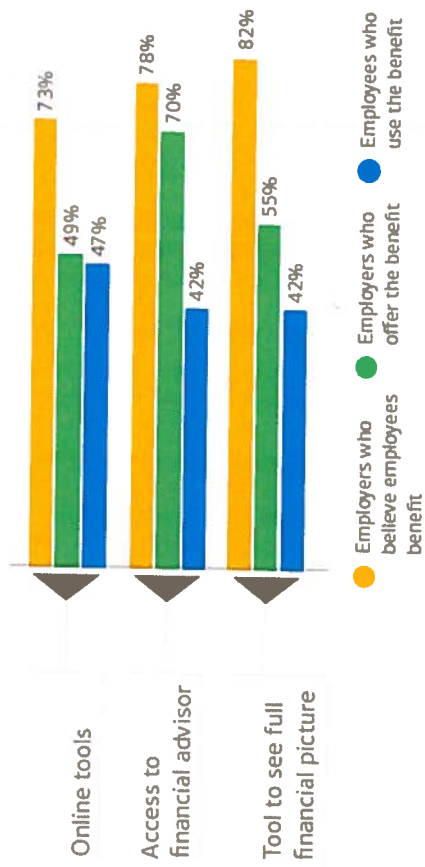
Offering more holistic guidance can help employees achieve better financial wellness

The results from this *Workplace Benefits Report* show some very interesting opportunities for growth. In order to help participants, employers identified three key “ingredients” to focus on: online tools, access to personal financial advice and a tool that helps employees see their full financial picture. The specific results from employers show that:

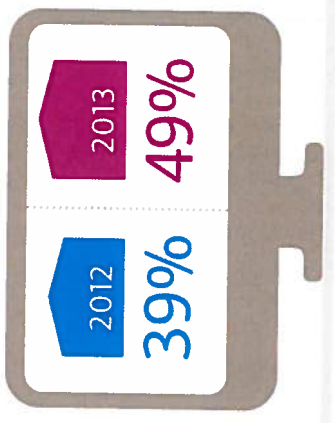
- Most employers **believe** that employees would benefit from access to more holistic financial services offered through the workplace (yellow bars, right).
- More companies than ever **offer** these key financial services (green bars, right).
- However, fewer than half of employees **use** these services that could help them achieve financial wellness (blue bars, right).

Understanding how important these services are, leading-edge companies are setting a new direction. They are providing an expanded suite of education and guidance services year over year.

The differences between belief, availability and participation



Employers who offered online tools



Employers who offered access to financial advisors



80%

Employers who believe that working with a financial advisor improves employees' retirement outlook

Employers are offering more holistic services because they've recognized that financial literacy among their employee population is quite low. Realistically, unless individual employees have had the opportunity to study finance, it is a tall order to expect every employee to digest the sophisticated financial information needed to help him or her achieve financial wellness.



Turning ideas into action: Offer a more holistic benefits suite

Deliver additional financial wellness support and guidance:

- **Compile all topical information in one central area.** Encourage employees to work with a knowledgeable advisor and host seminars onsite.
- **Deliver the right message at the right age and stage** — it is more likely to help improve financial wellness.

Financial literacy (noun): *"The possession of knowledge and understanding of personal financial matters. It enables one to properly make financial decisions and assumes an 'intimate knowledge of financial concepts like compound interest, financial planning, the mechanics of a credit card, advantageous savings methods, consumer rights, time value of money, etc.'"*

— Investopedia



How employers rank the financial literacy of their employees

- **Invite financial advisors to host in-house seminars or workshops.**

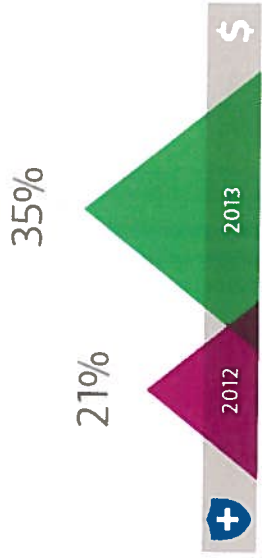
This allows employees to find a good fit with an advisor, as a key to financial wellness is having an excellent relationship with a trusted advisor.

- **Use technology** to deliver live webinars so that employees don't have to leave their work areas. Keep current with the latest technology and mobile formats, which are especially relevant to younger employees.

Consumer-driven health care needs a strategy like retirement that provides employees with education and guidance

Human resources professionals who responded to this survey were candid about how their time is spent today. Their role is changing significantly, with 73% reporting that they've needed to become more of an expert on health care and retirement to do their jobs effectively. With the rapidly changing health care landscape, it is no surprise that HR professionals are helping employees become more familiar with consumer-driven health plans.

More employers are providing education about health care costs in retirement



Employers recognize that they need to do more



45%

Among employers who provide at least some **education** about retiree **health care costs**, the number who feel they should provide **more information**

The rising cost of health care has been a challenge for most employers' budgets. In fact, during the past two years, 81% of employers report that their companies have experienced increased health care costs. The result: The majority (60%) of employers have passed some of the cost increases to their employees. The concern, of course, is how employees can handle this cost increase in their personal budgets. For some, it could put a strain on their ability to achieve financial wellness.

Employees are feeling the pinch*



Employees who report they have experienced an increase in their health care costs during the past two years

Number of those employees who report saving less for retirement as a direct result of taking on more health care costs

*Bank of America Merrill Lynch Employee Workplace Benefits Report, June 2013.

Employers are keenly aware of the financial challenges related to rapidly rising health care costs — for the company as well as the employee. To address the situation, more companies are offering highly tax-advantaged Health Savings Accounts (HSAs).

These vehicles allow employees to save for their health care needs in an advantageous way.



50%

Employers who report offering a high-deductible health plan in 2013

Implications of the Patient Protection and Affordable Care Act

With the opening of the health care exchanges on October 1, 2013, many employers have increased communications about their health insurance plans to employees.

Employers are helping employees understand their health care options and are trying to take some of the confusion out of the new health care system.

Employees who may be eligible for coverage under the exchanges must become familiar with their state's specific options and pay close attention to any changes in coverage or costs that their employers may make.



Turning ideas into action: Use the 401(k) model as your template for health care benefits

Leverage the retirement model to help employees successfully manage the significant responsibilities of their health plans:

- **Request proposals** from financial services firms that can provide health care benefits, education and information in a similar approach to retirement planning.
- **Enter into an integrated benefits arrangement** with your plan provider. Unite health care and retirement benefits in a combined contract. This

may allow for more efficient pricing for the company and more consistent education for employees.

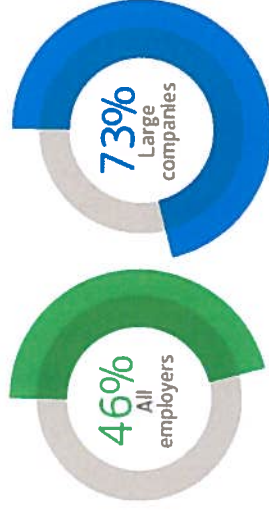
- **Elevate the importance of saving** for and managing health care dollars as a key component to overall financial wellness.
- **Provide more information about health care plans and management** to employees and help make the costs more transparent.
- **Learn more** in our white paper: *The Brave New World of Health Care*.

Pre-retirees have been “going it alone,” but value more information from their employers



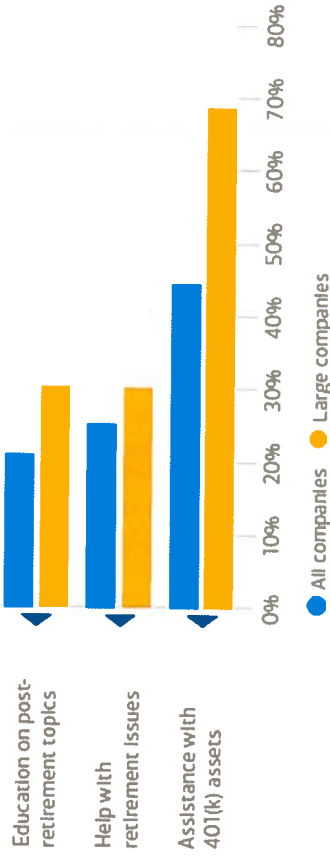
Despite conversations about working longer, most employees still want to retire. The majority of workers are retired by age 65. Retirement is a financially challenging time of life, requiring a more sophisticated level of financial literacy. Employees are looking to their employer for financial guidance as they transition into retirement. Some employers are providing guidance, but many believe they could improve this offering.

Employers who provide at least some guidance to pre-retirees



Part of the challenge for employers is determining what kind of advice and guidance they should offer employees to help them financially prepare for living in retirement. What type of information will be in the best interest of their employees? What role should the employer play? There are several areas in which employers are focusing their attention for retirement education and guidance.

Guidance employers offer to pre-retirees



Employees need more guidance from their employer*



Allowing employees to ease into retirement keeps more intellectual capital in-house

53%



Employers who currently offer part-time work options or consulting opportunities for employees reaching retirement age

Employees generally need to plan for a long retirement. If retiring at age 65 and relatively healthy, an employee is well-advised to plan for 30 years. Employers have recognized that many employees could benefit from a defined benefit-like stream of income during their retirement years. More than one-third offer guaranteed-income options or another product or service that helps employees

make their assets last throughout retirement within their 401(k) plans. Two-thirds offer a managed-account option for those employees who prefer to have access to a professional investment manager. Making more options available to help manage the assets that an employee has accumulated can help him or her maintain financial wellness throughout a long retirement.

37%

Employers who currently offer a guaranteed-income option

66%

Employers who currently offer a managed-account option



Turning ideas into action: Prepare employees for the transition to retirement

Employers may find that their financial services providers are able to offer an important source of support for their retiring employees:

- **Start retirement discussions earlier than you might expect.** Begin preparing employees for their retirement in their 50s.
- **Reach out to existing retirement plan vendors** to learn about the transition programs, retiree education programs and retirement income planning programs they may offer.
- **Look for comprehensive programs** that focus first on what retirement

savings will be needed for an individual and then on the overall household finances that will be available at retirement.

- **Bring in financial advisors** who have experience in retirement income planning to give long-time valuable employees confidence that they will have some level of financial security in retirement and a strategy for a gracious exit from the company.
- **Get an in-depth look** at how important managed accounts can be to retirement savings results.

Benefits of an Effective Financial Wellness Program

- Reduce Financial Stress
- Lower Healthcare Costs
- Prevent Absenteeism
- Less Risk of Delayed Retirement
- Improve Morale and Benefits Awareness
- Reduce 401(k) Loans and Hardship Withdrawals





Turning ideas into action: Strategies to help you integrate financial wellness education into your existing benefit plans

<p>ASSESS</p> <p>Assess the financial wellness of your employees and seek information from your current plan providers.</p>	<ul style="list-style-type: none">• Evaluate your employees' current state of financial wellness and identify gaps/opportunities.• Gather information about their suite of services that go beyond plan basics: planning tools, budgeting and debt management information, and offering a full-view of financial picture.• Ask for levels of program offering, ease of implementation and costs.
<p>OUTSOURCE</p> <p>Take advantage of financial wellness programs provided by the experts.</p>	<ul style="list-style-type: none">• Check with financial services firms and health care companies to see if they offer employees ready-made or custom solutions.• Expect industry expertise and experience that show how benefits can drive increased productivity and attract quality employees.
<p>IMPLEMENT</p> <p>Be creative in encouraging employees to overcome inertia and "own" their financial wellness.</p>	<ul style="list-style-type: none">• Use incentives and rewards for "good behavior" in financial wellness areas such as budgeting and debt management.• Increase the amount of time you allow employees to access tools and online support at the workplace. Encourage computer use for financial wellness education during lunch hours and breaks.• Encourage managers to help employees use existing tools, read the information provided and find an advisor to help assess their overall financial wellness.• Build broad financial wellness topics into your management training materials and annual enrollment kits.
<p>MONITOR</p> <p>Track and evaluate improvements in financial wellness and productivity.</p>	<ul style="list-style-type: none">• Use annual findings to plan subsequent years' programs.• Identify gaps or areas of employee concern and focus more on those topics.

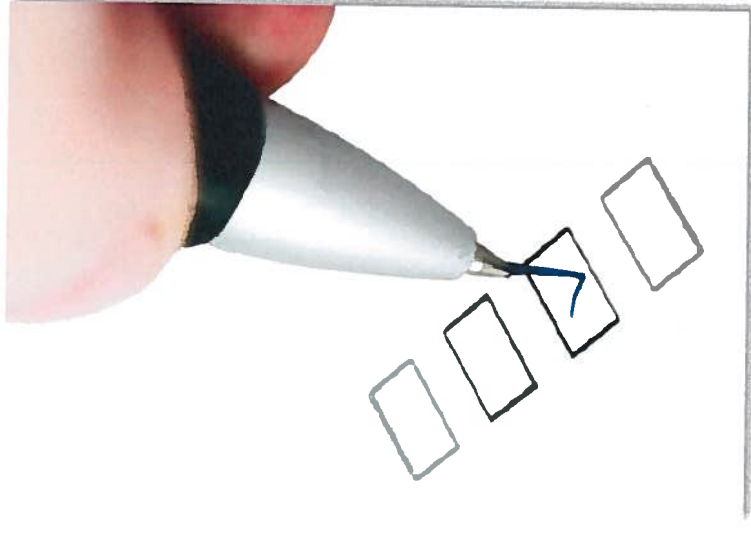
Designing Your Financial Wellness Program

- Evaluate your culture, work environment, and demographics
- Will all employees get the same program?
- What channels will work best to educate your workforce?

Delivery Method	Best For
Online assessment and tools	Initial introduction to program
On-site workshops	Manufacturing facilities and Baby Boomers
Webcasts	Gen X and Millennials
Over the phone	Remote or field workforce
In-person counseling sessions	Pre-retirees needing individualized guidance

Tips and best practices:

- Provide unbiased financial education
- Use multiple channels to reach all employees
- Offer incentives to participants
- Employees should have ongoing access and support
- Assess your workforce yearly to benchmark improvement year over year



Track Behavioral Change

89%

of participants took at least one action to improve their finances within 30 days

Most common action items, in order of prevalence:

I've reduced my credit card debt

I've reviewed the asset allocation in my retirement plan

I've used the calculators and/or worksheets sent to me

I've made changes to the way I'm investing for retirement

I've set up an emergency cash reserve

I've increased contributions to my 401(k) Plan



Implications for employers

Employers face more challenges related to offering and servicing their benefits programs than ever before. The speed of change and the intensity of the regulatory environment have caused significant changes in how benefits are offered, costs are managed and employees are engaged in maximizing the full suite of benefits.

At the same time, benefits have never been more important. In fact, employees are asking for even more help and guidance with financial wellness from their employer, their trusted resource.

Employers will continue to balance their benefits offerings with budget realities and meeting employee needs. For a good benchmark, look at how the leading-edge companies help employees achieve better financial wellness, take advantage of the resources already available, become savvy with consumer-driven health care and transition to retirement.

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