

Keys to building  
better support  
for financial  
wellbeing





Survey results suggest employers have opportunities to **meaningfully improve** their employees' financial wellness, but they **struggle to identify** effective solutions.



**AS THEY ADAPT TO THE EVOLVING LABOR LANDSCAPE AND THE GROWING POPULARITY OF HYBRID WORKPLACES, EMPLOYERS ARE FOCUSED ON ENHANCING THEIR BENEFIT OFFERINGS TO KEEP EMPLOYEES HAPPY, HEALTHY AND PRODUCTIVE.** While retirement plans have long played a crucial role in long-term financial strategies, benefit offerings that help workers deal with everyday financial matters have remained relatively scarce. When employers fail to address these anxieties, they run real business risks, including decreased productivity and increased turnover as employees feel driven to explore better-paying opportunities elsewhere.

In June 2023, Arizent Research conducted a survey that was sponsored by ADP Retirement Services to better understand the current state of financial wellness benefits, including prioritization, utilization and the associated benefits and challenges employers face. The results suggest employers have opportunities to meaningfully improve their employees' financial wellness, but they struggle to identify effective solutions.

## Employers see opportunities to offer meaningful financial wellness benefits

Two in three employers are hearing from employees that they feel financially stressed. Those stresses commonly manifest as requests for higher compensation (76%) or better benefits (50%). It's important for employers to take action on this issue, as one in four say economic conditions are driving higher levels of job seeking. In a competitive job market, the ability to offer employees better financial support can be a critical advantage.

To the extent that employers have increased their benefits offerings, they have primarily looked to expand their paid time off and leave policies (40%) and add supplemental health benefits (34%). A number have also sought to shore up their core medical, dental and vision insurance offerings (31%) or their retirement plans (25%).

When it comes to providing benefits aimed specifically at financial wellness, however, only 23% of employers have increased their commitment.

Fortunately, this does not mean employers aren't interested in financial wellness offerings. The vast majority (90%) say these benefits are more important than ever. Similar numbers (89%) say such programs could help them attract and retain key talent. And 85% believe financial wellness programs could help them remain competitive in the marketplace.

## Employers struggle to identify effective financial wellness offerings

So, in the face of these numbers, why aren't employers quicker to offer financial wellness options? For those not offering these benefits at all, two reasons rise to the top: cost and a lack of interest among employees. Those that are offering financial wellness benefits also point to barriers that can make these offerings less of a priority: competing priorities and a lack of employee interest. Although both groups of employers identify lack of interest as a challenge, both groups still see a reasonably solid demand among their employees. Among companies that offer financial wellness benefits, 86% see demand for those offerings from their employees. Among employers who do not offer financial wellness benefits, demand is lower but still fairly robust at 63%.

"Many employees are facing financial challenges, especially in today's economy, but they may not be aware that tools exist that can help them navigate uncertain economic conditions," says Jason Parese<sup>1</sup>, senior director of the Participant Success Organization at ADP Retirement Services. "It's important to offer financial wellness resources that can relieve the pressures that affect work performance and personal lives by ensuring employees' financial goals are on track."

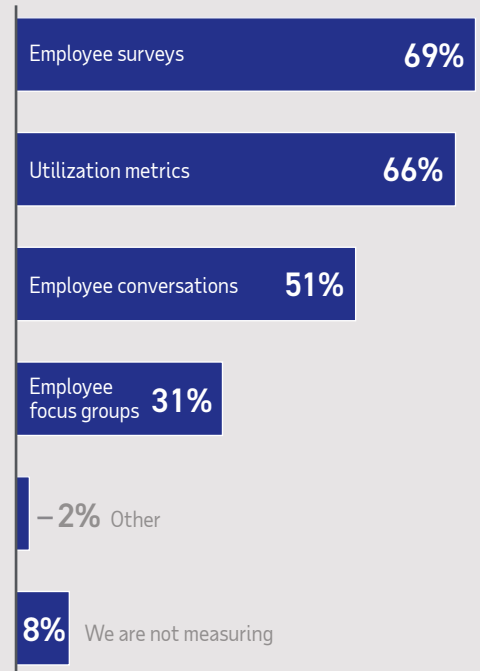
## Employers have difficulty quantifying the value of their benefits

The concept of financial wellness benefits is fairly simple: When employees feel less stressed about their finances, they tend to be happier with their overall compensation and contribute more effectively at work. Over time, these positive impacts may improve attraction and retention and reduce costs for employers, but the path to direct financial benefits for the business can be difficult to track. To measure the direct value of their efforts, employers generally turn to utilization for a quantitative metric. They also look for qualitative evidence of a program's impact via employee surveys, conversations and focus groups (see Figure 1).

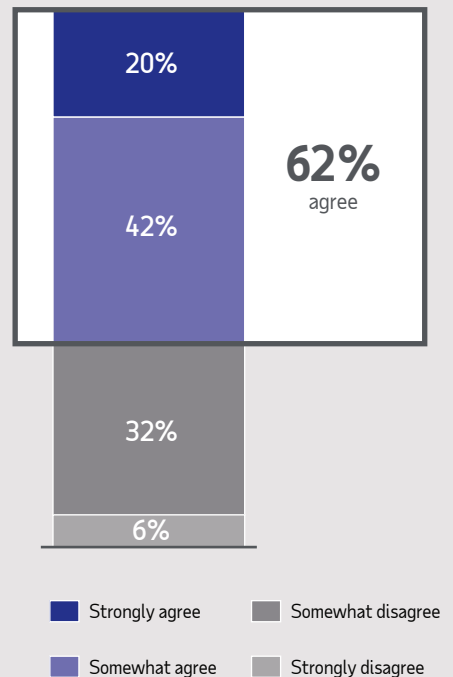
<sup>1</sup> Registered representative of ADP Broker-Dealer, Inc. (Member FINRA), an affiliate of ADP, Inc., One ADP Blvd, Roseland, NJ 07068.

FIGURE 1: HOW EMPLOYERS MEASURE THE VALUE OF FINANCIAL WELLNESS BENEFITS

How are you measuring value when it comes to your financial wellness benefits?



My company struggles to measure the ROI of our financial wellness benefits.



SOURCE: Arizent/Financial Planning/Employee Benefit News, 2023

## Perspectives on workplace financial wellness benefits

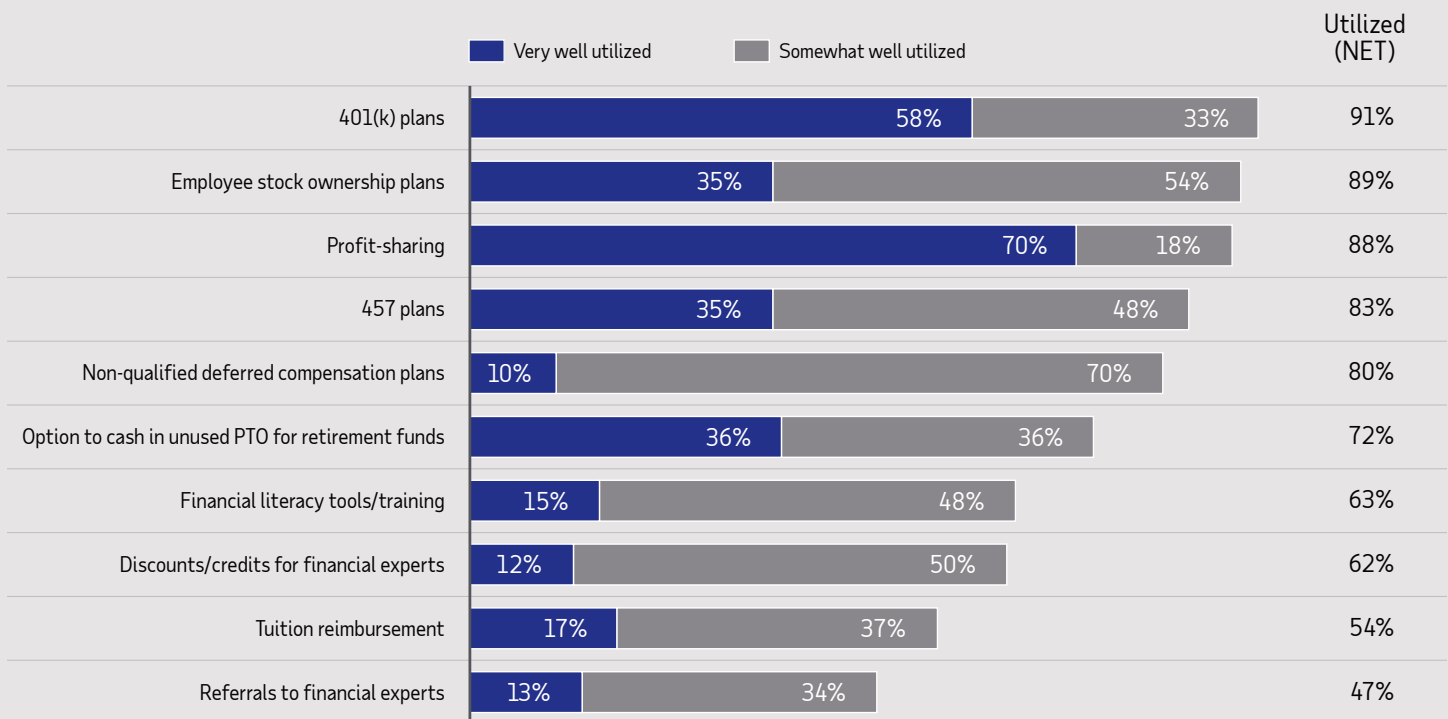
At best, these methods only offer an approximation of a program's value. Utilization suggests employees are interested in a program and is a prerequisite for generating value. Beyond those numbers, however, 62% of companies say that they struggle to measure the ROI of financial wellness benefits. Their efforts are further complicated by the fact that there is no universal approach to addressing something as general as financial anxiety. Every family's financial priorities are different. Given the difficulty measuring their impact, employers find it difficult to address financial anxiety through trial and error.

## Employers need to expand the way they think about financial wellness benefits

No single solution is likely to address the wide variety of financial wellness needs employees face. As a result, employers find themselves having to choose from a wide variety of potential programs with little general consensus about which ones actually work. Taking a broader view of financial wellness tools can help.

One financial wellness tool has, in fact, gained widespread traction: the 401(k) plan, currently offered by 84% of employers. Tuition reimbursement benefits (45%), financial literacy tools and training (34%) and referrals to financial experts (31%) also appear to be gaining traction, but their utilization rates remain low compared to benefits that offer a clearer path to more money in the pockets of more employees (see Figure 2).

FIGURE 2: UTILIZATION OF FINANCIAL WELLNESS BENEFITS



SOURCE: Arizent/Financial Planning/Employee Benefit News, 2023.





To be successful, employers might consider the way their benefits support employees' financial priorities. Retirement savings represent the biggest single long-term financial challenge most families face, but that does not necessarily mean employees max out their retirement contributions before they budget for other expenses. Retirement contributions themselves are ultimately driven by employees' sense of financial wellness. If employees feel secure about their short and medium-term savings goals, they are more likely to feel comfortable putting more money toward retirement.

To support the financial well-being of their employees, employers need to understand the specific challenges they face and select suitable programs that address those concerns. These challenges can range from the ability to budget properly for monthly expenses to establishing an emergency savings account, or paying for a child's college tuition. Using specific programs as a measure of success may not be the best indicator for employers in the long term. Instead, focusing on outcomes like higher contributions to retirement plans, improved employee engagement and reduced levels of anxiety among employees can provide more meaningful insights.

## Meeting employees where they are is the key to improving financial wellness

Whether they realize it or not, many of the benefits an employer offers are tied up in some aspect of their employees' financial wellness, from the net earnings in their paycheck to the security provided by medical insurance. Employees may not always understand how these various elements fit with the other pieces of their financial lives — or what tools might be available to help them. Companies that do not see financial wellness benefits as essential or very important for recruitment and retention more commonly hear from employees that compensation needs to be higher. By contrast, companies that see these benefits as essential or very important are much more likely to hear requests for more support for financial wellbeing.

Financial wellness is part of a well-rounded benefits offering that helps employers remain competitive as they seek to attract and retain the best workers in a tight labor market. Education is the foundation of financial wellness. For employers, that support must go beyond simply offering a library of materials for employees to read at their leisure. Instead, they should focus on getting employees the right information at the right time to address their needs. One way to accomplish this is to offer comprehensive financial planning support, such as access to financial professionals who can help employees develop a whole-household plan and guide them to the tools available to achieve that plan. Alternatively, employers could offer personalized educational programs driven by identified employee needs (see "Financial Wellness Resources").

"Employers can't afford to wait for employees to ask for specific programs they may not even know exist," says Jason. "Instead, employers should work with benefits providers to identify employee needs and adopt resources that help employees ensure their financial goals are on track."

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## Conclusion

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**BENEFITS PARTNERS CAN OFFER KEY SUPPORT TO HELP EMPLOYERS UNDERSTAND FINANCIAL WELLNESS OPTIONS AND IMPLEMENT TARGETED PROGRAMS TO HELP EMPLOYEES.** Here are some resources to consider when seeking partners:

- Access to real-time employment and compensation data to help make informed decisions on offerings.
- Personalized insights for retirement program participants that go beyond retirement planning to look at broader financial issues (e.g., budgeting, managing debt, etc.).
- Educational resources (instructor-led and/or self-learning) on diverse financial wellness topics, such as ADP's Retirement Success Series, that are available in-person, on-demand and on mobile apps.
- Access to retirement and financial specialists for both HR professionals and retirement plan participants.



## Key takeaways

- Beyond retirement plans, many employers are not currently offering many financial wellness options.
- The majority of employers see value in financial wellness benefits, but are concerned about costs, unsure what to offer and worried about a lack of employee demand.
- Employees are reporting financial stress and could benefit from financial wellness offerings but may not know what to ask their employers for.
- Employers should consider partnering with vendors and financial advisors to help them determine how to create a more comprehensive financial wellness package for employees.

## Methodology

The research for this white paper was sponsored by ADP Retirement Services and conducted online by Arizent, parent company of Employee Benefit News and Financial Planning, in June 2023 among 200 HR/executive leadership professionals at companies with at least 10 benefits-eligible employees. To qualify, respondents had to have some responsibility/oversight of benefits, employee wellness and/or total rewards.



# Let's Talk.

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