



Life's brighter under the sun



**EMPOWERING EMPLOYEES
TO IMPROVE THEIR
FINANCIAL WELLNESS**



We know that health is integrated – mental, physical and financial. Too often the financial wellness component is overlooked or separated when workplace health strategies are put in place. It shouldn't be – financial matters can be a key source of stress for

employees and can impact their physical and mental health. And that can be costly for employers – from higher rates of absenteeism to lower productivity. With the debt levels of Canadians at record highs, now is the time to focus on financial wellness for your employees, and include it as part of your organization's overall health strategy.

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Many employers think of financial wellness as being prepared for retirement. It is that – plus much more. Employees need financial wellness support throughout their careers, including the basic tasks of day-to-day budgeting and saving for shorter-term

goals. That's why we support financial wellness holistically, within both our Group Benefits and Group Retirement Services divisions, and from both a pre- and post-retirement standpoint. Data and experience tells us that employees are looking for help, and employers are willing to provide it. We can help make it happen.

Kim Duxbury
Assistant Vice President, Product and Research,
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Empowering
employees
to improve
their financial
wellness





Despite our digitally connected “share everything” world, most people still view money as a private matter. In general, we’re reluctant to talk about how much we make, how much we spend, or how much we have – this is even true in relationships where financial responsibilities impact both partners.

So, in that context, does an employer have any role to play in the financial wellness of their employees? As it turns out, there is an opportunity for employer support – and it could be a more important role than you might think.

One of the downsides of the private nature of financial matters is that many people don’t have the information, skills or advice they need to make good financial decisions. Personal financial management hasn’t typically been taught in elementary or high school, and the lack of education and discussion – both formal and informal – can mask the challenges associated with attaining (and maintaining) financial wellness.

Financial wellness – state of the nation

The term “financial wellness” includes three different elements of an employee’s financial situation and their attitudes towards it:

- **Financial health** – an objective measure relating to an employee’s financial resources and the ability to meet their ongoing financial obligations including planning for retirement
- **Financial well-being** – a subjective measure, involving an employee’s attitudes and confidence about their financial situation, and about their ability to manage it over the short and long term
- **Financial literacy** – the knowledge and skills needed to make responsible financial decisions, along with the ability to apply that knowledge to everyday life.

A high level of financial wellness means an employee has the money to meet short-term and long-term obligations, and the knowledge, skills and confidence to manage their financial affairs.

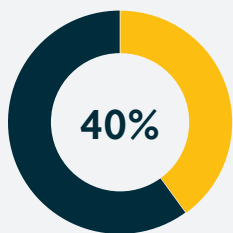
Financial health



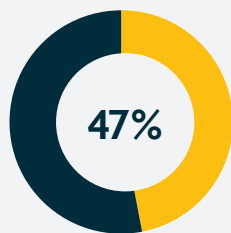
In terms of the objective “financial health” component, from a debt perspective, there are warning signs for Canadians. While debt levels are still in the manageable range thanks to record low interest rates, the latest figures for 2017 show that our average household debt, including mortgages, is 167% of disposable income. In other words, for every \$100 of disposable income, households had debt obligations of \$167.¹

Canadians aren’t saving much either. In the most recent annual survey of more than 5,600 Canadians by the Canadian Payroll Association, 40% of employed Canadians said they spend all or more of their net pay, and 47% are able to save just 5% or less of their earnings. Almost half (48%) reported it would be difficult to meet their financial obligations if their pay cheque was delayed by even a single week – and 24% said they likely could not come up with \$2,000 if an emergency arose in the next month². That doesn’t leave a lot, if any, wiggle room for small or large unforeseen events that can significantly impact finances.

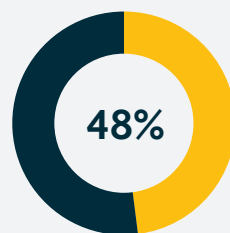
Canadians aren't saving much...



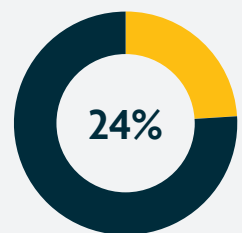
40% spend all their pay



47% save 5% or less



48% can't meet obligations if pay delayed



24% couldn't meet an emergency

Canadians are stressed about their finances...

Financial well-being

From a subjective “financial well-being” perspective, 30% of Canadians say they feel insecure about their current financial health,³ and nearly 40% of working Canadians feel overwhelmed by their level of debt.⁴ In our 2016 Sun Life Canadian Health Index survey, three of the top four drivers of excessive stress were related to finances:

- **45%** of individuals were experiencing uncomfortable levels of stress related to personal or household finances
- **32%** faced excessive stress in trying to maintain a budget, and
- **31%** were stressed by unexpected expenses.

Financial literacy

Financial literacy is a measurable skillset, and countries worldwide assess the literacy rates of their citizens. Canadians have a financial literacy rate of more than 65%, scoring well compared to most other countries, but it still leaves almost 35% of Canadians lacking the knowledge and skills needed to make responsible financial decisions.

And there are significant differences in financial literacy among different groups of Canadians. A recent Statistics Canada survey measuring the financial knowledge of Canadians found that higher levels of financial literacy were associated with age (older Canadians scored higher, up to age 65), income levels (the higher the income, the higher the score) gender (men scored higher than women), education (scores improved with higher levels of education), marital status (married individuals scored higher than those who were unmarried), and immigration status (those born in Canada scored higher than those born outside of the country).⁵

Adding up the pieces of financial wellness in Canada – high levels of debt, low levels of savings, high levels of financial discomfort and insecurity, plus gaps in financial knowledge – it’s no surprise that many working Canadians are looking for help from their employer.

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Employees need support





Both employers and employees acknowledge that there is a workplace opportunity for financial wellness support. A recent survey by the Conference Board of Canada, sponsored by Sun Life Financial, explored the views of Canadian organizations on financial wellness – and examined the prevalence of financial wellness initiatives, as well as the maturity and outcomes of these programs. Respondents varied by region and size of organization, with the majority operating in the private sector. In all, 161 organizations participated in the research.

A majority of organizations (73%) agree that they have a responsibility to help their employees with their financial wellness.⁶ That aligns with our findings from the employee side. When we surveyed group benefits plan members, 70% believed that employers have a responsibility to support employee financial wellness.⁷

According to the Conference Board of Canada survey:

- Almost one-third (32%) of organizations believe that poor financial wellness is an issue among their employees.
- 57% believe that their employees are looking to the organization for help with their financial wellness.
- 53% say that their employees have expressed a desire for education or information on financial wellness within their organizations.⁸

While the stakes are obviously high for employees when it comes to financial wellness, it has a significant impact on employers as well. Many employees experience excessive stress related to their finances. These stresses can contribute to both mental and physical health issues – and in turn lead to loss of productivity, temporary absences and disability claims.

Why financial wellness matters to employers

The financial wellness of employees can impact employers on both a short-term and long-term basis.

Over the long term, employees with low levels of financial wellness may not be prepared financially for retirement. This can force employees to work longer than they – or the employer – intended. It also can impact succession planning, the number of younger people the employer is able to hire and possibly engagement.

Over the short term, the issue is that the excessive stress that poor financial wellness can create is not a benign condition. Research has shown that excess stress can contribute to chronic physical illness, such as high blood pressure, hardening of the arteries, obesity and diabetes. A number of studies have shown direct links between financial stress and poor physical and mental health.

Financial wellness: part of the bigger health picture

“When we started talking about wellness, we soon realized that we were only scratching the surface. We really wanted to have an impact on the overall well-being of employees. So we took a step back and started to think beyond health and wellness. We started to think about other aspects that impact an employee's day-to-day... part of it is financial wellness. It's one of those day-to-day struggles.”

Employer interviewee – 2017 Conference Board of Canada study of financial wellness

In the immediate term, the lost productivity piece shouldn't be overlooked, because presenteeism – where employees report to work but are less productive due to their financial stresses – is a significant concern.

Recent research found that 29% of Canadian employees report being distracted at work by financial issues – and more than one in 10 said that financial issues had caused them to miss at least one day of work in the last year.⁹

The good news is that there are strategies that can help reduce this impact by tackling issues that can contribute to the problem – poor financial literacy, with a lack of knowledge and confidence to take action and stick to a plan.

Canadian employer action on financial wellness

In terms of what employers are doing to help employees improve their financial wellness, some momentum is building. **According to the recent Conference Board of Canada research, half of responding organizations (48%) have had financial wellness initiatives in place for more than 10 years, about one-fifth of respondents (19%) have introduced these initiatives within the last two years.** This suggests a growing awareness of the importance of financial wellness in the workplace, with many employers just recently putting programs in place to address it.

However, when we look deeper at what employers are offering, some important gaps emerge.

- Limited program scope:** While many employers recognize the importance of financial wellness, few have implemented programs that address household debt, budgeting and other short-term financial priorities. Most employers offer information and education about their organization's pension and retirement savings plans, as well as preparing for retirement. But just over half offer financial planning and less than 30% offer information and education around day-to-day finances, budgeting and debt management. The issue is that financial wellness involves far more than retirement education and preparedness, and many organizations aren't providing support for the financial struggles that many employees face daily.
- Lack of personalization and targeting:** Less than half of employers surveyed tailored their financial wellness initiatives to different employee groups – and many of those that do differentiate based on pension or retirement savings plan participation, or by job level. Just 28% tailored their programs according to age. The missed opportunity here is that financial literacy as well as needs and priorities vary based on a number of characteristics – by age, gender, income and marital status among other variables. Measuring financial literacy levels, needs and priorities among an employee population makes it possible to target programs to the segments in need.



29% of Canadian employees
report being distracted at work
by financial issues

2016 Sun Life Canadian Health Index





Supporting the financial wellness of your employees

Gaps in financial wellness exist for many employees, relating to both day-to-day money management and an understanding of how saving more today can help ensure financial security during retirement. And it's this gap that employers can help close.



Program building blocks

While specific tactics and programs will be based on your organization's resources and needs, here are three fundamental areas to include in your financial wellness strategy:

1

Improve financial literacy. As the saying goes, “you don't know what you don't know.” What education can do is click the “a-ha” switch when it comes to finances, and that can lead to positive actions. Education initiatives can be great motivators for positive change, and employers may also reap the benefits through the stress reduction in their workforce.

Financial literacy programs can take any number of forms, from seminars on different topics related to finances, to workshops and digital tools to help employees with things like budgeting. A significant gap for people is day-to-day money management, so it's important to go beyond traditional retirement planning to equip people with the knowledge and skills to manage their everyday finances, from budgeting, to cash flow management, to the wise use of credit.

2

Provide access to financial planning. Personal, one-to-one coaching and planning can make a huge difference to employees – not just in terms of the end result years down the road, but in terms of immediate increases in confidence and peace of mind today.

The need is there. Just 22% of working Canadians have a written financial plan, with the numbers for men and women being virtually the same.¹⁰ And the benefits can be both psychological and financial. In a survey of people working with a certified financial planner:

- 63% indicated that they worry less about money because of financial planning
- 73% indicated that financial planning has helped them have greater peace of mind
- More than twice as many are likely to say they are confident in their plans to retire than those with no financial plan.¹¹

3

Leverage existing plans to incent more personal savings and financial protection.

This can be as straightforward as adding and promoting a group Tax Free Savings Account (TFSA) to your lineup, to providing additional financial incentives to save, such as through matching contributions. And if an organization has these additional savings plans in place, then campaigns to encourage greater use of these vehicles is a great way to raise the bar on financial wellness. For example, an organization might set a goal to raise participation in a voluntary savings plan from 20% to 50% of employees. That could represent a huge increase in the number of employees who would have a small nest egg they could use to cover a financial emergency – and may help reduce the financial stress of those who participate.

In addition, benefits such as life and critical illness insurance – whether employer paid or offered as a voluntary benefit at group rates – can also improve financial wellness for employees and their families by providing protection in the event of an employee's death or severe illness.

The goal with any of these initiatives is to make it as easy as possible for employees to put any newfound financial awareness into action.

Solutions to improve financial wellness most certainly involve education, but they must also, more importantly, involve changes in behaviour. The goal is to help employees take steps now to decrease their immediate financial stress and improve their long-term financial outlook for retirement.

Supporting behaviour change – knowledge alone is not enough

Research shows that factual knowledge in and of itself is not enough to drive behaviour or behaviour change. The link between knowledge and behaviour tends to be influenced by individual characteristics (such as perseverance, or an ability to plan) and by the context in which a decision is made or action is taken (such as the difference between making a decision on your own versus making it with the help of a financial planner).

The good news is that the individual characteristics that support good financial behaviours are skills that can be taught and employers have the ability to create environments to further support good financial behaviours. To bridge the gap and turn good knowledge into good behaviours, financial wellness programs should include two important aspects:

1. **Help employees develop the skills to make smart financial choices and stick with them.** This includes education (for example, understanding the true cost of credit) and life skills (learning how to make a budget and how to build the discipline to stick with it). Every workplace is different, so education and training should be targeted to the specific needs of your employees and your organization.
2. **Create an environment that makes it easy for employees to do the right thing.** While employers can't control what employees do outside of work, they can influence their decisions on financial matters within the work environment. For example, employers can make use of behavioural science to nudge and support behaviour changes, like using smart defaults that require an employee to “opt out” of saving more or joining a plan, rather than having to take action to “opt in.”

Giving employees the nudge they need with behavioural science

Behavioural science studies what influences our choices and actions and then seeks to shape the environment to increase the likelihood that we behave in a desired way.

Employers can use behavioural science to guide employees to make decisions that improve their financial wellness. In most cases this is done by making the optimal choices easier to do, because people typically will choose the status quo over having to take additional actions. So, strategies such as requiring employees to opt out of certain savings strategies rather than opt in, and automated programs – like auto-directing a bonus or raise to a Registered Retirement Savings Plan (RRSP) or auto escalation of pension or savings contributions – can gradually increase overall savings rates and ensure employees aren't unknowingly leaving employer-matching dollars on the table.

There can be many innovative ways to use behaviour science nudges. For example, Sun Life recently launched a program that lets group benefits plan members automatically redirect health claim reimbursements to their workplace Group RRSP right from their smartphone.



Every workplace is different,
so education and training should be
targeted to the specific needs of your
employees and your organization.



The perfect time for action: low rates, high debt – and risk of rate increases looming

The expression “closing the barn door after the horses have left” is a classic example of how bad timing can ruin a good solution. But today, a perfect storm of three conditions has made the timing for employer action on financial wellness ideal. Specifically:

1. **There is a need:** savings are low, and the debt level of Canadians is at a record high.
2. **A crisis hasn't (yet) occurred:** The horses haven't left the barn. While debt is high, carrying costs are generally low. While many people are stretched financially, low rates have kept them from reaching a crisis level.
3. **Urgency and risk of rising interest rates:** Many Canadians carrying high levels of debt are managing **only** because interest rates have been low for some time – and the recent rise in rates has created both interest and urgency in taking action. The possible impact of future rate increases (even small changes) on financial wellness – and levels of stress – could be significant.

Measuring success

Like any human resources initiative, financial wellness programming is a people investment. According to the Conference Board of Canada research, the majority of organizations (73%) integrate their employees' financial wellness into their overall people strategy, and over two-thirds (68%) are confident that their organizations can help their employees with their financial wellness.

Measuring outcomes lets an organization assess whether the programming is worth the time and money – or is targeting the right areas. Privacy issues will always surround money matters on an individual level, but there are still many measurable outcomes that can help gauge whether an organization is making inroads on the financial wellness front.

Measurement should go beyond “book knowledge” of financial matters to actions that indicate improved financial literacy is being converted into better financial behaviours. While different organizations will have different goals that target a range of behaviours, here are some key measurements worth considering.

- **Engagement level:** Education is still the foundation of many financial wellness programs, and participation in these initiatives is step one to improving behaviours. Measuring participation rates involves tracking attendance at in-person and web education sessions, analyzing click rates for

education and information links, and tracking usage of financial planning tools. These measurements not only provide data on overall program engagement, they can also help identify areas of the program employees are most interested in – and help shape future programming decisions.

- **Money in:** If part of your financial wellness program is targeting an increase in workplace saving rates, your retirement program provider can help you measure changes in participation and contribution rates over time to the particular savings vehicles targeted by the program.
- **Self-reported financial stress:** One other method of measurement is to survey employees on their financial stress levels. As noted in the Hamilton Health Sciences case study, that organization surveyed employees both before and after completion of their financial fitness program, and were able to measure the impact of the program on stress levels.
- **Manager and employee feedback:** All initiatives should include a mechanism for sharing feedback – both informally through social media or other channels (if positive, this can create “buzz” about the initiatives) and more formally through channels that allow for critical, confidential feedback. Employee engagement surveys and focus groups with a cross-section of employees can also be a valuable tool for gathering feedback.

Employees are open and ready for help, and the solutions are out there. In a recent survey of group benefits plan members, personal financial planning services were within the most desirable benefits plan enhancement for Canadian employees.¹²

This period of relative calm is an ideal time to take action. As an employer, you're in an excellent position to help your employees to seek the peace of mind and confidence that comes with financial knowledge, planning and support.

¹ Statistics Canada, “The Daily”, June 14, 2017 <http://www.statcan.gc.ca/daily-quotidien/170614/dq170614a-eng.htm>

² http://www.payroll.ca/cpadocs/npw/2016/National_FINAL_EN.pdf, 2016, Canadian Payroll Association's Research Survey of Employed Canadians

³ 2016 Sun Life Canadian Health Index

⁴ http://www.payroll.ca/cpadocs/npw/2016/National_FINAL_EN.pdf, 2016, Canadian Payroll Association's Research Survey of Employed Canadians

⁵ 2016, Statistics Canada, Gender differences in the financial knowledge of Canadians <http://www.statcan.gc.ca/pub/75-006-x/2016001/article/14464-eng.htm>

⁶ 2017, Conference Board of Canada research

⁷ 2016, Sun Life Generations research

⁸ 2017, Conference Board of Canada research

⁹ The 2016 Sun Life Canadian Health Index

¹⁰ 2016 Sun Life Retirement Now Survey

¹¹ Financial Planning Standards Council survey of people working with a Certified Financial Planner

¹² 2016, Sun Life Generations research

CASE STUDY



Motivating behaviour change – **Hamilton Health Sciences**

Hamilton Health Sciences is the largest employer in the Hamilton, Ontario area, employing 15,000 staff, physicians, researchers and volunteers. Twice each year, the organization runs a nine-week financial fitness program that's designed to not only provide financial resources and education but help employees and their family members change financial behaviours. The initiative is wholly managed and facilitated independently by Hamilton Health Sciences.

The program covers everything from emergency fund savings, to talking to your partner about money, to budgeting and buying behaviours. There are video-based lessons, group activities, homework assignments and recap emails from the facilitator each week. The organization charges a course fee of \$25 to encourage commitment and good attendance. As an additional incentive to

attend, participants who attend at least eight of the nine classes receive a \$20 reimbursement of their fee in the form of a gift card to onsite gift shops.

The program has produced measurable and positive results in terms of changing behaviours, including improved mental health. Both before and after the program, participants were asked to rate their stress level on a scale of 1 to 10. Before the program, 60.5% of participants rated their stress level at 7 or higher. Post-program, that number dropped to 30%. And participants who ranked their stress at level 10 dropped from 10% to 1.6%.

Financial health also improved. Within the nine weeks of the course, the majority of participants saved at least \$1,000 as a starter emergency fund and stated they created a monthly budget. And to date, the average participant who completed the program has made a financial turnaround of over \$4,000 (between paying off debt and saving money) by following the recommended guidelines in the first nine weeks of the program.

Notes

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