FEATURE

Well(th) Management

Getting beyond the "buzz" about financial wellness.

BY JUDY WARD

At 401k Advisors Intermountain, financial wellness has become an integral part of the practice over the past 8 to 10 years, says Brady Dall, executive vice president at the Salt Lake City, Utah-based advisory firm. "In most cases, we are partnering with a financial wellness provider on these programs," he says. "But the client is really seeing us as its 'Financial Wellness Director.'"

A "financial wellness program" can mean many different things, from simply providing access to an off-the-shelf budgeting tool to designing a multi-year program customized for a specific employee group. As 401k Advisors Intermountain has gained expertise, it now can guide employers in putting together and running a strategic financial wellness program. "As experts in this area, we can show them, 'Here's what the most successful employers are doing with their programs,'" Dall says. The advisory firm counsels employers in setting program goals to meet their strategic objectives, connects them to a good financial wellness vendor fit, handles much of the program's onsite employee education, and helps employers interpret data on program results and make adjustments.

Many employers seem ready to transition from piecemeal financial wellness efforts to a more strategic program. Research released in January 2017 by benefits outsourcer Aon Hewitt — now Alight Solutions — found 92% of 236 DC plan sponsors saying they likely would focus on employees' financial wellness beyond just retirement savings in 2017. "In that survey we also asked employers, 'Do you have a financial wellness strategy, or are you piecing this program together?'" says Rob Austin, director of research at Alight. "Only 7% have a strategy now and have fully executed on it. Forty-nine percent of employers told us that they are in the process of creating a strategy, and 16% say they have a strategy that they are in the process of executing." The remaining 28% said they don't have a financial wellness strategy yet — and nearly two-thirds (62%) of the employers responding to that survey had more than $1 billion in plan assets.

Employers' growing desire to develop a strategic financial wellness program comes as plan advisors need to evolve their practices to continue demonstrating their value in an environment of fee compression, says Bill Chetney, founder of GRP Advisor Alliance. "If an advisor's practice is automatic enrollment, auto escalation, and defaulting participants into target date funds, what is it that they're doing anymore?" he says. He adds that focusing more on helping participants improve their broader financial situation, so they can save more for retirement, can demonstrate an advisor's value. "And it's not just from the standpoint of self-interest as a business practice, but 'What's actually needed?'" he says. "What's the next thing to help participants?"

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Decisions, Decisions

Barbara Delaney has integrated financial wellness into her plan advisory practice for three years now. "We see it as a better way to provide financial education to participants, a more meaningful way to deliver better outcomes," says Delaney, principal at StoneStreet Advisor Group, LLC in Pearl River, NY. Doing traditional enrollment meetings and talking a lot about investments "became very old," she says. "You lose your audience when you do that, because in reality, everybody has different financial issues and concerns. You need to engage people in something that is really meaningful to them."

Plan advisors should make a strategic decision about how much they want to get involved in financial wellness, recommends Liz Davidson, CEO of financial education provider Financial Finesse, Inc. Realistically, she says, some plan advisors do not want to get involved at all. "Others have what I'd call a 'defensive' strategy: They say, 'Let's make sure we know enough to talk to clients about this, and do an RFP,'" she says.

"There are some advisors who have what I'd call an 'offensive' strategy: They say, 'We want to make this part of our business, and invest in our own learning on the financial wellness market,'" Davidson continues. "And then a few leading-edge advisory firms are what I'd call 'visionary': They say, 'We want to lead the market in this area, and find new ways to implement these programs successfully.'"

How genuinely motivated an advisor feels by a mission to improve financial wellness plays a big part in making this business decision, given the amount of time and effort involved, Davidson says. "The right choice for an advisor depends on the DNA of your firm, and your passions," she says. "If you are not truly passionate about financial wellness, don't try to be a 'visionary.' If you are kind of, 'Ugh, I have to do this,' maybe you should take a more 'defensive' position."

Plan advisors who want to develop financial wellness as an important part of their practice should begin by educating themselves on these programs, Chetney says. "The starting point is for advisors to understand what is creating success for these programs," he says. "Without the experience of success demonstrated for them, employers don't know how to implement these programs."

Michael Kane has made financial wellness an important part of his plan advisory practice, and he says advisors who want to do the same need to start by taking the time to truly understand these programs. "There's often ignorance and a lack of education on these programs among advisors," says Kane, managing director of Atlanta-based Plan Sponsor Consultants. "I can't tell you how many plan sponsors our team sees every year that, when we ask, 'Are you interested in financial wellness?' they say 'Yes.' But they don't know what goes into doing an effective program. So the advisor who understands the best practices is an important ingredient to successfully implementing a financial wellness program."

Interested advisors also need to decide if they'll build full capabilities in-house or do part of the work and partner with a third-party provider or wellness specialist for the rest.

"The bigger teams are going to do it all," says Jania Stout, managing director and co-founder at HighTower Fiduciary Plan Advisors in Owings Mills, MD. "If you are a small shop, you probably don't have the bandwidth to handle an entire financial wellness program yourself."

HighTower plays a major role in its plan clients' financial wellness programs, and Stout says that changes the way an advisory firm structures its teams. "We already have hired two staff members dedicated to this type of work, and we call them 'Participant Success Advisors,'" she says. HighTower has encountered challenges finding new hires who both excel at participant education and who have in-depth expertise in financial-literacy issues plus retirement plans. "There are not a lot of people who have that knowledge, and are looking for a job to go around and do education full time. The people with that level of knowledge tend to be financial advisors with their own book of business," she says. "What we've found is that we need to find the right people first, and then we'll get them the right education to be able to deliver the financial wellness program to participants."

Financial wellness specialists are a hot commodity at plan advisory firms these days, Chetney says. "It's the fastest-growing benefit program in the United States. We've got more than 125 practices and more than 350 advisors at GRP, and the No. 1 hire they are making right now is financial wellness program managers."

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Plan advisors also need a good feel for which employer clients to approach about doing a strategic financial wellness program. "Here's my thesis," Kane says. "The employers that embrace financial wellness are the same ones that embrace health wellness, and they have high degrees of participation in their health wellness program. They also have a paternalistic attitude toward their employees, as demonstrated by a generous 401(k) match. So we're talking about maybe 40% of employers that would embrace a formalized financial wellness program."

Employers' willingness stems largely from their culture, Stout says. "Some employers will never consider doing a strategic financial wellness program. They'll tend to go with the 'free' solution from a provider. Then they can tell new hires that they have the program," she says, noting that her firm has one client that is spending close to $100,000 a year on its financial wellness program. "Ask yourself, 'Is this employer interested in doing a program just to say it has the program, to 'check a box,' or does the employer really want to make a difference in its employees' lives?'"

Obstacle "Causes"
Obstacles to offering financial wellness

43%	Didn't think about it
37%	Benefits don't outweigh the costs
33%	Not a company priority
32%	Not enough staff/resources to support it
18%	Don't know the benefits

Source: Charles Schwab survey of 302 corporate executives

How to Add Value

Where can you add value to a financial wellness program? Sources point to these areas:

Data Mine to Uncover Needs

Start by studying employee data, including 401(k) loan patterns as well as projections on the retirement income-replacement gaps for a plan's participants. Davidson suggests that advisors also look at health savings account (HSA) utilization — both participation rates and how many spend versus save the balance.

Additionally, get data on how many employees have asked for an advance on their pay, or gotten wage garnishments. And look at absenteeism trends, especially among lower-paid employees. "These are the markers of financial stress," she says.

At this beginning stage, Davidson also recommends asking employees to do a brief financial wellness self-assessment survey. "We know the issues employees have from looking at the benefits data, but we don't know the *why*," she says. "Maybe an employee is taking plan loans because he or she doesn't have an emergency savings fund."

The Financial Finesse financial wellness assessment, which takes about five minutes to complete, helps uncover those kinds of issues. The survey asks questions about an employee's financial priorities, financial habits and financial stress levels. "From there, we consolidate all the information into a report for the employer that breaks down the results by employee demographics, and identifies the key next steps that each of those demographic groups needs to take," Davidson says. "Then an employer can structure its financial wellness campaign, and focus its efforts on the right issues for its workforce."

Set Goals Upfront

An advisor can play a crucial role by helping an employer hone in on the organization's strategic objectives for the program. "Often, it starts out for the employer as a frustration, something like, 'How do we retain these Millennials?'" Davidson says. "Then the advisor can help the employer move to tangible goals for its wellness program. It's a very high-touch approach for advisors. More than anything, it's around helping the employer decide, 'What do you really want? And what are you prepared to do to achieve it?'" That includes the budget.

Encourage employers to clearly define the problems they want to address, Austin suggests. "Is it that an employer's rank-and-file employees need help on their budgeting? Or does the employer need to help employees who are close to retirement age get comfortable with their retirement planning?" he asks. "The execution of the program is going to depend on the specific problems the employer is trying to solve. Once you've established that, you can look at what tools and services are available to help solve those problems."

Find the Right Vendor Match

401k Advisors Intermountain takes a lead role in helping match an employer with the right vendor for its financial wellness program. That generally doesn't require an RFP, Dall says, since the advisory firm works almost exclusively with Dave Ramsey's SmartDollar program. Usually, decisionmakers at client companies already know about Dave Ramsey and have friends or family members who've benefitted from his programs, he has found. "And it is much more scalable for us to have one partner, when we have hundreds of clients," he adds. "But if a client wants to do an RFP, we can work with any provider."

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>
> *— LMichael Kane, Plan Sponsor Consultants*

Plan Sponsor Consultants has developed an RFP specifically to select a vendor for a financial wellness program. Kane says the specialized RFP yields better answers about vendors' abilities to do things like provide reporting that illuminates a program's ROI. "If I'm an employer considering doing this, I've got to know there will be metrics that get measured to demonstrate the impact of the program," he says.

Do Onsite Education

HighTower Fiduciary Plan Advisors' large clients typically bring in big financial wellness specialist providers to implement their program. "We'll focus on project management and enhancing the wellness provider's education program," Stout says. "Most of the big financial wellness providers are web-based in their education, so we are the 'feet on the street,' doing onsite employee meetings."

StoneStreet Advisor Group also does a lot of onsite financial wellness education and utilizes partner Financial Finesse's initial workforce analysis to drive the content, Delaney says. The Financial Finesse aggregate report reveals the top three financial vulnerabilities of each employee demographic group, so StoneStreet plans workshops for different demographic groups to focus on those topics. "After we do group workshops, in some cases we follow that up with one-on-one meetings," she says. "Employees also have access to a Certified Financial Planner hotline run by Financial Finesse." Often, employees actually prefer calling the hotline with their questions. "People, when they are concerned about something going on finan-

Financial Wellness Program Features in Place and Contemplated

	Already Offer	Very Likely to Offer	Moderately Likely to Offer	Not at all Likely to Offer
Basics of financial markets/simple investing	43%	42%	36%	22%
Health care education and planning	37%	38%	40%	22%
Financial planning	35%	37%	37%	26%
Budgeting	34%	36%	33%	31%
Prioritizing savings	29%	38%	36%	26%
Debt management	26%	26%	42%	32%
Assistance with savings during life stages	26%	28%	41%	31%

Source: Alright Solutions, 2017 Hot Topics in Retirement and Financial Wellbeing

WHAT PLAN SPONSORS WANT TO KNOW ABOUT FINANCIAL WELLNESS

Several years back the concept of "wellness" crept into benefits planning. More recently, HR's affinity for that wellness concept has been expanded upon by the concept of financial wellness. But as appealing as the notion is, a number of key questions linger.

As regards financial wellness, the notion is that bad financial health contributes to (and/or causes) a bevy of woes: stress, which can lead to things like lower productivity, bad health and higher absenteeism, and even a greater inclination toward workplace theft, not to mention deferred retirements by workers who tend to be higher salaried and who have higher health care costs.

But if the rationale is straightforward enough, and the interest somewhere between intrigued and highly committed, plan sponsors still have some questions that merit addressing.

What do you mean by 'financial wellness'?
"Financial wellness" is a term widely bandied about these days, and by many different firms (and advisors). Unfortunately, it is a concept that is being applied somewhat inconsistently. I've heard stories of folks who affix it to practices that are little more than glorified enrollment meetings, to the simple inclusion of an "outcomes" analysis to the retirement plan report, to a full-blown series of workplace seminars on topics ranging from budgeting to estate planning.

So, the first question that needs to be answered is: "What do you mean by financial wellness?"

What difference will it make?
The answer to the first question will, of course, have a great deal of bearing on this one. Naturally, the more modest the scope and scale, the less impact, but a lot depends on what issues the program attempts to address, not to mention the demographics (and overall financial well-being) of the workforce to which it is being applied.

Still, even if a comprehensive impact assessment can't be completed without the collaboration of the plan sponsor, it's important to be able to at least quantify an estimate of the potential impact(s), whether it be increased participation, improved deferral rates, or even just higher satisfaction with the program(s).

How long will it take/last?
Common sense suggests that financial wellness is a process, not an event, and one that, run well, may well run for some time following its introduction. Nonetheless, plan sponsors will, if not at the outset, at some point during the program, have some interest in knowing just how long until they can expect to see results.

How much will it cost?
Obviously, there will be a relationship between the nature and scope of the program and its cost. Anecdotally, there seems to be a fair amount of skepticism among plan sponsors — particularly on the HR side — of the cost-effectiveness of these programs. It is therefore worthy remembering that there is an "I" in ROI, and that plan sponsors will be interested in knowing what it is (or might be).

Who pays for it?
Once again, while the answer may well depend on the program envisioned, to the extent this represents new expenditures, how it will be paid for may well impact the scope and/or timing. Plan sponsors may be able to consider covering it out of general funds, but, depending on the nature of the program components, it might also be appropriate to consider tapping into health plan budgets, communications, or even retirement plan assets.

How will you measure success (or lack thereof)?
The good news is that ROI is increasingly the lead selling point in presenting these programs, and the "return" will almost certainly include some quantification, some combination of measurable deliverables. Of course, some of the deliverables of a financial wellness program are less quantifiable, but even in those situations, worker surveys can provide insights.
The bottom line is that a shared understanding and appreciation of the desired outcomes will go a long way toward achieving not only financial wellness — but customer relation wellness as well.

— Nevin E. Adams, JD

cially in their life, are often embarrassed to ask their questions in person," she explains.

Interpreting Program Results

After the rollout, employers need help analyzing data on program results and confirming the program's impact. "We focus upfront on making sure that we have little 'wins,' and an ROI on the program in the first 12 months," Dall says. Those signs of progress include things like tracking employees' utilization of the program's tools. "If you don't have those little wins, we've found that there is only a slim chance that an employer is going to continue the program after a year," he says.

StoneStreet Advisor Group encourages employees utilizing a client's financial wellness program to retake the Financial Finesse self-assessment after a year. "The goal is to improve the financial assessment scores year over year," Delaney says. "We also look at changes in 401(k) participation and the impact on HSAs: How many employees are now saving some of their HSA balance, versus just spending the money?"

Coming up with a firm ROI on a financial wellness program for an employer can prove challenging, because it doesn't take into account intangible measures. Using ROI alone, it's hard to pinpoint that an employee's productivity increase stemmed only from the financial wellness program, for example. "In this field, what's now being talked about is a different measure: 'VOI,' or value of investment," says Robin Lenna, an executive vice president at MetLife. "It's broader, because it takes into account things that are harder to quantify, such as the impact on turnover and absenteeism. You can track it, and it is probably not a 100% correlation, but you can watch the trends. It's the new 'It' topic around employee engagement."

Lenna sees a big part for advisors at this point. "The advisor's key role is to help sponsors evaluate results of the program and make course corrections as they go on this journey. The advisor can help guide the discussion and coach an employer on, 'If you want to take it to the next level on financial wellness, what elements of the program do you want to keep? Are there new elements you want to add? And is there anything you want to eliminate?'"

To have real impact, Lenna says, an employer needs to stick with a financial wellness program for two or three years — and maybe longer. "We've become so focused on short-term results in our society," she says. "But life is complicated, and you want to allow for that richness of time and information to have an impact."

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FINANCIALLY "FIT"

NAPA Net reader poll finds financial wellness a fit for most

There are any number of industry surveys that indicate a growing interest in the concept of, if not the application of, financial wellness. Are NAPA Net readers feeling the financial wellness "love"?

Earlier this year, we posed the question to NAPA Net readers — and while respondents were mixed — they were solidly positive on the trend; more than half (57%) said they were pitching financial wellness to their clients and prospects, though the rest said "it depends." As one reader commented, "It's the fasting growing trend in the industry next to CITs. If you are not presenting wellness to your clients, then someone else is."

That said, things were a bit less enthusiastic on the "catching on" with clients and prospects part. Here nearly two-thirds (62%) said that "it depends," while the remaining 38% responded, "yes, for the most part."

The reasons for resistance were varied, with nearly equal dispersion among:

- Cost
- Not the right time
- Too much effort to change
- Not to mention a combination of the three (the most common response, cited by 38%).

- While reader/respondents were pretty evenly balanced on the components of a solid financial wellness program, when asked to share what their plan sponsor clients felt were the key elements:
- 43% – focus on outcomes/retirement readiness
- 29% – debt management/reduction
- 27% – establishment of emergency savings reserves
- 26% – budgeting
- 14% – financial literacy
- Of course, as you might expect, just under three-fourths of this week's respondents (71%) said "all of the above."
- As for implementation, only about a quarter (26%) of respondents were implementing financial wellness "all at once," with a slightly larger percentage (28%) bringing the program online one element at a time. The remaining 46% were in the "it depends" category.
- Most — 57% — are doing financial wellness with a partner (Smart Dollar and Financial Finesse were most referenced), although 28% are doing it on their own. And the rest? "A little of both."

— *Nevin E. Adams, JD*