



# Employee financial stress impacts your bottom line



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**F**inancial stress impacts most of your employees and the consequences are silently eroding your bottom line.

While the financial team of most organizations is focused on growing top-line revenues, managing costs, and improving productivity, some additional attention to the people side of your business might help accelerate the gains that you're working so hard to produce.

## Corporate movement toward financial wellness

After all these years of retirement plan education, there remains a high level of financial uncertainty among American workers. Every survey we've seen shows that more than 70 percent of American adults acknowledge feeling stressed about their money and financial position at least some of the time. This stress impacts them in all facets of their lives and one casualty is the cost and productivity challenges it creates in the workplace.

The growing recognition of the impact financial stress is having on their employees and their bottom lines has 84 percent of employers surveyed by Aon Hewitt creating or expanding their financial wellness initiatives.<sup>1</sup> This doesn't mean just beefing up the retirement plan education; it means including financial wellness as a pillar of a wellness initiative that includes physical, mental, and financial well-being.

### The employee condition

A recent PwC survey revealed that for 46 percent of the employees surveyed, finances caused the most stress in their lives.<sup>2</sup> Of the employees stressed about their finances, 67 percent struggle to pay their bills each month, 70 percent consistently carry a balance on their credit cards, and 40 percent struggle to make the minimum monthly required payment. It would come as no surprise that these stressors manifest themselves in other aspects of your employees' lives such as health, relationships, and productivity in the workplace.

Most American adults have a good sense of what they should be doing to manage their personal finances, but as industry study after study reveals, they're struggling to find real success. Since their employment benefits account for the vast majority of their financial resources, employees look to the workplace for help in understanding and managing their employment benefits, as well as other aspects of their personal finances. Employees trust the benefits and guidance provided by their employer and often have no other resources to turn to for help.

### Costs of employee financial stress

Financial stress shows itself in several ways, many of which serve to rob your organization's bottom line and often go unnoticed.

The most obvious—an adverse impact on your employees' overall health and resulting health care claims experience. Coping mechanisms for stress often result in poor lifestyle choices such as overeating and elevated use of alcohol and tobacco. Stressed individuals often are less physically active. Physical symptoms associated with high levels of stress include anxiety, headaches, high blood pressure and depression.

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The Purchasing Power study reported that, on average, financially stressed employees incur an additional \$400 per year in medical claims costs.<sup>3</sup> Most employers have implemented wellness programs designed to change these behaviors, but where most have fallen short is a failure to address one of the primary factors driving these symptoms: financial stress.

One of the sneaky costs of financial stress impacting your organization is the cost of presenteeism. Presenteeism refers to employees who report for work, but aren't fully present and engaged in their assigned duties. Financially stressed workers acknowledge that their finances distract them while on the job, and 46 percent of those employees self-report that they spend three hours or more each week dealing with personal financial issues when they should be focused on their work.<sup>2</sup>

Not only is the distracted employee's productivity reduced, but others in your organization, such as those further along the manufacturing process, are likely impaired as well. The cost to your organization is far more than the wages paid to your distracted employee.

Numerous studies exist attempting to quantify the impact of absenteeism, delayed retirements, and turnover. While the actual cost impact to each organization differs, until you study and truly understand your population, you will never know the true impact on your organization.



## Today's reality – Employees need more help

Financial stress among your workforce is a reality, and with it comes a cost to your organization that creeps in and attacks your bottom line from many fronts.

Progressive organizations are moving to expand their wellness programs to include a financial component as a primary pillar of their activities. To rely solely on the education and resources offered with your retirement benefits has proven to be inadequate to address the severity of this issue. An investment by your organization to offer employees expanded financial education and planning resources can have a positive impact against this multi-faceted attack on your profitability.

## Understanding how your organization is impacted

The first step is getting to know your employees and their financial concerns. Incorporate into your existing communication questions to gauge employee attitudes and needs.

Exit interviews, performance evaluations, new hire onboarding, and focused surveys could be the starting point. Next, review the utilization data provided by your retirement plan provider. Information about loan activity, hardship withdrawal requests, changes in deferral rates, and utilization of features such as Roth offers insights into more than just the employee's understanding of the retirement benefits. Your payroll department will have information about the prevalence of wage garnishments, utilization of health savings accounts, and even frequent changes made to employee withholding levels.

Combined, this information should help you confirm that what you are hearing about financial stress' impact on organizations actually applies to your organization.

And finally, to appease the true accountant in all of us, put pencil to paper and calculate the potential cost to your organization of increased health care costs and presenteeism using your demographics and employee compensation data. The return on investment to employers from comprehensive health wellness programs is reported to range from \$1 to \$3 or more per dollar invested.<sup>4</sup> We would suggest that a sustained financial wellness program could prove even more effective.

*The material in this column is provided for informational purposes only. Francis Investment Counsel does not offer personal tax or legal advice.*

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<sup>1</sup>Aon Hewitt, "2017 Hot Topics in Retirement and Financial Wellbeing"

<sup>2</sup>PricewaterhouseCoopers, "2017 Employee Financial Wellness Survey"

<sup>3</sup>Purchasing Power, "Financial Wellness: Addressing the '9-5' Impact of 24/7 Financial Stress"

<sup>4</sup>Stephen Miller, Study: "Wellness Programs Saved \$1 to \$3 per Dollar Spent"

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<http://www.shrm.org/hrdisciplines/benefits/articles/pages/wellness-dollarsaved.aspx>