

HEALTH WEALTH CAREER

THE BUSINESS CASE FOR FINANCIAL WELLNESS

EMPLOYERS' HEALTH
COALITION OF IDAHO

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Lee D. Gold
Principal

Denver



MAKE TOMORROW, TODAY



An aerial view of a city at sunset, with a video player overlay. The text "BOLD IDEAS FOR MENDING THE LONG-TERM SAVING GAP" is displayed in large, bold, blue letters. A grey button with the text "PLAY VIDEO" is located in the bottom right corner of the video player.

**BOLD IDEAS
FOR MENDING
THE LONG-TERM
SAVING GAP**

PLAY VIDEO

FOCUSING ONLY ON SAVINGS MAY NOT WORK LESSONS FROM AUSTRALIA

Superannuation Guarantee (SG)

- Introduced July 1, 1992
- Employer now contributes 9% of employee's pay
- Will rise to 12% by 2020
- 94% coverage in 2007



THE VERDICT: “The perceived increase in wealth from SG contributions, growing superannuation balances and rising house prices have persuaded people to use debt to fund a higher current living standard. This was not an objective when Australia’s retirement savings policy was developed. It is now twenty years after the SG was introduced, and superannuation savings minus household debt effectively equals zero.”

Source: *Twenty Years of the Superannuation Guarantee: The Verdict*, Research Report for CPA Australia, August 2013

THE WHAT AND WHY OF FINANCIAL WELLNESS

TOTAL
WELLBEING

FINANCIAL

EMOTIONAL

PHYSICAL



CONTROL OVER
DAY-TO-DAY
FINANCES



CAPACITY
TO ABSORB A
FINANCIAL SHOCK



ON TRACK
TO MEET
FINANCIAL GOALS



HAVE
FREEDOM TO
MAKE CHOICES

Source: Consumer Financial Protection Bureau. *Financial Well-being: The Goal of Financial Education*, 2015.

GROWING
ASSETS

69%
of workers have less than
\$1,000 in savings¹

44%
of adults unable to cover
\$400 emergency²

MANAGING
DEBTS

\$16,747
Average credit card debt
per indebted household³

\$37,000
Average student loan
debt⁴

³American student assistance (SALT) , 2016
⁴Nerdwallet, 2016

INCOME/
EXPENSES

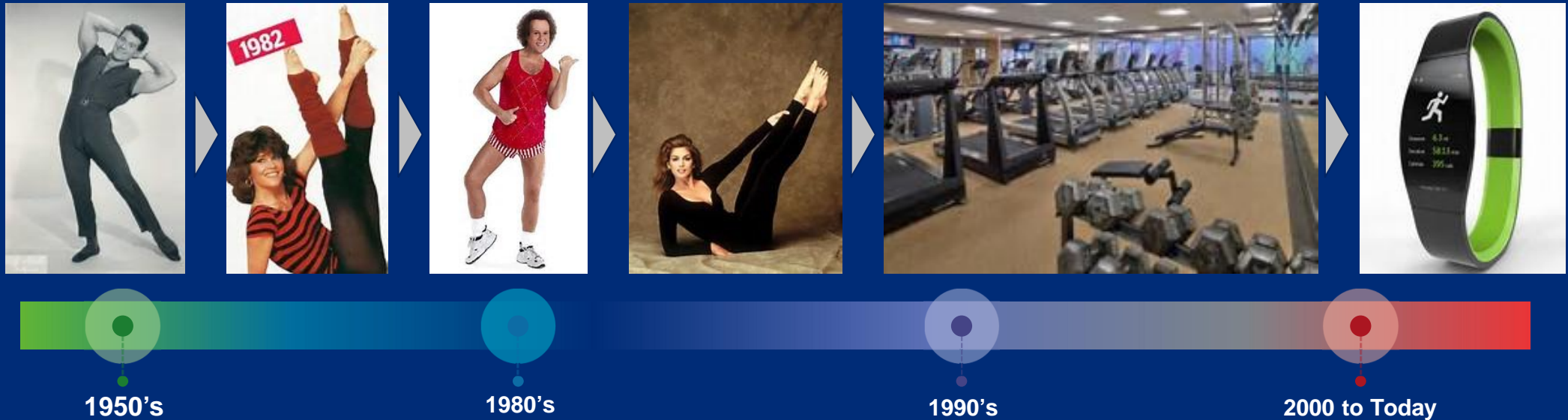
53%
Of adults say spending
equals or exceeds income²

32% of adults say income
varies from month to month
and **13%** struggle to pay
bills due to income volatility²

INSURANCE
PROTECTION

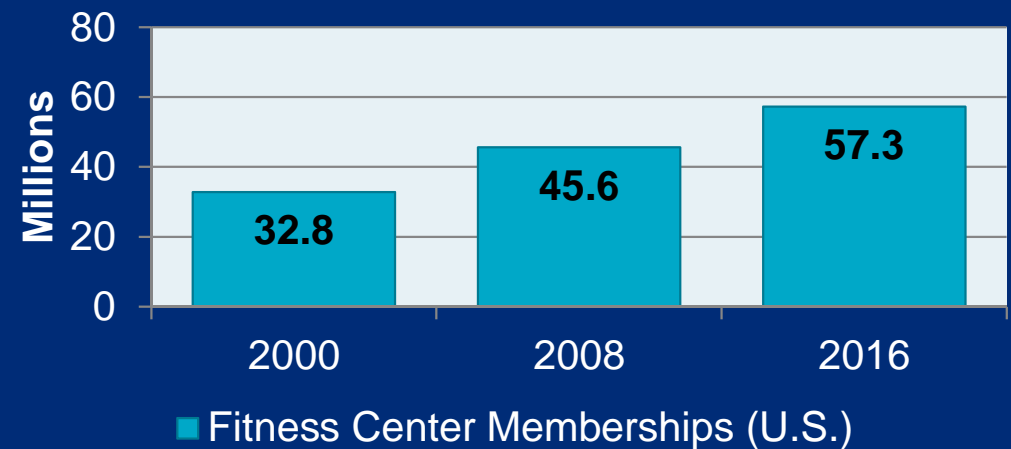
23%
Of adults with health
insurance report going
without some form of medical
treatment due to cost²

THE EVOLUTION OF PHYSICAL FITNESS



Key Trends

- More tools and service providers
- Personalized data and communication to provide meaningful tips and feedback
- Now common to track steps, give blood, receive “health scores”



Source: International Health, Racquet, and Sportsclub Association (IHRSA)

THE EVOLUTION OF FINANCIAL WELLNESS

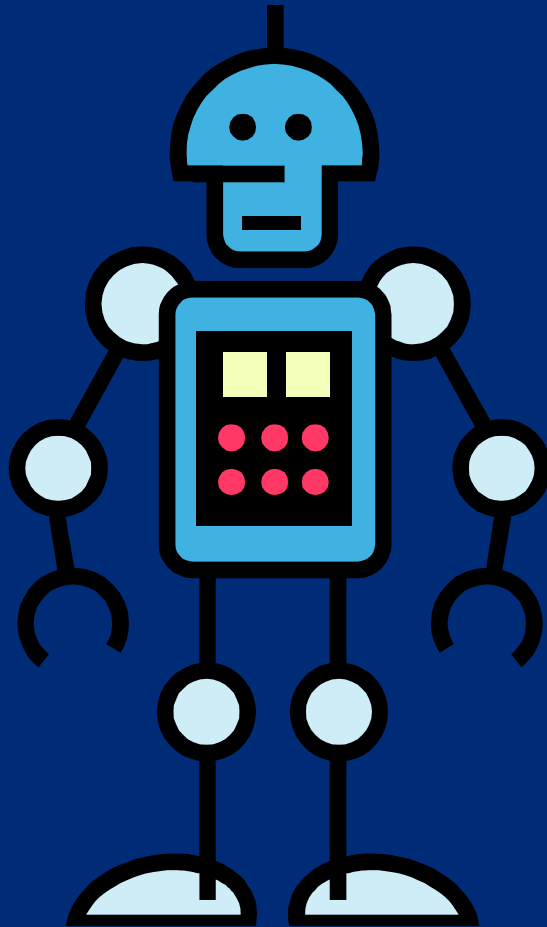


MORE TOOLS AND SERVICES, PROVIDING PERSONALIZED INFORMATION

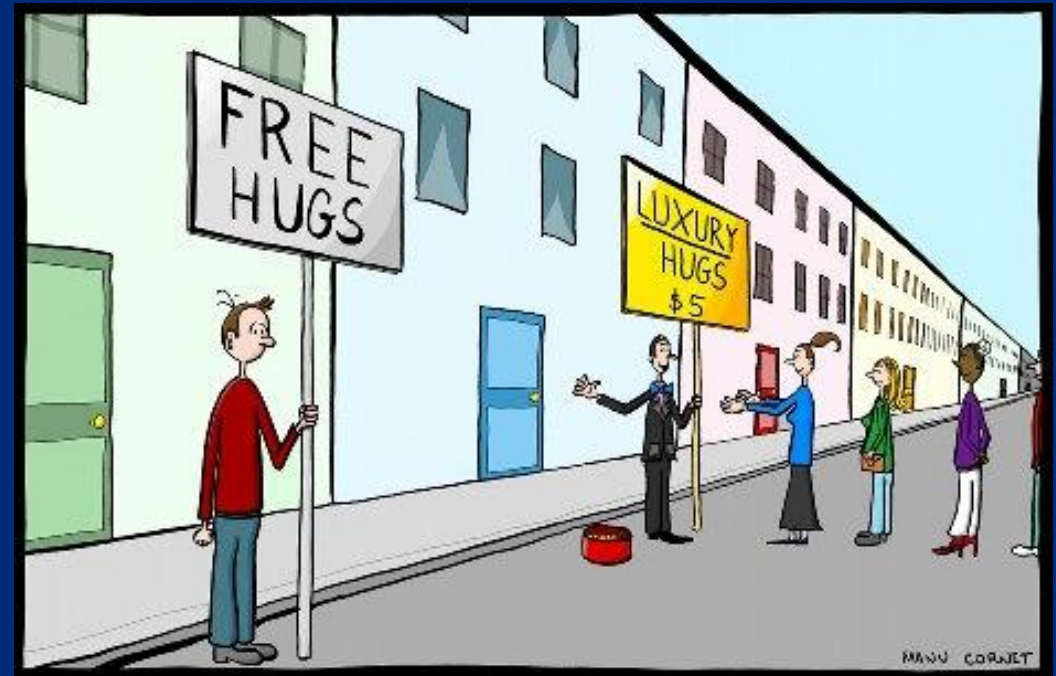


INTRODUCING... HOMO ECONOMICUS

In theory...



In practice...



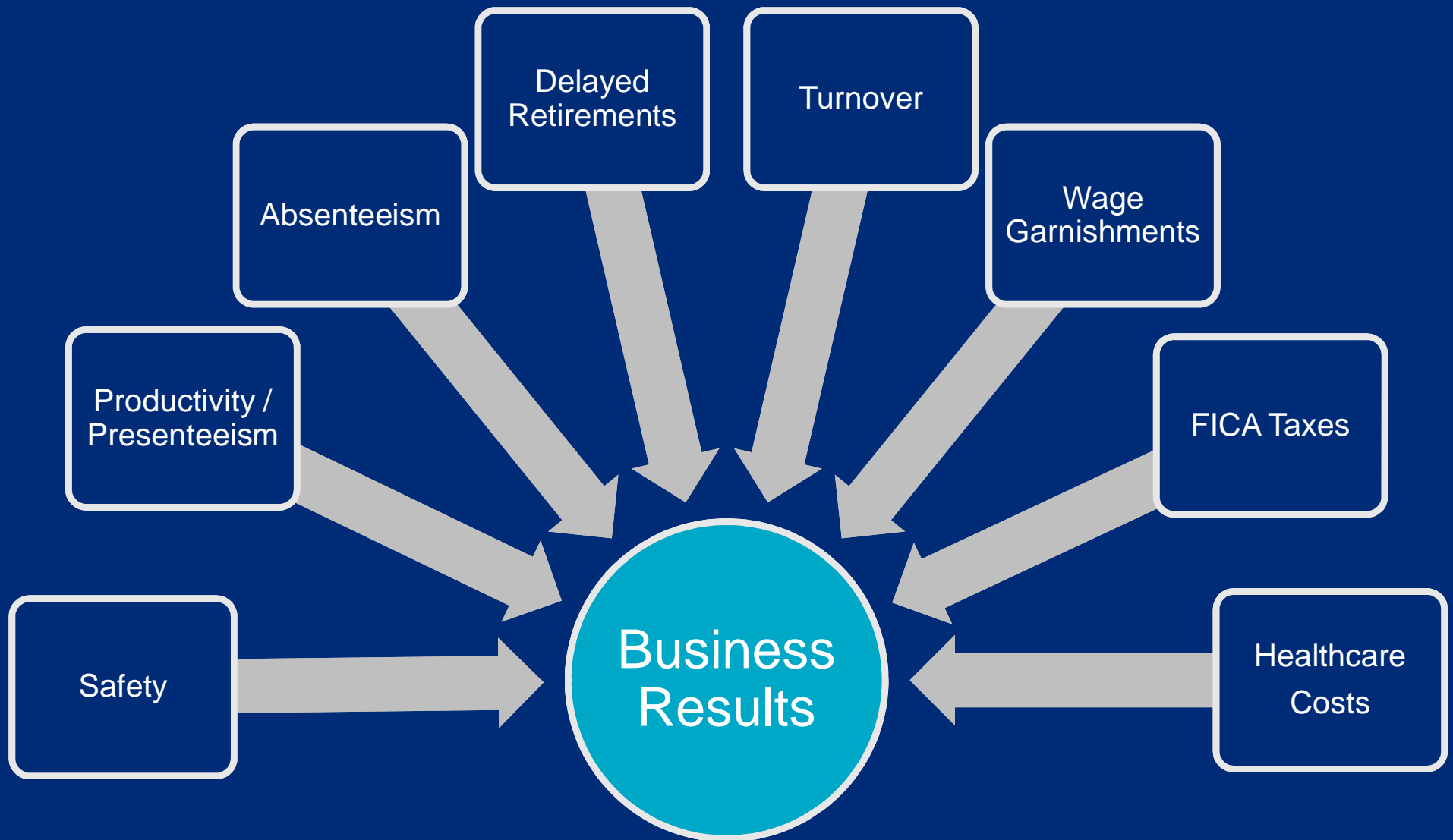
SHOPPING FOR ELECTRONICS



WHAT WOULD YOU DO?



THERE ARE BUSINESS IMPACTS WHEN EMPLOYEES ARE NOT FINANCIALLY FIT



MAKING THE BUSINESS CASE HEALTHCARE/ ABSENTEEISM / DELAYED RETIREMENT

7 OUT OF 10
AMERICAN WORKERS
say financial stress is
their most common
cause of stress.¹

¹ American Psychology Association,
*Stress in America: Are Teens Adopting
Adults' Stress Habits?* (2014)

80%
OF EMPLOYEES report an
increase in their health
care costs in the past two
years and **56%** are saving
less for retirement as a
direct result of more health
care costs.²

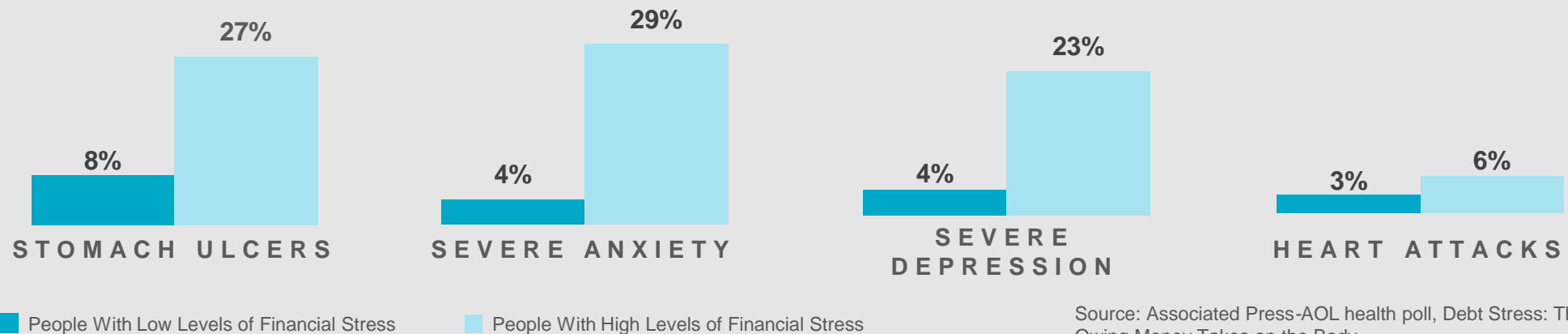
² Bank of America/Merrill Lynch,
Workplace Benefits Report (2013)

22%
OF US EMPLOYEES
admit to missing at least
one day of work in the
past year to deal with a
financial problem.³

³ MetLife, Inc., *10th Annual Study of
Employee Benefits Trends: Seeing
Opportunity in Shifting Tides* (2012)

\$50,000
Cost to employer of
employee delaying
retirement by one year.⁴

⁴ Prudential: *Why Employers Should Care
About the Cost of Delayed Retirements*
(2017)



Source: Associated Press-AOL health poll, *Debt Stress: The Toll
Owing Money Takes on the Body*

MAKING THE BUSINESS CASE SAFETY / PRODUCTIVITY / PRESENTEEISM



Fluid
Intelligence
Test



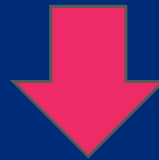
\$300

=



=

\$3,000



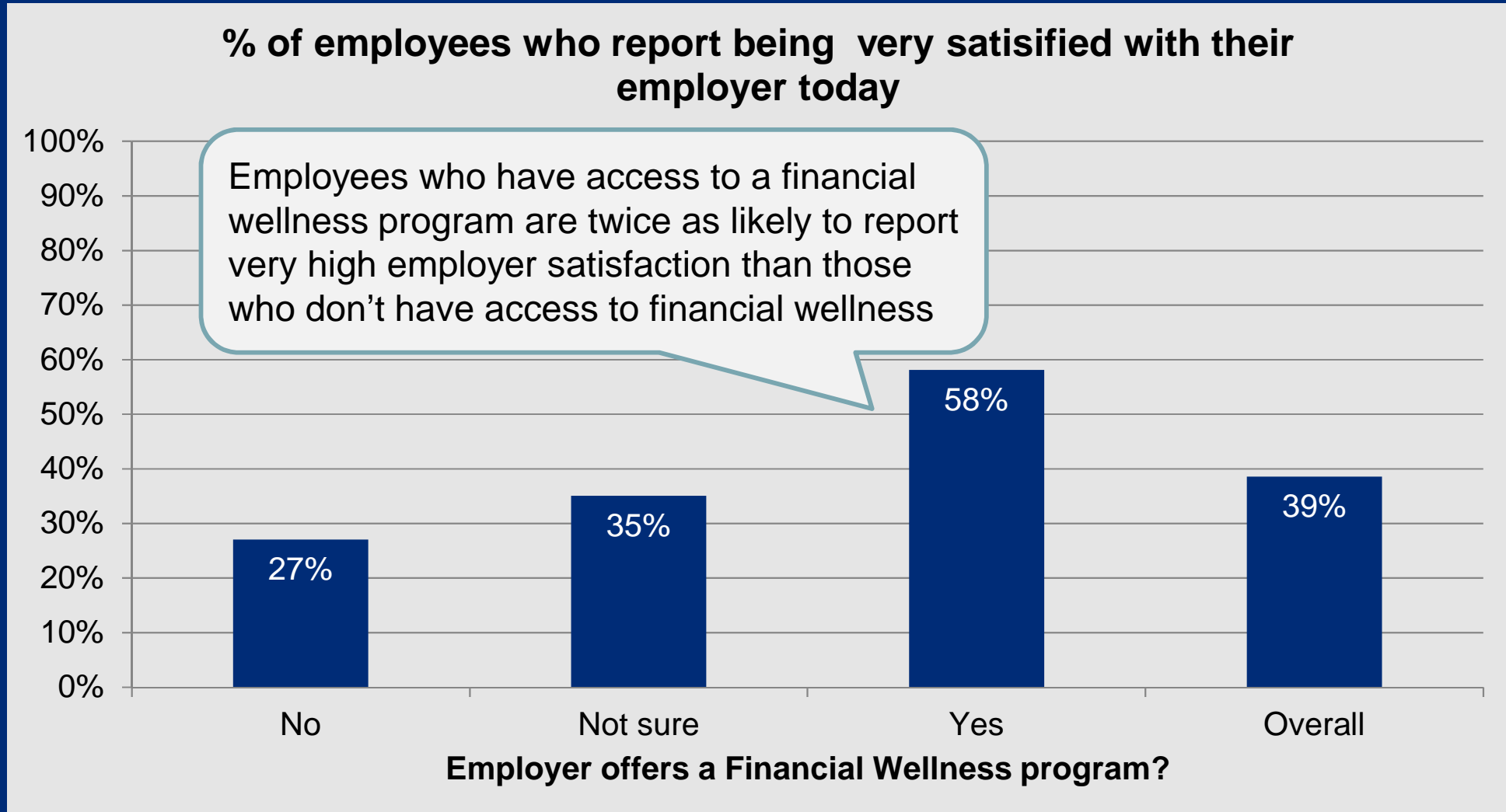
Between 13 and
14 IQ points

No
Change

Participants were presented with a hypothetical financial situation. They were then given the Raven's Progressive Matrices Test (measures fluid intelligence).

Source: Scarcity: Why Having Too Little Means So Much, Sendhil Mullainathan and Eldar Shafir, 2013

MAKING THE BUSINESS CASE TURNOVER / PRODUCTIVITY



INSIDE EMPLOYEES' MINDS

FINANCIAL WELLNESS EDITION - HEADLINES



52% would find a **\$400** unforeseen expense difficult to cover (but would manage) or a major crisis.



Hours per month worrying about money while at work:
5 (median) **13** (average)



Financial concerns are very **diverse** and vary at an individual level.



Actual financial literacy did **NOT** show a strong correlation to financial wellness. Perceived financial literacy was a better predictor.



Higher financial **courage** leads to higher engagement, which leads to higher financial wellness.

¹ As assessed using the three questions set out in "How ordinary consumers make complex economic decisions: financial literacy and retirement readiness" by Annamaria Lusardi and Olivia S. Mitchell, March 2009.

INSIDE EMPLOYEES' MINDS

FINANCIAL COURAGE

THE MERCER FINANCIAL COURAGE INDEX IS DEVELOPED USING QUESTIONS IDENTIFYING:

ATTITUDE TOWARD FINANCIAL MATTERS

TIME SPENT WORRYING ABOUT FINANCES

PREFERENCES AROUND FINANCIAL PLANNING

SELF-ASSESSMENT OF FINANCIAL KNOWLEDGE

PREFERENCE FOR CONTROL OVER INVESTMENTS

MERCER FINANCIAL COURAGE INDEX	PERCENT OF POPULATION
High [50–100]	15%
Medium [25–50]	25%
Low [0–25]	60%

...tend to have lower levels of financial wellness



...are less likely to engage with financial wellness programs

INSIDE EMPLOYEES' MINDS™ FINANCIAL WELLNESS EDITION - SOME NEW HEADLINES



Employees who have access to financial wellness programs report higher levels of **trust and satisfaction** with their employer



Financial Courage is very important for **initial engagement** with Financial Wellness programs

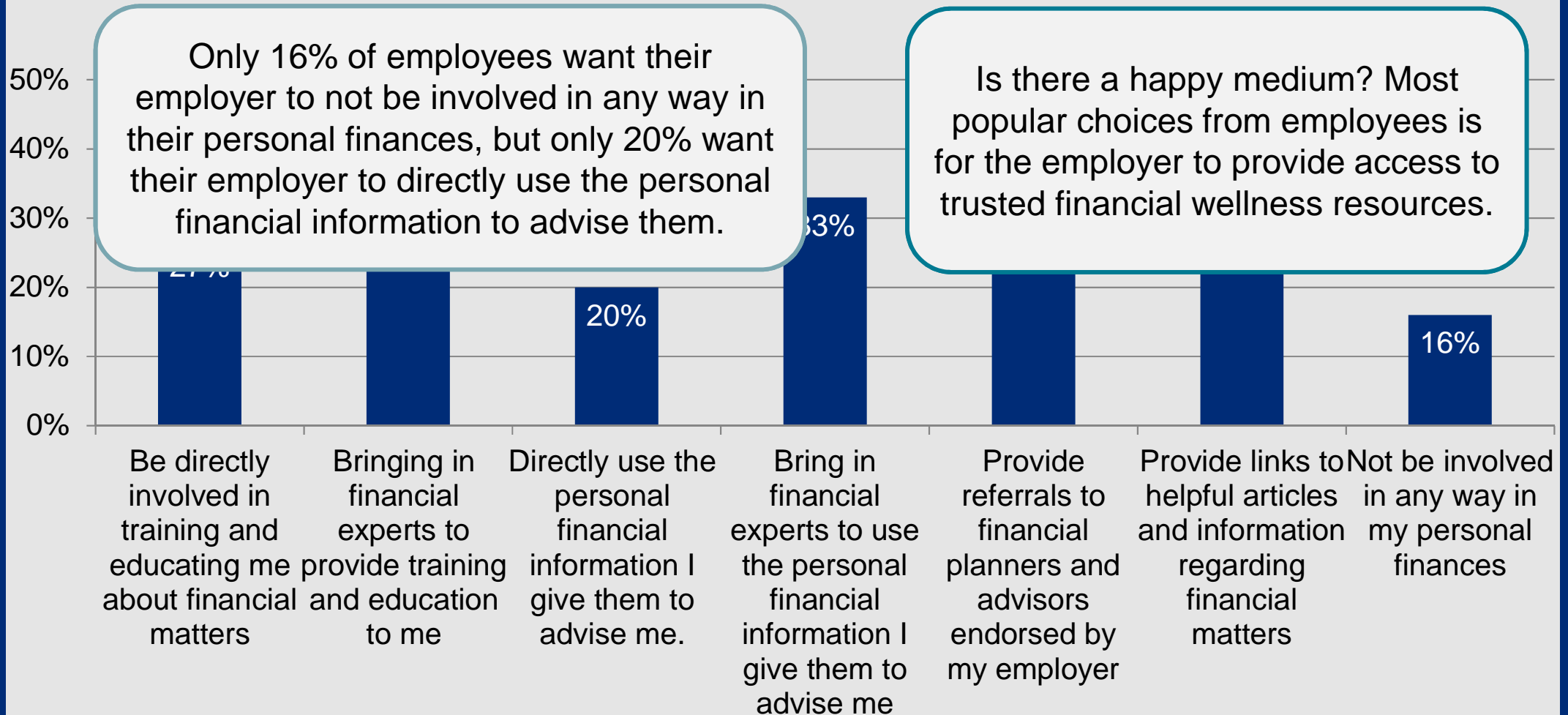


Even those with low financial courage tend to implement any **specific steps** that a financial wellness program gives them

Source: Mercer's 2017 Inside Employees' Minds™ Survey

THE DICHOTOMY OF TRUST

How much of a role do you want your employer to play in helping you make the best financial decisions for yourself and your household?



ENGAGEMENT PATTERNS

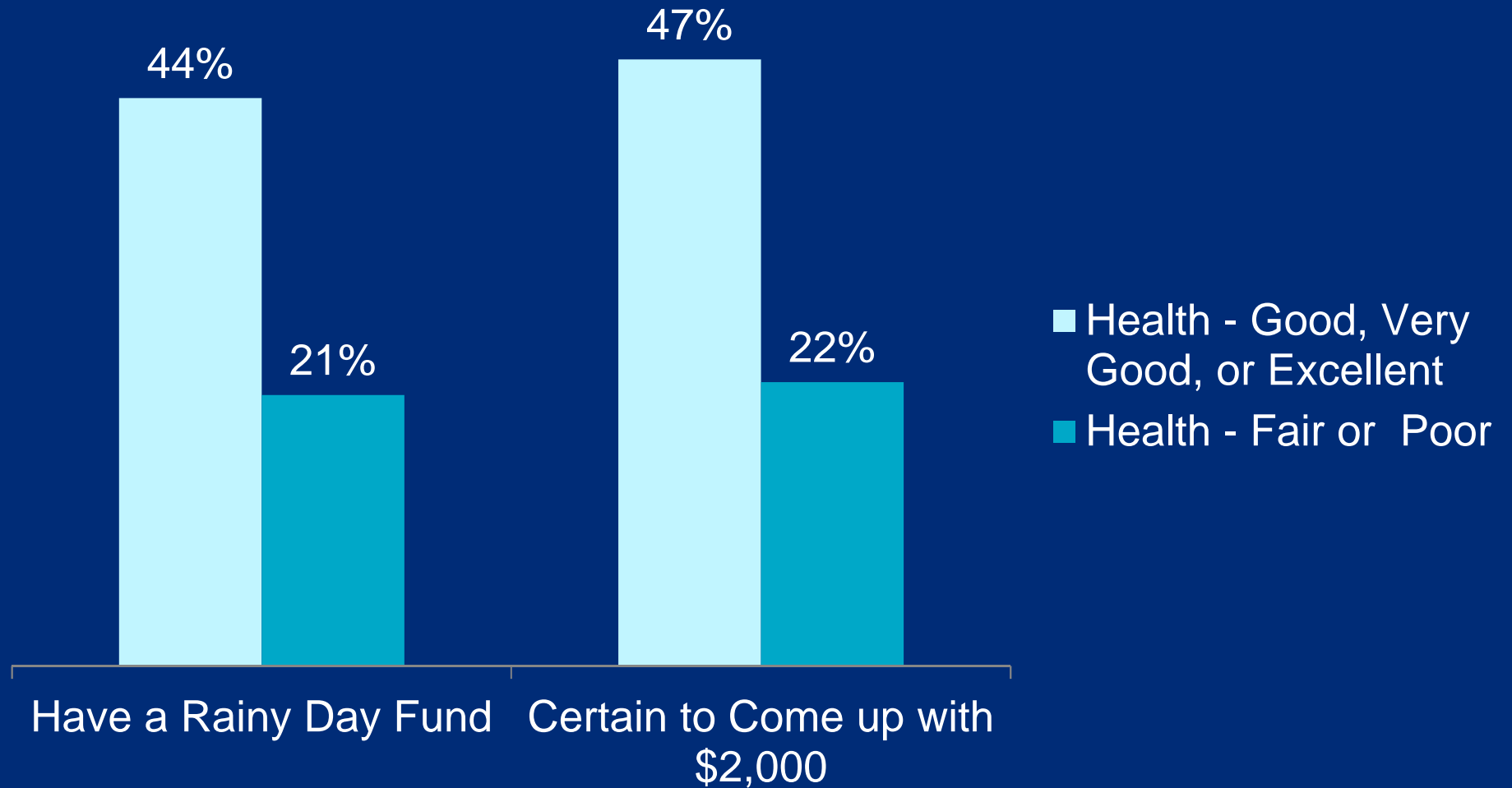
FINANCIAL WELLNESS PROGRAM EXISTS

Step	Low Courage	High Courage
Are you aware of the program?	22%	59%
Do you participate?	48%	80%
Are you aware of specific steps you need to take?	89%	98%
Have you taken those steps?	88%	97%



Financial Courage is KEY for initial steps. Financial Courage does not seem to matter near as much once individual is participating.

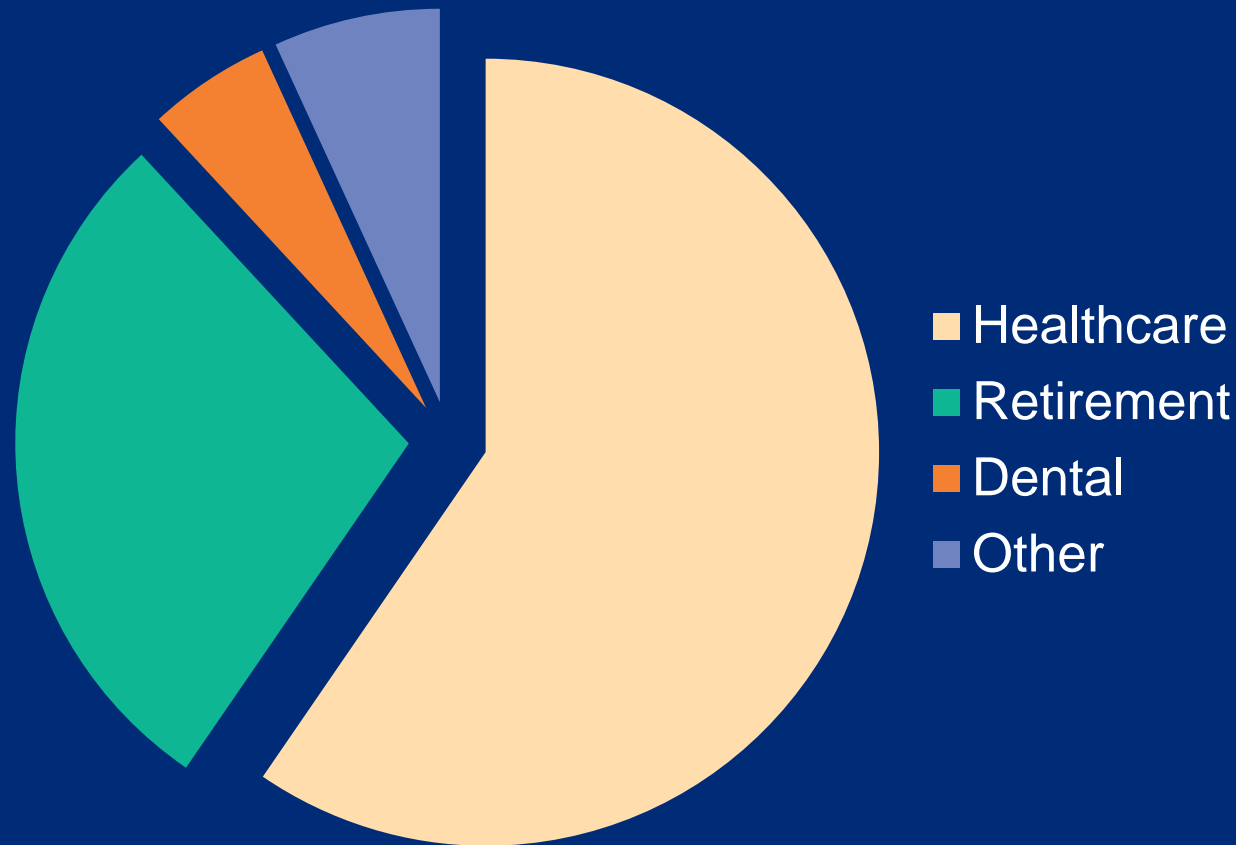
OPPORTUNITY START CONNECTING HEALTH AND WEALTH



Source: *The National Financial Capability Study: Empirical Findings from the American Life Panel Survey*, Marco Angrisani, Arie Kapteyn and Annamaria Lusardi, November, 2016

OPPORTUNITY

RETHINK ALLOCATION OF BENEFIT SPEND



What is the basis for this traditional allocation of employer benefit spend?

Could a different allocation be more beneficial to employees, with subsequent positive impacts on business results?

What about new benefits not offered today?

OPPORTUNITY

THE OLD WAY VS THE NEW WAY

THE OLD WAY

- Employees receive one-size-fits all communications and brochures listing benefit options
- Opportunity to enroll only at OE when decision making capacity already taxed
- Rip off the band-aid – “You are not on track to retire before age 80!”
- Employee responsible to look outside the financial wellness program to find a vendor to implement a specific action (e.g., Refinance student loan)

THE NEW WAY

- Employees are directed to “select your profile” to receive information on benefits most valuable to people like them
- Constant nudges to action to drive urgency, but allow enrollment year round
- Consider holistic financial life. Do not focus just on largest, hardest-to-achieve, long-term savings goal.
- Employer makes it easy to take action (e.g. link a student loan refinance provider to the source of the financial direction)

OPPORTUNITY

KEY THINGS TO REMEMBER

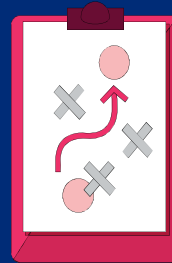
- Think beyond retirement to mend the gap
 - Address the worries that people have today so they can devote effort to thinking about tomorrow
- Employees are human, not computers
- Employees are consumers – let's engage them
- The majority of employees lack Financial Courage
- Building Financial Courage is key to the ongoing and sustainable success of financial wellness program
- Focus on helping Low Courage employees clear the first two hurdles:
 - Build awareness of tools/services/programs
 - Actively invite them to participate and make it easy

WHERE YOU MAY NEED SOME HELP



Research/Data

- Vendor research
- Wellness assessments and employee surveys



Analysis/Advice

- Vendor searches
- Data analytics, and interpretation
- Setting strategy, building a road map



Solutions

- Point Solutions
- Bundled Solutions
 - Open or closed architecture?

QUESTIONS?



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