

# *GETTING IN FRONT OF THE TRENDS:*

*Using High-Tech Tools to Improve Financial Wellness*

by | **Arthur I. Noonan** and **David Scharf**



Financial well-being programs can help employers address issues like delayed retirement, disability and turnover. Using data analytics and artificial intelligence tools to identify and predict workforce trends can increase the effectiveness of such programs.

**B**y now, most of us know the numbers: The employee turnover rate on average in the United States is about 12-15%,<sup>1</sup> and the cost to replace an employee can range from 90-200% of the employee's annual salary.<sup>2</sup> Engaging and retaining talent is a bottom-line challenge, and it's up to human resources to figure out the right response to both workforce and business needs.

Employers worldwide are looking to various well-being programs—addressing both physical/emotional and financial health—to improve engagement at work, boost performance and productivity, and attract and retain critical (and sometimes scarce) talent.<sup>3</sup>

### Metrics Look Backward; Metrics Plus Data See Into the Future

Despite the growing media attention that financial well-being has garnered over the past several years, the actual implementation and success of these programs has a long way to go. One significant factor that can get in the way is the difficulty in designing a program that works for a specific population and

then measuring the results. Regardless of how success is measured, employers want to know whether the program results in changes to unplanned paid time off, unwanted turnover and productivity levels.

While measuring past results is important, given the recruitment and retention challenges organizations are grappling with now, it's critical for employers to be able to better forecast productivity issues. This will help them avoid talent shortages due to untimely retirements, disability and resignations and correct any employee program designs that don't produce the wanted results. To meet those challenges, organizations have to find effective tools to predict the interaction between employee well-being and resulting performance and productivity metrics.

By combining the results that are being measured today with the right data, employers can leverage a predictive model that identifies areas of concern and opportunity, which in turn can inform a program that is more relevant and targeted to the particular population.

### Employees Are Still Wired to the Immediate Present

Before going further, it's important to understand today's economic challenges and how they evolved.

Financial well-being is not actually a new concern. Since the beginning of civilization, people have had to take care of themselves and their families to survive. And these very roots of society have not changed all that much. The hunter-gatherer, with no means to store food, had to procure and secure sustenance for his family on an almost-daily basis. Compare this to the current gig economy with a transient workforce for which today's earnings garner today's food (albeit with a longer time frame given the ease of storing food). Any savings for the future, including retirement, are often dismal to none.

Though life spans have almost tripled, people (even traditional career employees) still are not driven to save for later in life. Some don't save for retirement or, in many cases, simply can't because they are not making enough money and are struggling to make it from paycheck to paycheck.

Further fueling the aversion to dealing with future concerns is the fact that savings vehicles have grown increasingly complex through the years. Defined benefit pensions have shifted to more do-it-yourself 401(k) plans. Health savings accounts (HSAs), 529s and Roth plans were introduced to align with individual tax strategies. Voluntary benefit programs attempt to fill gaps in base employer benefit offerings. Add in the complexities of ongoing budgeting, mortgages, payday loans, credit cards and student loans, and the decision

## takeaways

- Employers turn to well-being programs that address physical/emotional and financial health to improve engagement at work, boost performance and productivity, and attract and retain staff.
- It can be difficult to design a financial well-being program that is effective for a specific employee population.
- Tools that analyze data employers gather and that use artificial intelligence may help employers create more relevant and targeted financial well-being programs.
- Decision-support tools and artificial intelligence technology can steer employee decisions such as how much to contribute to their defined contribution plan or whether to save money in a health savings account.
- Combining high-tech approaches with a personal touch, such as providing a financial planner, can help employees feel more confident in their financial decisions.

making gets daunting. So even when they can afford to save, it is tough to figure out the right amount and way to do so.

### Get in Front of the Trends

The good news is that it is possible for employers to do a better job helping employees in all these areas by using existing workforce data and analytic technology.

For example, comparing data points such as 401(k) loans and hardship withdrawals may indicate employee financial concerns that generate stress—stress that results in work distractions, increased absenteeism and, potentially, increases in health care costs. All of these can result in a decrease in productivity.

Financial challenges also can lead to delaying retirement, since employees may no longer be able to afford to retire as originally expected. That can lead to a further decrease in productivity and may cause unwanted turnover at lower levels of the organization: Those unable to retire may block the way for up-and-comers to advance. These individuals, in turn, grow discouraged and seek opportunities elsewhere.

The toll all of this takes on employee morale can further decrease productivity as well as retention (one of the top priorities often cited for well-being programs). But this snowballing effect can be prevented by addressing productivity issues proactively—before they start to compound—and designing programs to address specific issues of importance to both employer and employee through data analysis that shows the trends that are developing into problems.

As illuminating as this all is, additional insights can be gained by pull-

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ing in other data inputs. For example, combining health care enrollment data with the various financial program data components may reveal segments of the population that are also under financial stress—though the pure “financial” data wouldn’t indicate that.

By looking at a broader set of data, an employer may discover that across its benefits-eligible population, employees who are enrolled in “employee plus child(ren),” e.g., single parents, coverage may contribute to their 401(k) accounts at much lower rates than the population overall (i.e., as compared with those who elect “employee only” or “employee plus family” coverage). This discovery may lead to changes in benefit program design, contribution rate setting or perhaps messaging tactics. For example, employers are aggressively addressing student loan debt, but it is important to recognize that the challenges a single parent faces also deserve attention.

### Technology Can Support Decision Making—To a Point

Employers may already have the benefits available to resolve employee concerns, but employees may not be taking advantage of the right ones. If

employers can help their workforces choose and use benefit plans to best meet their needs, employees will thrive in their health and in their wealth. They will be less stressed about finances and won’t spend as much time worrying whether they’re on the right track to retire. They will be more productive at work and cost employers less in health-related absence.

The simplest tool in use today is autoenrollment. This helps ensure that individuals are enrolled in their employer’s savings program at a basic level, even without the individual taking proactive steps to do so. However, autoenrollment is only a beginning; it does not look at an individual’s circumstances. The more sophisticated tools guide individuals in a prioritized and practical manner—setting up an emergency fund first and then moving forward with additional guidance that reflects the individual’s own situation. Even so, autoenrollment is still an effective first step.

Decision-support tools can help individuals rationally determine what benefits they need. While being sensitive to data privacy laws, tools driven by personal data can span the spectrum of employer plans, personal holdings

and even personal scenarios to establish that optimal, logical mix of plan selection and use.

The best of these decision-support tools consider an individual's entire financial picture. They look beyond the narrowly defined trade-offs of whether to put money into a Roth vs. traditional defined contribution (DC) plan, or a DC plan vs. HSA, or when to choose a fixed rate mortgage over a variable rate one. Instead they assess the full spectrum of situations and choices to determine when it's advantageous to pay off debt, when to use the pretax and employer match benefits of DC plans, when to invest in an employer's stock purchase plans, to what extent they should fund their HSA (and whether they should then use those funds today for current health care expenses), how to build an emergency fund and so on.

Behavioral science tells us that people are more likely to "set and forget," so making it easy to overcome the initial inertia is critical.

Beyond autoenrollment, artificial intelligence tools, driven by machine learning, are emerging that can automate the entire process for the individual. They can even recalibrate based on market adjustments, regulatory changes and financial changes in our data. Automated nudges can keep the individual involved and aware, just to the extent needed and no more.

Employers can help with this technical starting point by making tools available that help guide individuals in their decision making, comparing outcomes associated with different possible future paths based on decisions made today so a more informed decision can be made. They have access to current and historic plan participation, including data that's often difficult to access—compensation, equity plans and incentives. To make it simple for most employees, employers can make this data readily and securely accessible, populated into algorithms that also assess "people like me" data to create an unbiased, objective look at the options available based on the actual evidence provided by the data.

Recognizing today's changing workforce, additional features to consider adopting in a financial well-being program (which will also need to be evaluated via predictive modeling) might include access to financial well-being tools, phased retirement, trial retirement, financial crisis management counseling, reducing the "cost to work" through commuter assistance and the like.

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### Balancing High Tech With High Touch

The missing link, though, is the subjective side. So much is going on in employees' lives that trade-offs, preferences and genuine thought need to be part of the overall equation. Algorithms can only go so far in capturing all the scenarios going on in people's minds and in their lives.

One way employers may provide this balance is by adding the personal touch of financial planners. Financial planners armed with this AI analysis (and, of course, employee consent) can take the extra step of getting to know individuals and their household needs, their risk tolerance and their

plans. Financial planners can further develop and refine scenarios for a truly tailored approach to financial stability. In a fee-for-service financial planner model funded by the employer, individuals can be further assured that advice is based on what's best for the individual, not based on a commission.


Balancing high-tech capabilities with a high-touch approach can bring people the simplicity that their hunter-gatherer minds crave, with clear benefits to them and their employers.

### What's in It for the Employer?

Mining data to model and understand the current environment and coming trends as well as identifying data that isn't there yet lets employers develop risk scenarios, identify trends, pinpoint future talent needs, boost workforce productivity and reduce unwanted turnover from financial stress.

Through predictive modeling, employers can compare the improved outcomes of financial well-being programs

that result from these interventions with the outcomes that would have resulted otherwise. Sharing the before-and-after picture with employees further reinforces engagement and retention.

Continuously measuring results will identify additional opportunities for improvement and a way to further engage the workforce in efforts to make additional improvement in their outcomes. The end result may be a workforce better positioned for financial success—one that will be more productive today and better equipped to retire tomorrow, with tomorrow being the optimal time, for both the employee and the employer. 

### Endnotes

1. See [www.talentlyft.com/en/blog/article/242/hr-metrics-how-and-why-to-calculate-employee-turnover-rate](http://www.talentlyft.com/en/blog/article/242/hr-metrics-how-and-why-to-calculate-employee-turnover-rate).
2. Ibid.
3. *Working Well: A Global Survey of Workforce Wellbeing Strategies*, Buck, 2018.



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