The Business Case For Financial Education

E. Thomas Garman[1]

This paper argues that the business case for workplace financial education is based upon increasing the financial wellness of workers and their job productivity. It demonstrates that comprehensive workplace financial education can help all workers, including those with money problems, "find" $1,200 a year to fund their retirement plans. Research shows that the first-year return on investment for financial education that improves a worker's personal financial behavior and wellness is over $400 (e.g., fewer absences, less time dealing with financial matters, and increases in productivity). Other analysis shows that employers gain a return on investment of 300 percent or more. Academics need to contribute research to the bottom line arguments.

Key Words: *absenteeism, credit, financial education, retirement, work-family*

The number of financial education programs for workers has grown tremendously over the past decade. Approximately half of working Americans now have financial education available through their places of employment. For the great majority, however, these programs have been traditional, narrowly focused retirement education programs developed primarily because of Department of Labor (DOL) regulations.

Several DOL regulations since 1990 encourage employers to educate workers about the importance of saving and investing for retirement as well as provide retirement plan sponsors relief from some liability for poor results in worker directed investments. Accordingly, most financial education for workers concentrates on retirement. The results of retirement education for workers, however, are mixed at best.

For example, only about half of all workers contribute to an employer-sponsored retirement plan, and half of 401(k) plan participants age 51 - 60 have $15,000 or less in their retirement account (Employee Benefits Research Institute, 1998).

A growing number of employers realize that financial education is a key factor in both recruitment and retention (Brown, 1998; Decker, Decker & Love, 1998). Why? An employer's best workers are typically people who are in control of their personal finances and contribute to their pension plans. These employees are happier with their financial lives and it shows in their work (Wissert, 1998). Research shows that personal financial wellness increases a worker's job productivity (Garman, 1997d; Garman, 1997e; Garman, 1997f; Garman, 1997g; Garman, 1998a; Joo & Garman, 1998a; Joo, 1998).

The smartest employers today are broadening their perspectives about financial education. They are moving beyond simply providing workers retirement education. A growing number of employers are offering comprehensive

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financial education. This emphasizes helping all workers make good decisions about investment choices within employer-sponsored retirement plans, other employer-furnished fringe benefits, and personal budgeting. And for those who need it, smart employers are also helping workers with money problems learn to overcome the obstacles so that these workers can fully fund their retirement plans. The nation's employers, say employee benefits specialists and other experts, are part of the movement paying increasing attention to the public's need for education about personal finance (Arnone, 1997; Ackley, 1998; Atchley, 1998).

The Rationale For Comprehensive Financial Education Is Strong

What if someone, perhaps an academic, promised an employer a plan to achieve the following:

*increased worker productivity
*reduced absenteeism to take care of personal financial matters
*reduced human resource administrative costs to process wage garnishments and requests for payroll advances and 401(k) loans
*increased participation in and contributions to employer-sponsored retirement plans
*reduced Social Security payroll taxes because more workers utilize pre-tax health and dependent care
*reduced stress over financial matters and decreased stress-related illnesses from alcohol and other substances
*reduced health care premiums
*fewer accidents on and off the job
*improved use of and satisfaction with employer-provided fringe benefits
*reduced human resource administrative costs because fewer questions are asked
*reduced turnover by attracting and retaining qualified workers
*reduced pressure to increase salaries and wages
*increased morale, work satisfaction and loyalty to employer
*increased number of worker retirements on time, rather than delayed
*reduced exposure to future litigation based upon fiduciary liability as fewer retirees have financial problems
*a positive return for every dollar invested in comprehensive financial education

These benefits to employers are part of the promised rewards of workplace financial education. Research from a variety of sources, some quite credible and others less so, support this conclusion (Garman, Leech, & Grable, 1996). The premise underlying the research is that increases in workers’ personal financial wellness results in bottom line improvements for the employer.

A Good Financial Education Program Should Be Expected to Increase Workers’ Financial Wellness

It should be no surprise that retirement education helps workers save for their retirement. After all, such programs emphasize the time value of money and the necessity to save now for the future. As a result, retirement plan participation rates typically increase. Thus, financial education works.

Comprehensive financial education should work even better! Workers who participate in work site financial education are expected to soon find the following:

*increased financial wellness
*lower household debt-to-income ratio
*Increased self-esteem and improved attitude about work

*increased satisfaction with employer-provided fringe benefits
*increased capability to participate in and contribute to retirement plans
*increased savings for retirement (Kratzer, et al, 1998).

It is argued that such increases in personal financial wellness result in improvements in job productivity. Research by Joo (1998) found that good financial wellness and key measures of high worker productivity are positively related. Workers with good financial wellness are the people that employers love, because such employees come to work, receive high performance ratings from their bosses, use a minimum of time at work attending to personal financial matters, and enjoy consistent or increasing job productivity. Joo shows that workers with poor financial wellness are the people who are absent from work more frequently, receive poor performance ratings from their supervisors, spend excessive time at work dealing with personal financial problems, and experience a decline in job productivity from one year to the next.

Joo (1998) concluded that the first-year return on investment for financial education that improves a worker's personal financial behavior and wellness is over $400. The return comes from fewer absences from work, less time spent at work dealing with personal financial matters, and increases in job productivity.

Extrapolations from Joo show the powerful potential effects of financial education on reducing absenteeism among the nation’s clerical workers. The potential savings for employers who provide financial education to the nation’s 18,353,000 clerical workers (Statistical Abstract of the United States, 1997) that impacts their personal financial behavior in small, incremental and varying, but important ways is $440 million a year (Joo & Garman, 1998a).

Traditional Retirement Education Programs Have Limited Effectiveness

Traditional financial education programs in the workplace have focused solely upon retirement education, particularly upon increasing worker participation in 401(k) plans, or its nonprofit or public-sector equivalent (Employee Benefits Research Institute, 1997). Participation rates in many retirement plans today have reached a plateau. For some employers the rate stays around 30 or 40 percent. For others the participation rate is stuck at 65 or 85 percent. In many instances, workers are not taking advantage of the employer's matching contribution to the retirement plan, even though this is free money since it is a tax-exempt gift (Garman, 1997c). Moreover, some workers simply will not or cannot contribute to their own retirement plans. Why?

There are two primary reasons. First, many workers have money problems and cannot afford to save for retirement, and that number is about half of plan non-participants (Fact Sheet, 1997; Garman, 1997d; Garman, 1997e; Garman, 1997f; Garman, 1997g). Second, some workers are not convinced that they should save for retirement through an employer-sponsored retirement plan, and that number is less than half of plan non-participants.

Key Questions Remain About What More Should Be Done In Financial Education

Over the past 15 years, many employers have established retirement planning seminars, workshops, or a series of financial education efforts for workers, and most probably think these efforts are working. Participation may have increased to 50 or 70 percent, but that is not the whole story. Employers, financial education providers and researchers have questions.

For example, what would it take to get the retirement plan participation rate higher? What would it take to help workers change their asset allocation to better diversify their investment portfolios? Should a workplace financial education program go beyond retirement concerns to also emphasize credit, consumer protection and other basics of money management? How much would a comprehensive financial education program cost? Is financial education effective, and, if so, how and why? Can financial education be utilized as a recruitment tool? Can financial education be utilized as a retention tool? Would such expenditures result in a positive return on investment? And what numbers are needed to convince top management that more money should be committed to a comprehensive financial education program?

Many Workers Are Not Secure In Their Personal Finances

Not all workers are secure in their money matters (Garman, 1998b). A full "two-thirds of Americans say they have trouble paying their bills and worry about money" (Coping..., 1996). Seventy-five percent of Americans report that they recently faced at least one significant financial problem, such as being unable to save for the future, delaying medical care, or having problems with a collection agency. According to the Federal Reserve Board's Survey of Consumer Finances, only 48 percent of households earning between $25,000 and $50,000 hold stocks or equity mutual funds and the median value is a minuscule retirement nest egg of $8,000 (Chandler, 1998; Glassman, 1998). Many are missing out on the increases in the Dow Jones Industrial Average because in the words of one worker, "If you live paycheck to paycheck, it's kind of hard to [get into the stock market]" (Chandler, 1998).

"Financial matters and financial stress affect not only an individual's personal and family life, but also the person's work life" (Joo & Garman, 1998a). "Approximately 15 percent of workers in the United States are currently experiencing stress from poor financial behaviors to the extent that it negatively impacts their productivity" (Garman, Leech & Grable, 1996).

Researchers and educators have recommended workplace financial education because of the seriousness of worker money problems, its near epidemic proportions, and the negative impact of personal financial difficulties on job productivity (Atchley, 1998; Brown, 1979; Brown, 1993; Findley Davies, 1998; Garman, 1998a; Garman, 1998b; Garman, 1997d; Garman, 1997e; Garman, 1997f; Garman, 1997g; Joo & Garman, 1998b). Moreover, "there is a growing national movement to offer financial education in the workplace (Lee, 1997), partially because so many workers are not saving for retirement that they are going to have extreme difficulty finding the money for retirement" (Swoboda, 1997).

The conclusion drawn by research by the Military Family Institute is that the direct and indirect costs to the Navy for poor personal financial behaviors of workers (servicemembers) is between $208 and $294 million annually (Luther, Garman, Leech, Griffitt & Gilroy, 1997; Luther, 1997). The costs to the Navy, an employer of 430,000, are incurred for such things as processing 174,000 bad checks at commissaries and exchanges, handling 123,000 letters from creditors, and administratively processing 35,000 wage garnishments and 4,300 bankruptcies (Peniston, 1997; Tennant, 1997). This amounts to a yearly cost of between $483 and $683 per worker for the Navy's 430,000 servicemembers. The cost to the entire Department of Defense, an employer of 1.4 million, is about $1 billion annually (Garman, 1998c; Kristof, 1998; Luther, Leech & Garman, 1998).

Research (Joo, 1998) reveals that 53 percent of average income workers in a sample of white-collar clerical workers employed at a large mid-east employer report that they are dissatisfied with the wellness of their personal financial situation. Twenty-nine percent feel they are always in financial trouble, 35 percent find it hard to pay bills, 54 percent worry about how much they owe, 34 percent rate their financial stress level as extremely stressful, and 43 percent do not set money aside for retirement. Asked how many months they could live using their savings if they lost their job today, 35 percent reported zero and another 25 percent reported one to two months. Thus, 60 percent of these typical workers do not have enough money set aside to live without an income for longer than 2 months. Seventy-seven percent reported they did not contribute voluntarily to an employer-sponsored supplementary tax-sheltered retirement plan. Reasons for not contributing included not having enough money (47 percent) and not knowing enough about the retirement plan (35 percent).

Some Employers Are Offering Comprehensive Financial Education

According to an Ernst & Young study, fewer than one-fifth of large employers are offering broader financial education that includes emphasis on personal budgeting and credit management (Fee-based education favored, 1997). A matrix of comprehensive financial education is available to guide employers and other financial education providers that can help workers make informed decisions in four areas vital to personal financial wellness:

1. Employer-sponsored retirement plans
   Why? To increase participation in and contributions to retirement plans.
2. Other employer-furnished fringe benefits
   Why? To encourage workers to make satisfactory choices for their needs on health, auto, and life insurance, as well as long-term disability, and pre-tax medical spending and dependent care accounts and to find money to fund their retirement plans.
3. Credit and money management
   Why? To encourage workers to make personal assessments about money management and the use of consumer credit and to find money to fund their retirement plans.
4. Consumer protection rights
   Why? To empower workers to understand how to use consumer protective laws and regulations to get out of difficult financial situations and avoid them in the future and to find money to fund their retirement plans. (Center for Organizational and Technological Advancement, 1998; Garman, 1997b).

More and more employers are becoming proactive by redefining the what’s, why’s, and how’s of financial education, rather than remaining reactive to Department of Labor regulations. They are moving from narrowly focused retirement education to comprehensive financial education, or what is now called personal finance employee education. Firms taking a leading role in this more comprehensive approach to workplace financial education include American Express, Vanguard, Weyerhaeuser, United Parcel Service, and Seagate.

It is estimated (Garman and Bagwell, 1998) that the cost of providing comprehensive personal finance education to workers amounts to between $75 and $455 annually per person in the organization. The breakdown is as follows: retirement planning ($30 - $275), other employer-furnished fringe benefits ($25 - $40), credit and money management ($10 - $20), and consumer rights ($10 - $20). Williams (1998) concurs that these are vital components of a comprehensive model of financial counseling.

Illustrations Of Workers Finding Money To Save For Retirement

Workers with money problems can overcome these challenges with information and education on specific topics. Most workers with money problems can improve their financial situation within one year to begin contributing to their retirement plans. It is estimated that most workers are able to "find" $1,200 a year.

Here is an illustration: After getting comprehensive financial education, a typical 45-year old married dual-earner couple with a family can find $400 a month ($4,800 annually) with which to fund their retirement plans. For example,

*$300 a month by wisely choosing among employer-furnished fringe benefits.
*$80 a month gaining control of consumer credit and managing money more efficiently.
*$20 a month by avoiding consumer rip-offs and frauds and, if caught in such problems, handling them appropriately.

Here is a second illustration. After getting comprehensive financial education, a typical 35-year old worker who is a single parent can find $240 a month ($2,880 annually) with which to fund his/her retirement plans. For example,

*$170 a month by wisely choosing among employer-furnished fringe benefits.
*$60 a month getting in control of consumer credit and managing money more efficiently.
*$10 a month by avoiding consumer rip-offs and frauds and, if caught in such problems, handling them appropriately.

How Employers Can Help Workers With Their Personal Finances

How can employers help workers? And, should they offer assistance? Smart employers can provide workers with additional resources dealing with financial wellness by partnering with others. They should partner because such efforts could result in more and better opportunities for people to develop sound lifelong financial planning (Junk, et al, 1998). Employers can partner to develop model retirement education programs as well as to help workers with money problems.

Employers Should Partner To Create Model Programs

Employers should carefully examine model financial education programs on retirement education to ascertain which are best, and why. Then they can partner with organizations that can assist them. Part of the reasoning is that research has clearly established that "education significantly stimulates participation in and contributions to 401(k) programs" (Bernheim & Garrett, 1996). Research also shows that investment education and targeted communication efforts more efficiently boost participation rates than increasing the employer's matching contribution.

For example, KPMG's *Retirement Plan Redesign for the 21st Century* is used to help them create and retain their optimum desired work force. KPMG's director of employee-benefits policy, Martha Priddy Patterson, says that "A major reason why employers should provide financial education is that education is cheap! Or, ar least cheaper than matching contributions" (Patterson, 1997). In the best model programs, financial education is more effective than matching contributions at increasing both the participation rate and the amount contributed. Watson Wyatt Worldwide also has found that "investment education and plan communication increase 401(k) participation as effectively as raising the employer match and usually at a significantly lower cost" (Findley Davies, 1998).

Employers Should Partner With Others To Help Workers Resolve Money Problems

Employers need to partner with organizations that are already well qualified and experienced in helping people with money problems and challenges. It is not necessary for employers to get into the credit counseling business.

Experts in the credit counseling industry say that two-thirds of workers with personal financial problems can improve their financial situations with professional help within about 12 months, and they can begin to save for their retirement (Milligan, 1997; Garman, 1997g). Such former non-savers can then find $50 or $100, or more, per month to contribute toward retirement.

There are several well-qualified national providers of excellent information and counseling advice on effective personal management of money and credit. For example, the U.S. Department of Agriculture's Cooperative Extension System, a nationwide, publicly funded educational network, can help design, deliver, and evaluate worksite education on personal finance. Call the national office (202-720-5119) for a contact near you or visit the web site at www.reeusda.gov and click on your state. Be sure to ask about Money 2000, which is a campaign designed to encourage consumers to save and/or reduce debt by $2,000 by the year 2000. "The Cooperative Extension System can be a tremendous resource at the work site to do what its educators do best_reach out to consumers and help them develop skills for life" (Schuchardt, 1997).

In addition, the non-profit National Foundation for Consumer Credit (1-800-388-2227; www.nfcc.org) says that "employees with money problems cost employers money, lots of money" (Cohart, 1997). NFCC has a network of family and credit counseling agencies that offer individuals and families free or low-cost credit counseling and worksite education for low fees. NFCC offices are located in over 1,300 offices across the United States, Puerto Rico, and Canada.

Three similar organizations offer credit and budget counseling via the mail, telephone and/or the Internet: Debt Counselors of America (1-800-680-3328; www.dca.org), Money Management International (1-888-845-9606; www.moneymanagementbymail.org), and Genus Credit Management (1-800-955-0412; www.nccs.org). All these organizations aim to help people control their spending and credit use so they can change their behaviors.

Other experts can help your employees avoid consumer rip-offs and frauds. All states have an Office of Consumer Affairs, Office of Attorney General, and Better Business Bureau (BBB). Contact the Council of Better Business Bureaus (703-276-0100; www.bbb.org) for information on the nearest BBB office. These and other reputable groups can provide information and education programs at work sites. A person who is knowledgeable about rip-offs and frauds can generally avoid such problems and, if a victim in a fraudulent scheme, can often successfully get out of and away such situations.

An Example Of The Return On Investment For Comprehensive Financial Education

The return on investment for employers who offer comprehensive personal finance employee education for their workers is positive. The following calculations show that it could be 300 percent, depending upon a number of factors. Other estimates suggest that it could be as high as 900 percent (Garman, 1998d). The benefits can be measured in several ways relative to the cost.

Using conservative assumptions about each cost and potential benefit, the return on investment for the following example of an effective comprehensive financial education program is calculated to be approximately 300 percent. Thus, an employer gains $3 in value for every $1 spent on a comprehensive financial education program for workers.

The situation is as follows. An employer has 1,000 workers with an average salary of $40,000. The participation rate in the employer's 401(k) plan is 60 percent. There currently is no matching contribution from the employer. The participation rate in the employer's pre-tax health and dependent care program is 20 percent. Fifteen percent of the workers are experiencing personal financial difficulties to the extent that it negatively affects their job productivity. The employer spends or invests_$200 per worker on a model financial education program, for a total of $200,000. As a result, the participation rises from 60 to 80 percent.

A summary table illustration of return on investment calculations that demonstrates the impact of comprehensive financial education upon 1,000 workers appears on the next page. As can be seen, all workers may benefit from some aspects of a financial education program, while relatively few will gain from other aspects of the education effort. The details of the assumptions and calculations are shown in the following 16 steps.

1. $125,200 - Increased job productivity from 100 workers who resolved personal money problems and who now contribute to their retirement plans

Two-thirds of workers who formerly had personal money problems (150 workers X 2/3 = 100 workers) substantially improved their situations and also improved their job productivity by 15 minutes per day. Fifteen minutes equals 3.13 percent of one workday (15 minutes divided by 480 minutes in an 8 hour workday [8 hours X 60 minutes]) times $40,000 annual salary equals $125.20 savings per worker times 100 workers.

2. $80,000 - Reduced absenteeism from the same 100 workers who no longer take time off work to attend to personal financial matters

Two-thirds of workers who formerly had personal money problems (N = 100) now do not take five days off each year (by telephoning in "sick") to attend to money matters ($40,000 annual salary divided by 50 working weeks equals $800 a week times 100 workers [100 X $800]).

3. $12,000 - Reduced administrative time to process wage garnishments and requests for payroll advances and 401(k) loans for the same 100 workers who formerly had personal money problems

Administrative time saved by not processing garnishments and requests for payroll advances and 401(k) loans for 100 workers ($10 a month times 12 months = $120 X 100 workers).

It is very important here to make two points. First, observe that the entire $200,000 cost of the financial education program has been returned to the employer based solely upon the gains from the 100 workers who resolved their personal money problems. In fact, the employer in this example is already ahead $17,200! Plus, all other benefits are a bonus to the employer. Second, all of the following numbers are estimates. They are reasonably informed calculations about the likely effects of comprehensive financial education. Even though the numbers are conservative and believable, more research is needed to quantify and prove the results of workplace financial education.

Summary Table Illustration of Return on Investment Calculations
The Impact of Comprehensive Financial Education on 1,000 Workers

Steps	Number of Workers	Savings	Dollars Saved	Total Dollars Saved
1.	100	15 minutes per day work time - new participants	$125,200	$125,200
2.	100	5 days fewer absences per year	80,000	80,000
3.	100	Not processing garnishment, advances, loans	12,000	12,000

Sub-Total of Dollars Saved by Impacting Only the 100 Employees with Money Problems (2/3 of 150 worker) $217,200

Cost of Comprehensive Financial Education Program ($200 X 1,000) $200,000

Positive Return from the Impact of Comprehensive Financial Education on Only 100 Workers (Not Counting Impacts upon the Other 900 Workers) $ 17,200

Additional Benefits from Comprehensive Financial Education

4.	100	5 minutes per day by new plan participants	$41,600	$41,600
5.	400	2 minutes per day by half of remaining workers	67,200	67,200
6.	500	Reduced Social Security taxes - pre-tax health and dependent care	38,250	38,250
7.	400	Reduced stress and stress-related illnesses	4,000	4,000
8.	400	Reduced premiums for health care	6,000	6,000
9.	1,000	Fewer accidents	10,000	10,000
10.	1,000	Improved satisfaction with fringe benefits	10,000	10,000
11.	500	Reduced HR because fewer questions are asked	60,000	60,000
12.	6	Reduced turnover saves recruiting 6 new hires	60,000	60,000
13.	10	Reduced pressure to increase salaries	10,000	10,000
14.	1,000	Increased morale and satisfaction at work	10,000	10,000
15.	2	Increased acceleration of retirements	80,000	80,000
16.	1,000	Reduced exposure to future litigation	10,000	10,000

Total Dollars Saved from Comprehensive Financial Education $624,250 $624,250

Cost of Comprehensive Financial Education Program ($200 X 1,000) $200,000

Conclusion: The Return on Investment for Comprehensive Financial Education in this Illustration, Using Conservative Assumptions, is 300% ($624,250/$200,000)

4. $41,600 - Increased job productivity from 100 additional workers who formerly did not participate in the employer's retirement plan and now do contribute

Another 100 workers who formerly were unconvinced about the value of the retirement plan, and who did not have money problems, now contribute and they improve their job productivity by 5 minutes per day. Five minutes equals 1.04 percent of one workday (5 minutes divided by 480 minutes in an 8 hour workday [8 hours X 60 minutes]) times $40,000 annual salary equals $416 savings per worker times 100 workers.[c]

5. $67,200 - Increased job productivity from half of the remaining workers_400 of 800_who participated in the financial education program

Half of the remaining workers (1,000 minus 100 who formerly had money problems minus 100 others = 800 workers) improved job productivity by 2 minutes per day. Most of these workers now understand their fringe benefits better, participate in the retirement plan, and have gained some knowledge about budgeting, credit and consumer protection laws. Two minutes equals 0.42 percent of one workday (2 minutes divided by 480 minutes in an 8 hour workday [8 hours X 60 minutes]) times $40,000 annual salary equals $168 savings per worker times 400 workers.

Note that 400 workers (1,000 minus 100 who formerly had money problems, minus 100 others, minus 400 who improved productivity slightly) in this example remain unaffected by the financial education program and, of course, the employer obtains no measurable benefit whatsoever.

6. $38,250 - Reduced Social Security payroll taxes on employers because 500 more workers utilize pre-tax health and dependent care

Five hundred additional workers utilize the plan with an average annual pre-tax contribution of $1,000 times 7.65 percent equals $76.50 times 500 workers.[d]

7. $4,000 - Reduced stress over financial matters and decreased stress-related illnesses from alcohol and other substances

Estimated at $10 per worker per year times 400 workers.

8. $6,000 - Reduced premiums for health care

Estimated savings of $15 per worker per year times 400 employees.

9. $10,000 - Fewer accidents

Estimated at $10,000 for the whole year for all workers.

10. $10,000 - Improved efficient use of and satisfaction with employer-provided fringe benefits

Estimated at $10 per worker per year for 1,000 workers.

11. $60,000 - Reduced human resource administrative costs because fewer questions are asked[e]

Administrative time saved by not having to respond to some questions for 500 workers ($10 a month times 12 months times 500 workers).

12. $60,000 - Reduced turnover by attracting and retaining qualified workers

Estimated at a $10,000 recruitment and first-year training costs per new hire times six workers.

13. $10,000 - Reduced pressure to increase salaries and wages

Estimated at $10 per year for 1,000 workers.

14. $10,000 - Increased morale and satisfaction at work and loyalty to employer

Estimated at $10 per year for 1,000 workers.

15. $80,000 - Increased worker acceleration of retirements

Estimated at 2 workers per 1,000 employees per year at $40,000 each who take early retirement as a result of financial education.[f] The opposite scenario is terribly expensive for employers because the "cost of the last 3 years of employment [for workers unable to retire earlier] is ..." over $350,000 including wages and associated costs for health insurance, worker's compensation, vacation days, etc. (Pomeroy, 1997; Pomeroy, in press).

16. $10,000 - Reduced exposure to future litigation based upon fiduciary liability as fewer retirees have financial problems

Estimated at $10 per year for 1,000 workers.

17. 300+% - A positive return on every dollar invested in comprehensive financial education

Calculated by dividing the $624,250 in benefits by the $200,000 cost of the financial education program ($624,250/$200,000 = 312%).

The Return on Financial Education Is Better Than An Employer Match

If the employer in this example were considering implementing either a comprehensive financial education program for workers and offering workers a match on the first 3 percent of their retirement contributions, the decision would be obvious. Offering workers financial education is better because it is both effective at raising participation rates and it is less costly. While an education program might cost $200,000, an employer match on the first 3 percent of contributions would amount to $840,000 ($40,000 X .03 match = $1,200 per worker X 700 workers [.70 participation rate].

Implications for Academics

This paper has argued that employers who provide workplace financial education programs will earn a positive return for every dollar invested. However, additional research is needed to build a more persuasive and convincing case. Employers and other providers of workplace financial education information, education and services are encouraged to fund independent academic partners to conduct and publish needed research. Employers, unions, financial education providers, and government officials need more evidence to strengthen the case for comprehensive financial education.

Educators and researchers as well as employers should be alert to the potential savings resulting from lower absenteeism because of financial education. Researchers have suggested the positive relationship between financial behaviors and financial well-being (e.g., Grable & Joo, 1998), therefore financial education that helps consumers improve their behaviors can lead to higher levels of financial well-being.

Research must be conducted which demonstrates that better worker financial wellness motivated by workplace financial education translates to the employer's bottom line. Educators also need to develop the conceptual framework to help guide employers and other financial education providers toward broadening their programs beyond narrowly focused retirement education.

Endnotes

[a]This list of poor financial behaviors is reprinted with the permission of the editor of Financial Counseling and Planning.

[b]Such research must be made available to the public rather than remain proprietary, otherwise neither the financial education program nor its implementation can be replicated and, accordingly, findings and conclusions cannot be generalized.

[c]Ernst & Young LLP similarly assumes 5 minutes of "additional productive work a day" when estimating the impact of financial education on all workers (Quick, 1997).

[d]The President of The EDSA Group gave an explanation of this cost-saving measure in an award-winning presentation in 1997 (Pomeroy, 1997; Pomeroy, 1998).

[e]Some would argue that human resource administrative costs would increase, rather than decrease, because more questions would be asked, perhaps at least for a period of several months. However, research findings reported by the National Director, Large Employee Group Services, of Ernst & Young LLP, reveal that more than one-half of human resources directors believe that a financial education program "has reduced HR administrative costs about their benefits" (Pape, 1997).

[f]The President of The EDSA Group gave an explanation of this cost-saving measure in an award-winning presentation (Pomeroy, 1997; Pomeroy, 1998).

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