

Empowering Employees Through Financial Wellness

The HRCI Team | December 17, 2024

As HR professionals gear up for the new year, optimizing employee benefits programs with a holistic approach to wellness is a key focus for many. Financial wellness initiatives are increasingly recognized as a critical component of comprehensive benefits packages that support employee mental health.

Today's economic landscape is marked by high consumer prices and inflation, with financial stress affecting 60% of full-time employees—surpassing levels seen during the height of the pandemic—according to the 2023 PwC Employee Financial Wellness Survey. This stress impacts various aspects of employees' well-being, from mental health to overall productivity, and hinders their ability to bring their whole selves to work.

Understanding the Importance of Financial Wellness

For HR professionals looking to refine their benefits programs, offering employees with financial wellness benefits can play a pivotal role. Nearly half of employees earning over \$100,000 annually are also stressed about their finances, reinforcing the need for financial planning support.

In a 2024 report by the TIAA Institute, 42% of American adults report that financial concerns adversely affect their mental health. This financial stress has contributed to a 34% rise in instances of absenteeism and tardiness. Additionally, employees dealing with financial stress are five times more likely to be distracted by monetary issues during work, missing about twice as many days per year compared to those who are not financially stressed.

Financial planning benefits can help alleviate financial stress and improve resource management, empowering employees to work toward a sustainable financial future.

The Organizational Impact of Supporting Financial Wellness

Research demonstrates focusing on financial wellness within benefits strategy yields numerous organizational benefits:

- **Improved Retention:** Financial stress drives turnover. Addressing these issues can significantly reduce churn, as financially stressed employees are twice as likely to look for other jobs.
- **Higher Engagement Levels:** Reduced financial stress leads to greater employee engagement and innovation.
- **Enhanced Recruitment:** Organizations known for wellness programs attract top talent—a priority for 73% of financially stressed employees seeking supportive employers (PwC 2023 Employee Financial Wellness Survey).

- **Positive Workplace Culture:** Financial security nurtures a collaborative, inclusive work environment.
- **Reduced Absenteeism:** Lower stress decreases health-related absences, stabilizing workforce productivity.

Financial Planning as a Benefit

For businesses, offering financial planning as a benefit is a strategic move that complements a holistic wellness approach. Take, for instance, HRCI's collaboration with a provider like Fearless Finance, which exemplifies the impactful role of personalized financial guidance. Employees who participate not only receive tailored strategies to address immediate financial challenges, such as unexpected expenses, but also experience a supportive, non-judgmental environment that fosters confidence and empowerment.

By investing in financial planning resources, organizations not only signal their commitment to employee well-being but also cultivate an environment where employees feel supported in bringing their whole selves to work. This support translates into greater job satisfaction, reduced distractions, and increased productivity, ultimately contributing to a more cohesive and effective workforce.

Creating and Setting Effective Financial Resolutions

For those looking to equip employees with practical steps for financial evaluation as the new year approaches, the following guide provides steps to get started.

1. Assess Your Current Financial Situation

Start by reviewing your financial status. The PwC survey showed that 28% of employees often run out of money between paychecks, even those earning over \$100,000, underscoring the need to evaluate income, expenses, assets, and liabilities. Tools like budgeting apps can help visualize spending patterns.

2. Set SMART Goals

Use the SMART framework to ensure financial goals are specific and actionable. For example, building an emergency fund, which helps cushion against unexpected expenses, can be a concrete goal.

3. Prioritize Your Goals

Critical areas like high-interest debt repayment or increasing retirement contributions should take precedence. Bankrate's 2024 Retirement Savings Survey shows that more than 57% of Americans working full-time, part-time, or who are temporarily unemployed feel behind on their retirement savings.

4. Create an Action Plan

Outline steps for goal attainment. For instance, if reducing debt is the objective, dedicating an extra \$100 monthly for repayment could be a strategy. This methodical approach empowers individuals to manage financial pressures more efficiently.

5. Regularly Review and Adjust Goals

Given that financial situations can change unpredictably, regular goal evaluations should be implemented. Consider adding a quarterly check-in on your personal calendar to ensure you're staying on track and adapting to new circumstances.

Automate Savings: Automating transfers facilitates consistent savings efforts, helping mitigate the anxiety that financially stressed employees face. According to Bankrate's 2024 Emergency Savings Report, 32% of consumers have less savings compared to a year ago.

Reduce Unnecessary Expenses: Identifying discretionary spending reductions is vital. Simple adjustments, like dining out less frequently, can substantially impact your budget over time.

Leverage Employer Resources: HR departments often support employees' financial journeys while adopting a holistic wellness perspective. Utilizing employer-provided resources, such as financial planning services and Employee Assistance Programs (EAPs), ensures comprehensive support.

Seek Professional Guidance: If your employer does not offer financial planning benefits, consider consulting a financial planner on your own. These experts will develop tailored strategies for your unique situation, easing anxiety around financial decision-making.

Empowering Employees to Thrive: The Benefits of Financial Goal Setting

Integrating financial goals and planning resources into benefits programs is a crucial strategy for promoting organizational success in the new year. By fostering a culture of financial wellness, HR leaders not only help employees thrive but also drive the organization toward sustainable achievement.