

# How Financial Stress Impacts Employees

## THE HIDDEN COSTS

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The overall financial health of most Americans is not good. Sixty-three percent of Americans do not have \$500 on hand.<sup>1</sup> One study indicates that even families earning over \$100,000 often have no savings and are living paycheck to paycheck.<sup>2</sup>

As a result, many—if not most—Americans suffer from financial stress. They have credit card debt, student debt, virtually no savings for retirement, monthly bills greater than their take home pay and absolutely no idea where their money goes each month.

Employers pay a price. It is estimated that 25 percent of the workforce suffers from severe financial stress, and that in those cases it costs employers \$15,000/employee in lost productivity, higher absenteeism and higher healthcare costs.<sup>3</sup>

The link between stress and health is not new, but the evidence is now overwhelming: Studies show that stress causes all sorts of health problems including higher cholesterol, migraines, high blood pressure and even more serious complications.

Financial stress is a serious problem.

## The New Reality

Despite the economic upturn since the 2008 financial crisis, financial stress is still a big part of people's lives.

In addition to credit card debt, disrupted industries and resulting job losses, the housing crisis and record student debt have driven financial stress to an all-time high.



Beyond the obvious toll financial stress takes on employees, it also threatens their financial future. If employees are struggling to pay bills today, they are not saving for tomorrow.

Indeed, research shows that Americans are not saving enough to retire. One survey indicated that 33 percent have no retirement savings and an additional 23 percent have less than \$10,000.<sup>6</sup>

**56%**  
of Americans have  
less than \$10,000  
saved for  
retirement

Seven out of 10 American workers now say financial stress is their most common cause of stress, according to the Consumer Financial Protection Bureau,<sup>4</sup> and research has shown that 37 percent of full-time employees deal with financial issues at work.<sup>5</sup>

When employees are focused on paying bills, they naturally pay less attention to their jobs. As financial stress piles up, it inevitably affects job performance.

It is estimated that employees concerned with their finances spend two hours every week at work dealing with financial problems.<sup>5</sup>

## Why 401k Plans are Not Enough

If employees can't make ends meet, they certainly can't save.

This is one of the reasons 401k participation rates typically top out at around 75 percent. Many people can't—or least think they can't—afford to contribute.

Even if they do contribute to a 401k plan, many employees borrow against their savings to meet day-to-day needs. Twenty-eight percent of 401k plan participants have a 401k loan of some kind.<sup>4</sup>

## The Hidden Costs of Financial Stress

When employees are stressed out by financial problems, there are many repercussions.

### Productivity

If stressed-out employees spend two hours per week at work dealing with financial problems, that's a 5 percent loss in productivity.<sup>7</sup>

Stressed-out employees also impact morale, workflows and workplace personal interactions.

### Healthcare Costs

Although it is difficult to quantify healthcare costs directly associated with financial stress, it is known that stress can—in addition to causing specific health problems—lead to loss of sleep, pain and substance abuse, all of which can in turn result in higher healthcare costs.

### HR Time

Many employees will seek advice on financial issues from their HR representative. This is not only a burden on HR staff, but most HR professionals are not qualified financial counselors and do not want to give advice in this area.

### Absenteeism

Beyond productivity lost because employees address financial problems at work, financial problems often prevent them from coming to work at all, as they take time off to deal with bill collectors or borrowing money.

## How Employers Can Make a Difference

There is no magic bullet to eliminate financial stress, but employers can help their employees dial it down by providing resources that help them make better financial decisions.

In fact, the new definition of “well-being” has been expanded to include *financial* well-being, and the new goal is a more holistic view of employees' lives.

In a 2016 AON survey, 89 percent of employers indicated they were very or moderately likely to expand their financial well-being focus because—as 85 percent of respondents indicated—**“It's the right thing to do.”**<sup>8</sup>

It is also becoming clear that the resources provided through 401k programs are simply not sufficient—the information and tools in such programs focus on investing. Most employees need more basic help—how to build a budget or pay down debt.

**Best Money Moves** can help. Mobile, gamified and easy-to-use, Best Money Moves provides practical, unbiased help—and live money coaches—so employees can make smarter financial decisions. Once they get their finances under control, they can begin to save and take advantage of benefits like 401k plans.



**89%**  
of employers intend  
to broaden their  
financial well-being  
focus



## SOURCES

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