

How Financial Stress Impacts Employees

THE HIDDEN COSTS

2019



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The overall financial wellness of most Americans is not good. Fewer than one third are considered financially healthy¹ and 60 percent wouldn't be able to cover an unexpected expense with savings.²

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. More than two-thirds of employees are suffering from financial stress and admit that financial worries have impacted their productivity, time away from work and health — all of which cost employers.³

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.

More than 1 in 5 working Americans aren't saving any money for retirement and another 20 percent are only saving 5 percent or less.⁵ Another recent survey showed that nearly a third of respondents said not saving for retirement is their biggest financial regret.⁶

21%
of working Americans
aren't saving for
retirement at all

Research from Northwestern Mutual shows that money is the top source of stress for Americans and about half report anxiety, insecurity and fear regarding their finances. The same study indicated that financial security is the most important part of a positive outlook on life — 9 in 10 Americans agree that nothing makes them happier or more confident than feeling like their finances are in order.⁴

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.

Why 401k Plans are Not Enough

Many of those who have access to retirement plans can't — or at least think they can't — afford to contribute.

Of the Americans who are able to contribute, nearly 75 percent are not saving enough to be able to cover their expenses after retirement. This is a major cause of stress, especially among older workers: Nearly two-thirds of baby boomers fear running out of money in retirement more than they fear death.⁷

The Hidden Costs of Financial Stress

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

Productivity

A staggering one in five employees admits that productivity at work has been impacted by financial worries.³

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.

When asked what employer benefit they don't currently have that they would like to have, more than one in four employees indicated they would want a financial wellness benefit with access to unbiased counselors.³

In one survey, 94 percent of employers indicated they were very or moderately likely to expand their financial well-being focus because — as 82 percent of respondents indicated — “It is the right thing to do.”⁸

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.





SOURCES

1. [How Financially Healthy Is America?](#) Financial Health Network, 2019
2. [Most Americans wouldn't cover a \\$1K emergency with savings.](#) Bankrate, 2019
3. [Employee Financial Wellness Survey](#), PricewaterhouseCoopers, 2019
4. [Planning and Progress Study](#), Northwestern Mutual, 2018
5. [21% of working Americans aren't saving anything at all](#), Bankrate, 2019
6. [Americans say their biggest financial regret is not saving for retirement](#), Bankrate, 2019
7. [Three Quarters of Americans Aren't Putting Enough into Their 401\(k\)s](#), Kellogg School of Management, 2019
8. [2019 Hot Topics in Retirement and Financial Wellbeing](#), Alight, 2019



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