Wellness is wellness

Successfully aligning financial and health wellness initiatives

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Financial wellness is becoming more mainstream, but employee engagement in many financial wellness programs remains lackluster. This paper focuses on how technology and artificial intelligence can be applied to a financial wellness initiative to help deliver financial guidance that people will actually use. By drawing on the principles of behavior change theory that are already established in traditional health and wellness initiatives, we can now deliver financial wellness through personalized, gamified actions that help knock down some of the barriers preventing people from taking that first step.

1. What is financial wellness?

Broadly, financial wellness is the ability to meet immediate financial needs and to make decisions to manage for long-term financial goals.[1] The goal of many companies in offering a financial wellness program to their employees is to help guide their employees to financial success and security at all stages in their lives by promoting action through personalization, coaching and strong employee engagement. For some companies, financial wellness may mean helping employees with managing day-to-day finances. For others, it may mean offering a comprehensive financial plan that includes tax strategy and estate planning. No one area of financial wellness is emphasized by a majority of employers.

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Financial wellness can include:

- Saving adequately for retirement
- Stopping hardship loans from company retirement funds
- Eliminating and offering alternatives to payday borrowing
- Basic budgeting
- Helping new managers build wealth
- Helping near-term retirees preserve their retirement savings

A company may choose to focus on one area, but a program that includes goal setting and debt management, rather than just 401(k) education, can help employees appreciate the value of their benefits as well as the importance of balancing short-term needs against long-term goals. It's also important to recognize that financial wellness includes skill building and implementation as well as education. Employees need to learn the right thing to do – and learn how to do it.

In our experience, companies that take the time to work through these definitional issues and to clarify the processes of provider selection and program design early on are more effective in bringing financial wellness into their workplaces. The key is to gather a working group to initially define financial wellness for the company. This is the necessary precursor to aligning strategy, goals and budget with available offerings. Determining what an organization can spend to achieve its goals is also key for this step.

Time is of the essence for employees. Like many tough problems, changing how people spend, save and build toward financial security will take a long time. More important than when to implement a financial wellness program, is to implement it in a way that is present and available for the longer term. Like with weight loss, people will have small successes, will fall off the wagon and will start again. They need a trusted program that they can reference to take the next step or begin again.

2. Why offer a financial wellness program?

Employers offer financial wellness programs for a variety of reasons[2]:

- It's the right thing to do (84%)
- Increases employee engagement (78%)
- Improves retirement statistics (60%)
- Decreases employee time spent addressing financial issues (57%)
- Employees are asking for financial wellness programs (36%)
- Decreases medical costs (37%)

Benefits to a company of offering a financial wellness program include:

- Financial wellness programs drive engagement, productivity and success by as much as $400 per employee. They can engender increased loyalty and connection to the organization, and can positively impact as many as 50% of employees.[3]
- Robust wellness benefits support the message that the employer cares, and is trying to help. A caring management increases employees' sense of belonging. This increases engagement, and engagement drives retention. The ROI from engagement and retention is how companies will be able to justify wellness benefits for years to come.[4]
- Companies can use financial wellness to raise awareness and appreciation of company benefits across the board.

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3. Best practices for implementing a successful financial wellness program

A common starting point for companies wishing to offer a financial wellness program is to compare and contrast a robust financial wellness program with what recordkeepers offer "for free." Most financial wellness programs (including the "free" programs from 401(k) providers) are built on the assumption that if employees are taught "financial literacy," their personal financial situations will improve. Advice tends to be generic and one-size-fits-all, rather than personalized and action-oriented. Many of the free programs ignore the fact that money is deeply emotional – and that any effort to change the way we deal with our money must address this. Low engagement and low participation rates are often the results of a financial wellness program that is not personalized and is not designed to effect behavioral change.

When it comes to complex, emotionally-driven issues such as money, there is often a disconnect between: 1) knowing *what* to do; 2) understanding *how* to do it; and 3) actually *doing* it. In this sense, financial wellness is similar to physical wellness. I may know I need to lose 20 pounds; I may even understand, in theory, how to lose weight – but, I still have trouble acting on what I know.

This is why financial wellness programs that focus solely on education tend not to effect behavioral change: education alone is *not* the answer. To design financial wellness programs that make a meaningful difference in employees' lives, we must also draw on established principles of behavior change theory.

1. Social cognitive theory

Social interaction improves our ability and inclination to make change. This principle works in many workplace fitness programs. For instance, the motivational effect of sharing fitness-tracker results with coworkers. Employees begin to understand that they are not alone in their challenges with money, and can share stories and encouragement in a safe environment as they move toward their financial goals.

2. Positive psychology

We are most able to change, grow and thrive when we feel at peace about our past, happy in the present and hopeful about the future. Employees who may be overwhelmed by fear or hopelessness about their finances do not need scolding, judgmental messaging from their employer. What they do need is a financial wellness program that celebrates:

- That they have already made some important accomplishments
- That no matter where they stand now, they can take steps forward
- That it is never too late to build financial security

In this context, extrinsic rewards, such as points, badges or levels, can help employees start on the right path (e.g., building an emergency fund in a specific amount). But intrinsic rewards such as confidence, a sense of accomplishment and peace of mind far outweigh the extrinsic and should be emphasized.

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3. Stages of change

Small, personalized steps enable us to move from the earlier stages of change toward action. Traditional financial plans are overwhelming in scope and packed with confusing financial jargon. They do nothing to help employees get past feelings of being hopeless or stuck. To prompt behavioral change, financial advice needs be personalized. An employee should be able to say, "This feels right for me – I can do this." Furthermore, financial advice needs to be right-sized. By giving employees only their few most important next steps at a time, in manageable bites that can be accomplished in a period of months, we empower them to focus and act.

4. Gamification

Framing a situation as a game or as a role play leverages our natural desires for fun, mastery and achievement to effect behavioral change. Users of the popular language learning app Duolingo, for example, receive lessons in an engaging multimedia format, then have those lessons reinforced immediately via easy interactive exercises. For users, learning a new language becomes fun. As a result, their confidence grows. They are motivated to keep using the app – and to learn more.

In short, financial wellness providers do not have to recreate behavior change theory. We just have to apply it effectively to finance. The change we want will not come easily or quickly – and we should not expect our success rates to be any higher than those in any other industry. But these proven behavior change techniques can help unlock the habits, behaviors and emotional barriers to individual financial health, and should be part of any financial wellness program.

Financial wellness engagement case study: The KFC Foundation

The KFC® family has a rich history of generosity inspired by Colonel Harland Sanders himself. It started with a hitchhiking college student. The colonel gave him a ride and a full scholarship. That act of kindness inspired the KFC Foundation.

The KFC Foundation, an independent 501(c)(3) non-profit organization, is committed to providing accessible support and development opportunities to U.S.-based KFC restaurant employees. Since 2006, the foundation has awarded $18 million to more than 6,400 students and KFC restaurant employees, assisting them in attending college, earning a GED and in hardship/crisis situations. The KFC Foundation's charitable programs are made possible through the generosity of KFC's many franchisees and the KFC Corporation.

Choosing Sum180

Sum180 was chosen as a mobile financial wellness service that identifies users' most relevant next steps to strengthen their financial picture – and makes those steps easy to accomplish. Sum180's gamified mobile setup, tips and easy budgeting offer instant insights and fun interactivity. Users' personalized, prioritized next steps span a wide range of topics, which include saving more, managing debt, building assets and retiring well. When users are ready to dig deeper into their financial picture, they have access to coaching from advisers and an online community of users that allows them to explore and share. There is no judgment and no finance degree required.

Sum180 provides the KFC Foundation with the confidential services frontline workers need to begin their journey toward financial success. Key Performance Indicator (KPI) reporting informs the KFC Foundation of its successes while maintaining member anonymity. For restaurant team members, easy onboarding via the app, an engaging user experience and Sum180's patented engagement program combine to knock down the barriers that prevent people from taking that first step.

Exhibit 1: Engagement levels reported from the Sum 180 Lab

ACTIVITIES	PROFILE	APP USAGE

• Accomplishing at least one activity (48%)
• Creating budget (31%)
• Those editing budget (51%)
• Tracking spending (3%)
• Completing lessons (8%)
• Viewing tips (10%)
	• $46,000 – average income
	• 3 – average household size
	• Stated goal of active budget users:
	  • Save more (67%)
	  • Manage debt (21%)
	  • Build assets (4%)
	  • Retire comfortably (9%)
		• Users logging back in (81%)
		• 4.5 – average minutes spent per session
		• 5.8 – days lapse between log ins
		• 10:00 am, 12:00 pm most popular log in times

Cohort of 547 KFC team members using the Sum180 mobile app through Q2 2018

Impact

In a national roll-out of the program, Sum180's engagement program and interactivity resulted in 48% of users accomplishing one or more key activities. Additionally, six out of 10 users reported they were less worried about meeting their monthly expenses after engaging with the Sum180 app for 30 days.

For those users who receive Next Steps, 90% report higher confidence in dealing with their finances.

4. Addressing the financial wellness needs of different generations

Useful resources already exist on how to communicate with employees of different generations.[5] When it comes to financial wellness programming specifically, however, money is a deeply emotional issue, and people's financial situations don't always correspond to their generation (for example, consider a recently divorced 50 year-old parent of three young children whose financial picture may not necessarily be in line with other people of the same age). So, while there is value in targeting different generations with advice on issues believed to be most relevant to them, such as targeting Gen Xers with content about saving for their child's education, we see even greater value in recommendations that are personalized to the individual's circumstances, and not merely to people of that generation.

That said, Millennials are squarely on the other side of the digital divide and therefore non-traditional approaches must be employed to engage them, namely digital approaches (e.g., text, mobile app, chat, social media). With more than 75 million Americans falling into the 18 to 34 age group, Millennials are now the largest generation.[6] Although retirement is still 30 to 45 years away for this group, it's not too early to start planning. Let's address, for a moment, the psychology of Millennials.

As digital natives, Millennials can find almost anything online, but are still struggling with how to use their mobile acumen to start on the path of financial success. The challenge isn't finding information, but rather sifting through all the noise. While employers are targeting retirement preparedness and the financial industry is publishing reams of information about retirement preparation, these sources aren't providing Millennials with access to advice that applies to them personally. Nor are they providing a road map of how to start, right now. Nor is information presented in a way that is consumable by Millennials, in other words, information that is 100% digital. Small, personalized steps, that are concise, jargon-free and mobile accessible are made-to-order for Millennials.

5. Addressing the 'silo' issue by integrating health and wealth

There appears to be a more unified voice emerging from the financial wellness community about the importance of creating a more holistic, employee-centered approach to benefits.[7] After all, behavior change theory isn't new to most companies. The health wellness experts in the benefits division generally have the playbook on that. Unfortunately, health benefits and retirement benefits are often administered by different parts of the same organization, even though they are both governed by ERISA provisions. It's not uncommon for an organization to have staff overseeing the medical benefit programs and separate staff overseeing the retirement benefit programs, with separate buying decisions made a couple of layers down for each. We refer to this as the 'silo' issue. Siloed health care and financial benefits administration shouldn't be surprising, since the providers are generally quite siloed themselves. Further, as more organizations look to retain best-in-class vendors and use the expertise of their procurement or purchasing functions to do so, the cache of specialized vendors to the various benefits plans is growing (e.g., retirement, medical, dental, flexible spending, disability, supplemental unemployment).

Organizational alignment is very important to maximize the effectiveness of the financial wellness initiative. Health and wellness, regardless of physical or financial, is *all about engagement*, so while it may be logical to silo the administration of medical and retirement benefits organizationally, participants aren't benefitting from the distinction. In our experience, financial wellness initiatives are most successful when they're aligned across the health and retirement sides of an employee benefits department. The health benefits manager(s) will generally be ardent that employee engagement is critical to truly improve a workforce's health and well-being. From weight loss to smoking cessation, the health benefits team will likely have already deployed behavioral modification techniques successfully to improve health and wellness. A key benefit to organizational alignment around the financial wellness initiative is that the retirement side of the organization can apply lessons already learned in the traditional

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health and wellness side, where the need for engagement and motivation to make behavioral change is already generally acknowledged.

So what part of the organization should ideally drive the financial wellness initiative? Companies are best served when they elevate the financial wellness topic above both the health benefits and retirement benefits sides of the organization. While companies will have differing roles and titles, some such roles include:

- Head of Benefits (generally reporting to Head of Human Resources)
- Head of Total Rewards
- Director of Workforce Engagement

The company may also wish to form a Plan Administration Committee that dedicates focus to cross-over issues such as: recordkeeper, managed account provider, healthcare spending accounts, student loan repayment programs and financial wellness.

Closing

Americans today face more and more complex financial issues, yet many lack the expertise and tools to effectively deal with their personal situations. As an employer, you can help enhance your employees' work/life balance by offering a comprehensive financial wellness program. Understanding the makeup of your employee base and personalizing the program for it is key. It takes time to establish good habits, but the effort can pay off well in the long run with more productive and satisfied employees.

[1] Consumer Financial Protection Bureau, 2015
[2] Data from AON Hewitt 2017 Hot Topics in Retirement and Financial Wellbeing. Survey responses from 250 employers. http://www.aon.com/attachments/human-capital-consulting/2017-hot-topics-financialwellbeing-report-final-january.pdf
[3] Personal Financial Wellness May be the Missing Factor in Understanding and Reducing Worker Absenteeism, So-hyun Joo & E. Thomas Garman
[4] Jim Purcell, Harvard Business Review
[5] Benz Communications Health and Wealth Webinar, July 19, 2018
[6] Http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2017/02/retirement-plan-access-and-participation-across-generations#0-overview
[7] "What Millennials have to tell us about communication. And why we should listen." Rita Harris, Benz Communications

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First used: November 2018 UNI-11380-11-21