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MAKING CENTS OF FINANCIAL WELLNESS

A WELCOA EXPERT INTERVIEW WITH JEFF RUBLESKI

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MAKING *CENTS* OF FINANCIAL WELLNESS

with

JEFF RUBLESKI

ABOUT **JEFF RUBLESKI**, MBA

Jeff S. Rubleski, MBA, serves as Director of Sales Strategy for Blue Cross Blue Shield of Michigan. He is an employee benefits expert, with expertise in defined contribution pension plans, health care financing, workplace wellness, health insurance exchanges, consumer-directed health plans and personal finance. He has authored numerous nationally-published articles in the areas of personal finance, employee wellness programming, health insurance reform and consumer-directed health care. Jeff has a passion for consumer health and personal finance education and for making complex matters easy to understand.

ABOUT **RYAN PICARELLA**, MS, SPHR

As President of WELCOA, Ryan works with communities and organizations around the country to ignite social movements that will improve the lives of all working people in America and around the world. With a deep interest in culture and sociology, Ryan approaches initiatives from a holistic perspective that recognizes the many paths to well-being that must be in alignment for long-term healthy lifestyle behavior change. Ryan brings immense knowledge and insight to WELCOA from his background in psychology and a career that spans human resources, organizational development and wellness program and product design. Prior to joining WELCOA, Ryan managed the award winning BlueCross BlueShield of Tennessee (BCBST) Well@Work employee wellness program, a 2012 C. Everett Koop honorable mention awardee. Since relocating to Nebraska, Ryan has enjoyed an active role in the community, currently serving on the Board for the Gretchen Swanson Center for Nutrition in Omaha. Ryan has a Master of Science in Industrial and Organizational Psychology from the University of Tennessee at Chattanooga and a Bachelor of Science in Psychology from Northern Arizona University.

With the ever-rising cost of traditional benefits programs, employers are moving toward more flexible benefit-type programs that offer employees more choices and usually require employees to elect participation in the programs to receive benefits. Two top programs that are often misunderstood by employees include health insurance elections and participation in voluntary retirement savings programs. Making poor choices in these two programs can have a devastating impact on an employee's personal finances and has a direct link to employee engagement and participation in traditional benefits and wellness programs. Productivity is also an issue when employees face financial distress and the cost of lost productivity to business is significant when employees are distracted with financial problems.

WELCOA is launching a new employee-facing resource, *Financial Wellness @ Work* employee video training course, to educate employees on key financial wellness concepts and further stimulate employee engagement and understanding of what it takes to build financial wellness. Learn more from this interview with *Financial Wellness @ Work* author, Jeff Rubleski.

RYAN PICARELLA Jeff, you've been a national leader on the topic of employee financial wellness at the worksite for over a decade. Why is this topic so important for business leaders today?

JEFF RUBLESKI About 30 years ago, due to the enormous cost of defined benefit pension plans, employers started to shift the responsibility and the financing of retirement benefits to employees through defined contribution 401(k)-type plans. The days of going to work for an employer and having a set pension plan and a one-size-fits-all health insurance plan faded many years ago. In today's environment, employees are responsible for making both retirement and health insurance choices, and frankly, most employees just don't know how to make the best decisions in these areas. The result for many employees has been disappointing. In its annual 2016 Consumer Financial Literacy Survey, the National Foundation for Credit Counseling concluded that one in four adults are *not saving anything for their retirement*. Even those who do save often make two big mistakes: The first mistake is that they often don't take full advantage of their employer's savings programs and anywhere from 20% to 40% of eligible employees do not take full advantage of an employer matching contribution—which represents free money for the employee. The second mistake is that most employees have absolutely no idea of how to invest their retirement money, which results in some employees taking too little risk by avoiding stock investments and some taking on far too much risk by having too much stock market exposure. All of this has a ripple effect for both the employee and the employer that results in outcomes that adversely impact the worksite through increased absenteeism, a loss of productivity and a lack of appropriate engagement in company-sponsored benefits. And worst of all, most employees when they reach retirement age simply do not have enough saved to live a comfortable retirement that often can last for decades due to increased life expectancy.

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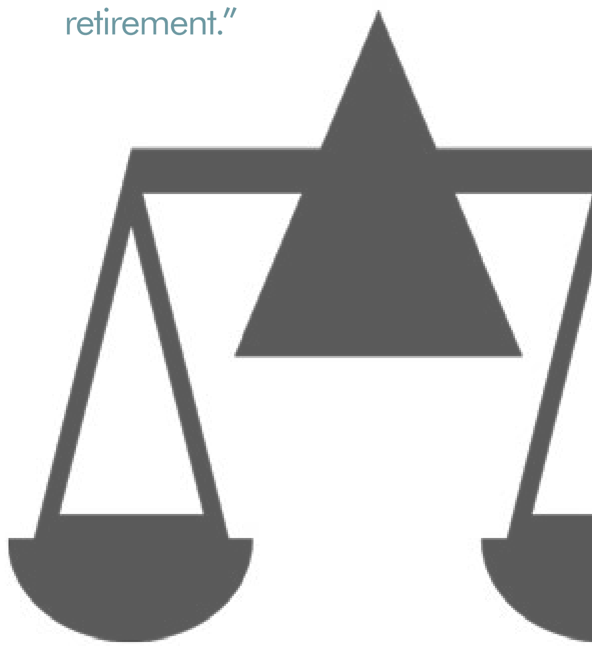

RP Why do you think employers should take the time to educate employees on debt management, saving, investing and employee benefits education?

JEFF RUBLESKI All employers should be interested in the productivity of their employees. Increasing productivity leads to cost savings and gives an organization a competitive edge. Productivity gains are easiest to gauge with automation. By investing in technology that enhances production, a business can measure its return on investment. But investing in the wellbeing of human capital is much more difficult to measure but is critical to do, as wages and salaries account for the single largest expense for a service organization and a top three expense for most manufacturing entities. The benefits of increasing an employee's financial wellness can be measured in a number of important ways including:

1. Measuring the increase in employee participation in retirement savings programs.
2. Evaluating the change in retirement plan employee investment elections.
3. Measuring employee loan requests from retirement programs.
4. Determining how participation in voluntary plans such as flexible spending accounts increases following education.
5. Evaluating the change in absenteeism and lost time accidents.
6. Evaluating the increased participation in traditional worksite wellness programming.
7. Conducting baseline surveys covering employee use of debt and savings patterns and then conducting follow up surveys to determine change resulting from targeted education efforts.

Employers are realizing that when they take the time to provide employees with the resources and education to make better financial decisions it has a measurable and significant impact on programs that can be measured and linked to a more financially savvy employee base. Enhancing employee financial wellness benefits both the employer and the employee in a number of measurable ways and serves as a catalyst to boost participation in other employer-sponsored programs.

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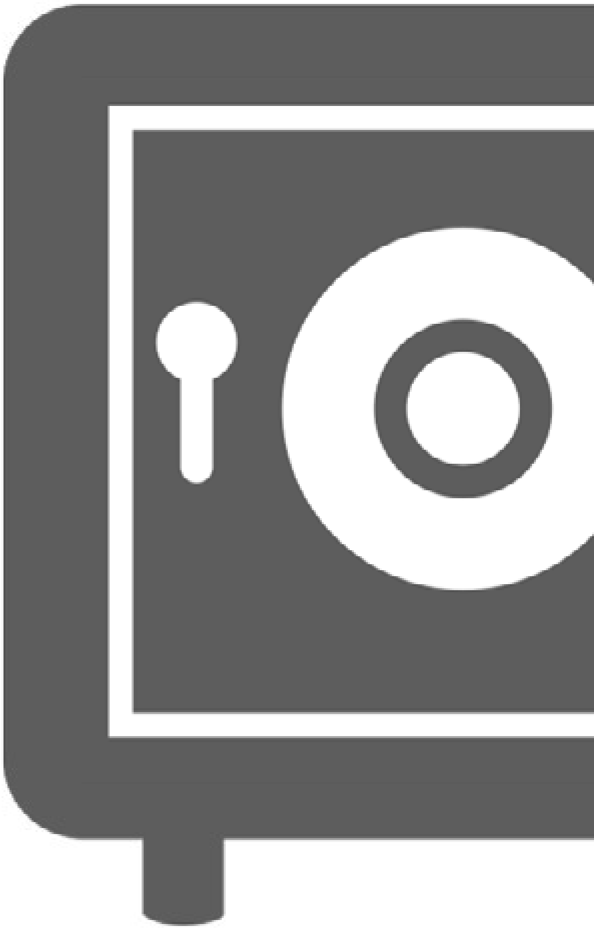

RP The cost of health insurance is something that concerns both employers and employees alike. Since most employers with at least 50 full time employees provide health insurance at the worksite, how can increased financial education help the employer and the employee?

JEFF RUBLESKI This is one area for financial education that has what I refer to as opportunity with low hanging fruit. What this means is that most employees need to make carefully considered decisions when it comes to selecting coverage. If more than one plan option is offered (which is generally the case for larger employers), which plan should an employee choose and why? If the employee has a spouse who also has coverage and dependent children should the employee cover all family members or no family members, leaving the coverage responsibility to the spouse? With most employees paying significantly more in premiums for coverage, there is often a tendency to purchase "the lowest cost" coverage. This often exposes even the healthiest employees to generally high deductible risk ranging from $1,000 to sometimes exceeding $10,000 for family coverage. This is where a lot of people get into trouble when covered medical services are used. Even the healthiest employees can have accidents or unexpected health occurrences that can cost thousands of dollars for just one outpatient treatment! That's why it is important for employees to understand the financial risk that they are taking and for some to select supplemental coverage like accident or hospital indemnity coverage to fill the large deductible gaps that we are seeing in an increasing number of health plans throughout the country. The number one reason cited in a recent study conducted by Harvard University on factors responsible for personal bankruptcy involved medical expenses. What's even more alarming is that the study determined that 78% of the medical bankruptcy filers had some form of health insurance. With the advent of high deductible health plans, employees need to fully understand and plan for medical expenses that their policies do not cover.

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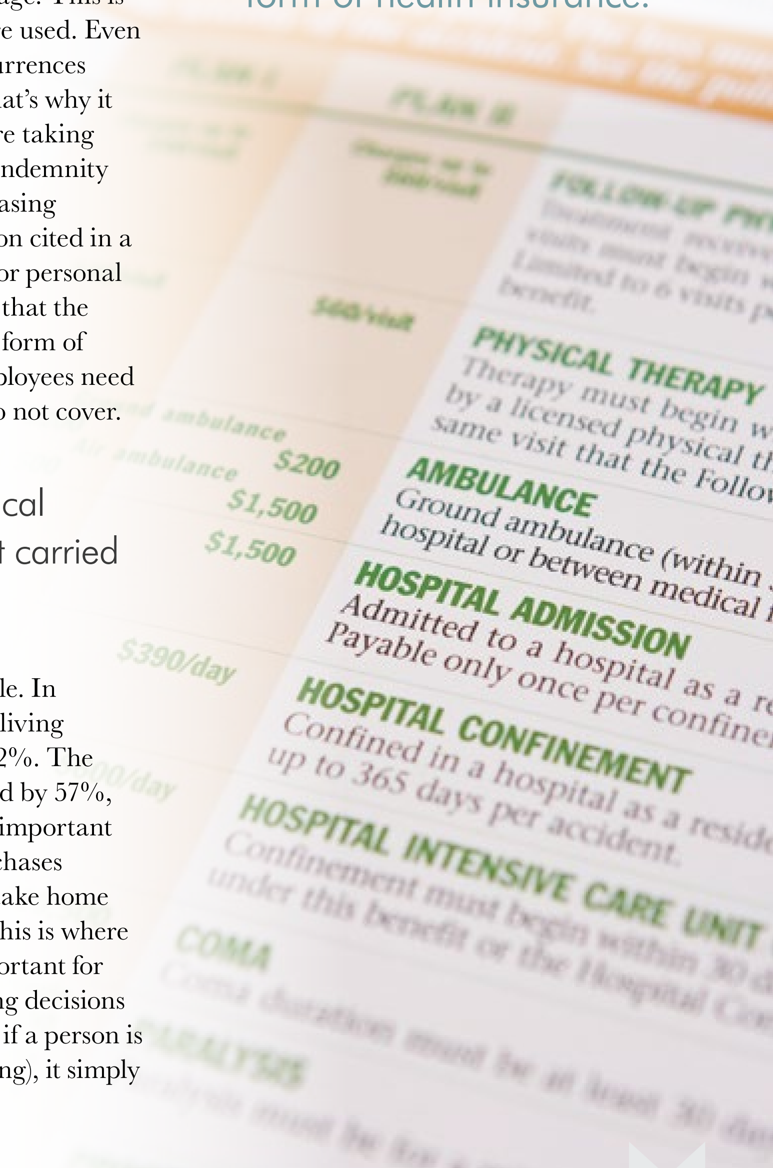
RP Based on that, do you believe that large medical expenses are a key factor for the rise in personal debt carried by consumers?

JEFF RUBLESKI It is a big contributing factor for many people. In research performed by the Federal Reserve System, the overall cost of living has outpaced overall household income growth from 2003 to 2014 by 2%. The biggest rise in cost has been for medical expenses, which have increased by 57%, while household income has increased by 28%. That's why it is vitally important for people to carefully budget and plan discretionary expenses for purchases like housing and transportation. If these expenses consume too much take home income, it simply does not allow enough room for other expenses and this is where I see a lot of people getting into financial difficulty. That's why it's important for people to understand the importance of monthly budgeting and making decisions involving discretionary expenses. This ties into the workplace because if a person is literally living paycheck to paycheck (which sadly many people are doing), it simply



doesn't leave anything for long-term savings and investments that are offered through company-sponsored retirement savings plans. This is a key reason why participation in company-sponsored benefit plans is low or underutilized by some employees. This is why employers should consider providing their employees with the basic financial knowledge and resources so that employees can make better decisions regarding the spending and investing of their hard earned incomes.

RP What advice would you provide an employer that wants to get started in helping employees to improve their financial wellness?

JEFF RUBLESKI Each employer will need to take a look at their employee demographics, pay scales, existing programs for benefits and wellness and look for areas of education that can have the biggest impact on their workforce. Data from these programs can be used to establish an initial needs survey to find out the types of programming employees may want and need. Some employees will prefer to have information delivered in a scheduled meeting format, while others will prefer to learn on their own. The key is to develop programming that meets the needs of your employees and is delivered in a manner that maximizes employee engagement. Here are the top five categories for financial wellness education that I've discovered in my work with employers over the past 30 years:

1. **Basic Budgeting**—It may be surprising, but this impacts virtually all income classifications. Even those with higher incomes struggle in the area of budgeting, because they find that their overall spending exceeds their high incomes. The first step to solving a problem is identifying it and committing to a basic budget will help employees to identify spending patterns that can be corrected.

2. **Debt Management**—This is also something that impacts all income classifications. As consumers, we tend to think about the relative affordability of debt for big ticket items like homes and vehicle payments in isolation. But when we add up the other forms of debt, especially consumer debt typically incurred with credit card use, often the best investment a person can make is to repay their highest interest consumer debt first, with rates often exceeding 18% on outstanding balances.

3. **Building an Emergency Fund**—Few people have 3-6 months of actual living expenses saved to help them to avoid using their credit card when an unexpected expense or event occurs. Getting people to understand the importance of having an emergency fund is critical and giving them ideas on how to set one up is needed. One great way to do this is to establish a separate savings account and to have a set dollar amount deposited to the account with each paycheck. By making the saving automatic it forces the discipline to start building the emergency fund through the convenience of payroll deduction.

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4. **Understanding Long Term Investment Options**—Many employees don't adequately understand how financial markets work, especially for common investments like stock and bond mutual funds or their close cousins, Exchange Traded Funds (ETFs). This has a big and material impact on how employees participate and invest in company-sponsored retirement plans. The lack of knowledge and the relative risk of these assets can have a big impact on the returns employees experience when investing in company-sponsored retirement plans. Some employees will entirely avoid stock funds because they believe they are too risky, while others will only invest in stock funds, often exposing themselves to unnecessary risk when financial markets fall in value. Others may try to trade the market based on how they feel the market is going to do over a short period of time. All of these approaches usually result in investment underperformance over time and will impact the financial wellbeing of the employee and family members when the money is needed during normal retirement years.

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5. **Understanding Employer-Sponsored Benefits**—I've worked in the benefits field for over 30 years and I can say that without too much exception many employees spend a lot more time thinking about their next vacation than they do about the benefits their employer offers. It's easy to understand why. Benefits can be really boring for most employees and often benefits are paid out only if something undesirable happens or over many years in the future. But, it is vitally important to ensure that employees fully understand their benefits and why the employer has made them available for employees. Work with your various benefits vendors and benefits consultant to put together a comprehensive benefits education program for employees. Be sure to have benefits updates occur throughout the calendar year. Most employers will load up most benefits for the annual week or two of open enrollment and flood employees with too much information and then stop benefits communications at the close of open enrollment. The result is usually lower than desired participation in benefit plans like voluntary retirement plans, voluntary insurance protection and flexible medical spending accounts.

RP What type of results should an employer expect from establishing a financial wellness program for employees?

JEFF RUBLESKI The good news is that most results should be measurable and monitored like any program to ensure that the time and financial resources devoted to the program are producing the desired result. The best advice I can give is that when time or dollars are spent on selected programming, determine how the programming will be measured and adjusted, if necessary. I have found that if programs are not measured against some type of objective or baseline they usually get phased out regardless of effectiveness. So, take the same approach for financial wellness programming that you'd take for any type of training or wellness programming you are currently doing now. Think about programming that reaches as many of your employees as possible yet speaks to their needs. A recently hired college graduate will likely appreciate advice on saving and paying for student loans, while a person nearing retirement will want to know more about life insurance benefits, health insurance choices and options for receiving retirement plan distributions. Make your programming relevant for the needs of your employees and you'll be on your way to building a sustainable financial wellness culture in your organization.

RP Any final thoughts you'd like to share with employers on the topic of financial wellness?

JEFF RUBLESKI I would advise employers to start at a high level that covers common financial themes that most employees need to understand and then zero in on specific topics that are relevant for your workforce. This is where I must put in a recommendation for WELCOA's *Financial Wellness @ Work* book and the accompanying *Financial Wellness @ Work* employee video training course. These two items will get employees prepared to start their journey on the road to financial wellness and will provide a blueprint for the employer to establish impactful, supplemental programming to meet the ongoing educational needs of their employees. I'd also advise employers to incorporate financial wellness as a core element within their employee benefits and wellness programming. When employees have better control and understanding of their personal finances, they will be more receptive to engaging in both the wellness programming and the employee benefits offered. This truly represents a win-win outcome for both the employee and the employer, with results that can be quantified and measured for success!

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