The MetLife Study of Financial Wellness Across the Globe:

A look at how multinational companies are helping employees better manage their personal finances

Prepared by:
Boston College
Center for Work & Family

Sponsored by:
MetLife

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EXECUTIVE SUMMARY

The recent financial crisis and significant changes in pensions systems across the world have left individual consumers with fewer guarantees for retirement and greater responsibility for financial decision-making. There is growing evidence that the majority of people lack the financial skills necessary to tackle these challenges.[1] Recognizing the negative impact of financial distress on employee health and productivity, individual companies are taking actions to improve the financial wellness of their employees. They do so directly through their compensation and benefits, and indirectly, by providing financial education and other services.

The MetLife Study of Financial Wellness Across the Globe describes how two multinational firms, American Express and EMC, have taken strategic measures to address the financial wellness of their employees. The report shows how government provisions and cultural variations in different countries impact company decisions regarding allocation of employee benefits as well as financial training. For each company, the report highlights promising practices, including:

- A description of the program and the services provided
- Approaches used for implementation
- Business drivers
- Challenges faced

In addition, the report provides evidence from the research world, including:

- The parameters that contribute to financial wellness
- The role of government and public policy
- The business case for financial wellness

Key Findings

The items below summarize the important findings from this study.

Financial Difficulties Can Have a Negative Effect on Worker Productivity

There is evidence that financial distress may have a direct impact on employee health and well-being which can reduce worker productivity and increase absenteeism.

Carried Out Correctly, Financial Education Can Have a Beneficial Effect on Employee Wellness

Financial education programs have the potential to lower financial stress, reduce absenteeism, increase productivity and lead to a more loyal workforce.

Large Changes are Affecting Pension Plans Around the World

Public and private pension funds are being eroded and companies are switching to defined contribution plans, shifting responsibility and risk to participants.

Key Findings, *continued*

Consumers are Generally Poorly Prepared to Make Good Investment Choices

Consumer financial illiteracy is widespread globally and consumers are not sufficiently committed to their own financial well-being. While most people recognize that the government will not provide them with an adequate retirement income, this realization does not translate into increased savings or investments.

Global Programs Often Require Local Adaptation

Companies are stepping up their efforts to provide employees with both competitive benefits and financial education. While a company may have a global financial wellness program, such a program must be adapted to local needs.

Governmental Provisions Have a Large Impact on Employer-Provided Benefits

Governments differ widely in the extent to which they support people with social welfare provisions. Such funds are coming under increased pressure due to an aging population and global economic challenges.

Cultural Differences Regarding Financial Education Are Significant

The amount and type of financial education as provided by employers varies from one country to another. There are cross-cultural differences regarding general level of financial literacy, attitudes towards retirement, wealth, and risk; as well as expectations regarding employer involvement in the field of financial wellness.

ROI May Not Be the Best Measure of Financial Wellness Programs

The companies interviewed saw a clear connection between financial well-being and the work they are doing to proactively improve employee health and wellness. They believe that financial stress has a negative impact on productivity even if it is difficult to measure directly through return-on-investment calculations. They are using participation measures and metrics that evaluate changes in behaviors to determine the success of their efforts.

Note: This material does not constitute financial, legal, tax or employee benefits plan advice. Please consult with your own advisors if seeking such advice with respect to the matters addressed in this material.

This study was commissioned by MetLife.

Interviews were conducted during March-July 2011 with global benefits executives in China, Hong Kong, India, Ireland, Japan, Mexico, the Netherlands, the United States and Singapore. Secondary research was done of prior financial wellness studies and also of government policies that have a bearing on financial wellness.

The study profiles promising practices at two companies: EMC and American Express. Interviews were conducted with three Human Resources (HR) executives in each company with corporate responsibilities for different geographies. In addition to the interviews, reviews of company materials such as presentations and internal reports were used in compiling the company information.

The project team for the study consisted of the following members: Fred Van Deusen, report author and Senior Research Associate, Boston College Center for Work and Family; Karin Anell, Consultant and report author; Danielle Hartmann, Director of Corporate Partnerships, Boston College Center for Work & Family; Iyar Mazar, Graduate Research Assistant, Boston College; and Peri Friedman, Product Manager, MetLife.

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INTRODUCTION

In the wake of the deregulation of financial markets, the recent financial crisis, and pension reforms, some worrisome trends are discernible. For one, job uncertainty has risen. Secondly, private sector jobs with a guaranteed pension have become scarce. Finally, individuals are increasingly responsible for managing their own retirement plans, and research has shown that they are generally not well equipped to do this. Providing financial education is a relatively new concept, but there is a strong demonstrated need for it. According to Lusardi and Mithcelli financial illiteracy is "widespread: the young and older people in the United States and other countries appear woefully under-informed about basic financial concepts with serious implications for saving, retirement planning, mortgages, and other decisions."[2]

In response to these trends, multinational companies are evaluating the effectiveness and competitiveness of their benefits and compensation. Recognizing that employees also need assistance in understanding the value of those benefits, how to optimize them and how to best allocate their resources, organizations are also, in increasing numbers, providing employees with the financial education they need.

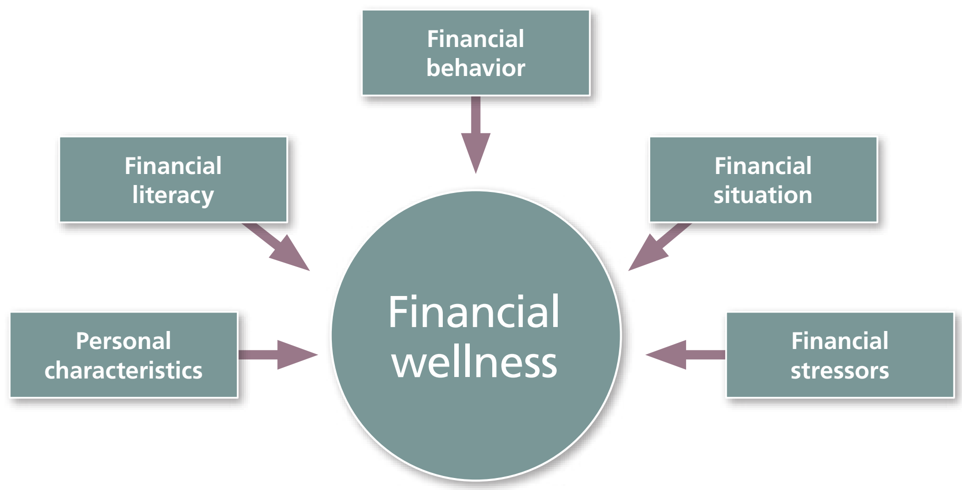
This report will start by introducing the concept of financial wellness. Next, we turn to global trends that are driving company initiatives and discuss various government provisions that affect decision-making regarding benefits and financial education in different countries. We will then turn to a discussion of the business case for policies around employee financial wellness. Lastly, promising practices from participating companies are presented.

Financial Wellness Defined

For the purposes of this paper, we will define financial wellness (also referred to as financial well-being) as a multi-faceted concept that describes the overall financial health of an individual. Financial wellness is influenced by the factors summarized in the model below:

Figure 1

Factors influencing financial wellness



- **Personal characteristics:** includes both personality factors and societal status (for example, age or marital status).
- **Financial literacy:** working knowledge of financial concepts and tools to make the most advantageous financial decisions.[3]
- **Financial behavior:** refers to financial actions, for example, financial planning, saving and investment.
- **Financial situation:** refers to objective wealth, such as home ownership, salary, benefits and accumulated wealth.
- **Financial stressors:** financial events such as losing a home, personal bankruptcy or job loss.[4]

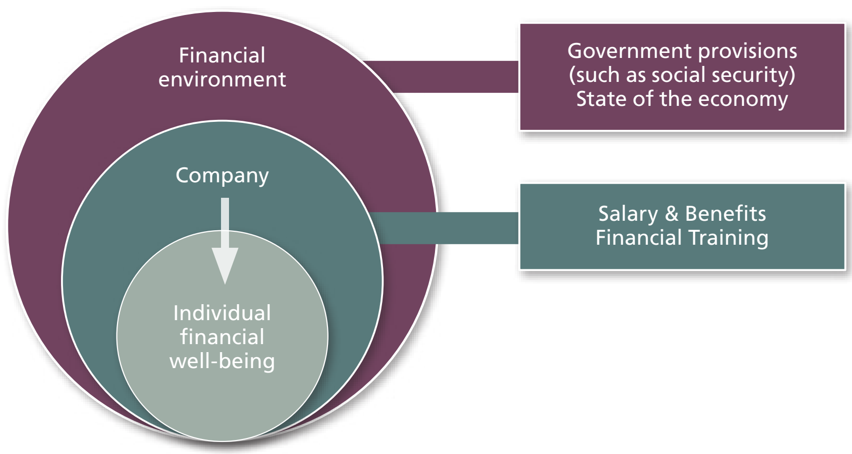
A company has a direct effect on financial well-being through 1) compensation and benefits which primarily impact the financial situation, and 2) initiatives around financial education, which ideally reduce financial stressors, increase financial literacy and improve financial behavior on the part of employees. Researchers have developed tools that can be used to assess financial well-being and consequently the effectiveness of company efforts in the field. One example is the *InCharge Financial Distress/Financial Well-Being Scale* which consists of eight questions that measure an individual's perceived level of financial distress/financial well-being.[5]

A Global View of Financial Wellness

Financial wellness is a challenging candidate for global policies and programs due to national differences in government provisions (social security, pensions and healthcare), legislation (particularly around privacy issues) and varying cultural attitudes. Government provisions such as social security and health care dictate the degree to which individual companies assume responsibility in this area. Other factors outside of a company's control include the state of the economy, such as the impact of a recession. As companies are turning to *financial education* as a means to increase the financial wellness of their employees, they also need to take into account cross-cultural differences in attitudes around finances and financial education. Figure 2 helps place companies' efforts in the context of the larger financial environment. In this section, we will discuss relevant parameters in detail.

Figure 2

The individual's financial well-being in context



IMPACT OF RECESSION

The recent recession has had a devastating impact on some countries, less so in others. In the last quarter of 2010, 84% of consumers in North America thought their country was in an economic recession. By comparison, only 41% of consumers in the Asia-Pacific region believed their economy to be in recession.[6] According to HSBC, such economic differences have led to an East-West divide, where growing wealth in emerging markets allow for a more positive outlook on retirement and increased saving. Currently, the level of saving is considerably higher among Chinese and Indian households (the equivalent of 38% and 35% of GDP respectively) compared to their counterparts in the U.S (3.9%).[7]

The recession did have an impact on employees in the companies we studied, particularly in the United States and Europe. American Express noted an increased concern for job security among its employees during the recession. In Ireland, the economic downturn has had a particularly devastating impact, leaving many homeowners with negative equity and making it "one of the worst and most prolonged recessions in the industrialized world."[8] EMC reports that employees in Ireland are more financially stressed now than before the recession. Their take-home pay has been reduced significantly due to rises in levies (taxes) and there has been a slight decrease in the number of people joining the retirement plan. Worrisome health statistics which may be related to financial stress are also emerging in Ireland: treatments at suicide prevention centers have increased by 1/3 compared to last year.[9]

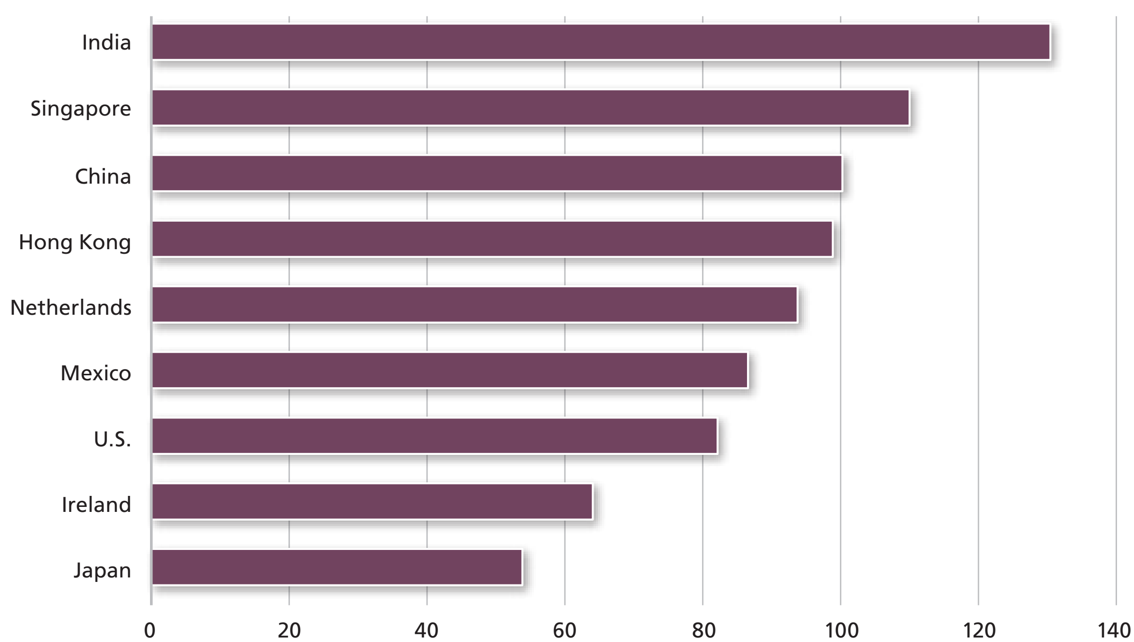
In China, the recession was mitigated by stimulus packages amounting to 6% of GDP per year. However, an overly generous credit market and a looming property price bubble are current and real concerns.[10] According to a recent survey, 78% of Chinese consumers feel an impact of the financial crisis, with middle-class consumers reporting the greatest pressure.[11] The financial crisis is likely to realign consumer spending, with consumers cutting back on high-risk investments.

In contrast to much of the rest of the world, India was left relatively unscathed by the initial financial crisis[12] and there is evidence that the country may be rebounding from the recession in better shape than neighboring China.[13] According to a benefits executive interviewed in India, multinational companies are seeing salary increases of about 10% and local companies in the range of 12-14% per year.

Individuals who have been directly affected by the recession (such as losing a job) have likely faced significant financial difficulties. Globally, only a minority of people (28%) feel that they are able to "cope with the unexpected."[14] Only one third have an emergency fund and a mere 14% have one that covers more than a year.[15] The global index of consumer confidence[a] fell in 25 out of 52 countries in the last quarter of 2010. As illustrated in figure 3 below, however, consumer confidence is generally greater in the Asia-Pacific region (scores over 100 indicate a positive outlook).[16]

Figure 3

Consumer confidence across the globe (adapted from Nielsen).[17]



[a] *The survey is based on 29,000 internet customers in 52 countries, asking people about their confidence in the job market, status of their personal finances and readiness to spend.*

UNINFORMED CONSUMERS

The recent recession, and the past decade in general, have led to poor returns for stock markets. As the cost of defined benefit plans (pension plans) has increased, as has the need to make retirement plans more portable (at least in the U.S), many companies have been forced to abandon these plans in favor of defined contribution schemes such as 401(k) plans in the U.S. As a consequence, the responsibility for managing retirement funds and assuming the accompanying risk has been transferred to the employees. At the same time, financial markets have grown increasingly volatile, and investing has become more complex as a result. It is therefore not surprising that the OECD (Organization for Economic Co-operation and Development with representatives from 34 countries) calls for increased financial literacy in response to these trends.[18]

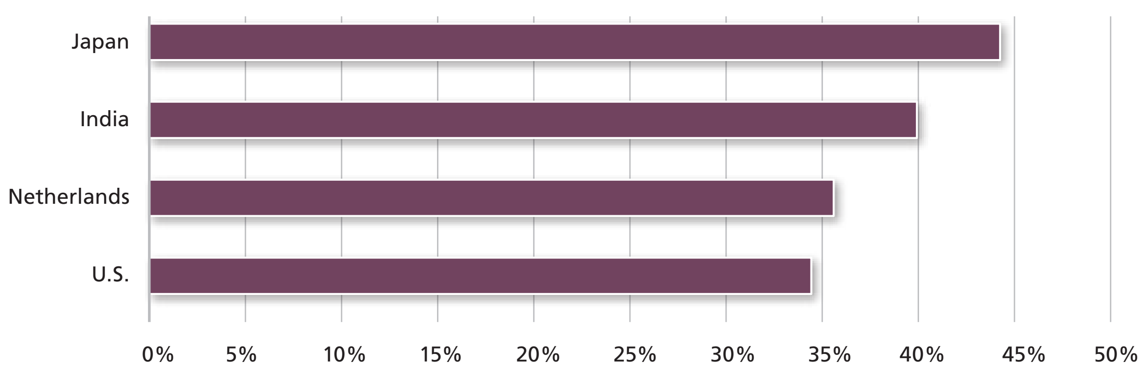
The problem, according to Kristi Mitchem of State Street Global Advisors, is that "a significant proportion of the population, known as the 'unengaged majority' does not have the knowledge, interest or time to direct their defined contribution plans."[19] As a result, they underestimate the amount they have to save, and/or overestimate the return they will get on their assets, and do not understand the need for a diversified portfolio and the power of market volatilities.

While a majority of people agree that the government will not be able to provide sufficient retirement funds,[20] this realization is not translated into action: according to global surveys, only 38% are saving for old age,[21] only 50% have some kind of financial plan in place, and nearly one in five do not know what will constitute their income in retirement.[22]

Why the discrepancy? One important reason may be insufficient knowledge. According to one global survey, less than half of consumers felt they had the information they needed to make sound financial decisions in 2008.[23] Another global survey found that only 63% had basic financial knowledge, with questions around saving being the most challenging.[24] According to this survey, consumers in Japan and India appear more financially literate than their counterparts in the Netherlands and U.S, as illustrated in the figure below.

Figure 4

% of people who scored "good" or "excellent" on financial literacy test



Men scored better than women on the global financial literacy test. Of those who scored "excellent," 67% were men and 33% were women. Of those who scored "poor," 60% were women and 40% were men. This is worrisome, considering that globally, 70% of women between the ages of 50 and 59 are concerned they will not be able to cope financially in retirement.[25] In the same test, younger people (aged 20-49) also scored significantly better than older people.[26]

***70%** of financially literate people save for old age, while only **47%** of those with poor financial knowledge save for old age.[27]*

It is worth pointing out that people may be more or less receptive to financial education, depending on national values and norms. In the next section, we turn to country cultures, attitudes and perceptions that have a bearing on financial wellness policies offered by companies.

IMPORTANCE OF CULTURAL DIFFERENCES

Prior to launching initiatives in financial education, a company should ask itself: where do consumers currently get their information? How are they allocating their resources and what are their attitudes to risk? In countries like China, Hong Kong and India, for example, about 75% of consumers use informal sources such as family and friends for advice, but in the Netherlands, only 17% do. Corresponding figures for the US and Ireland are roughly 30%. In contrast, 43% of people in the Netherlands use formal sources such as financial advisors, brokers, accountants, banks or insurance company representatives. In Ireland 37% use formal sources and in the U.S. the figure is 27%. In India, China and Hong Kong corresponding figures are 20% or below.[28] It is interesting to note that India scores slightly higher on financial literacy than the Netherlands, even though consumers in the former rely heavily on informal sources, while in the latter, people show a preference for formal sources. While interesting to speculate about the causes, the difference in financial literacy between the two countries is only 5 percentage points and there is too little data to draw any definite conclusions.

Of interest is also the level of resistance on the part of consumers. Many people in mid-life prefer not to think about their old age. They may also not take adequate measures to prepare for unforeseen events such as the death or disability of a primary income earner in the family.[29]

Cultures differ in the extent to which family constitutes a support system in case of unfortunate events. Many countries in Asia have a stronger tradition of having the whole family under one roof which facilitates the sharing of resources and supporting each other in difficult situations. However, there is a second side to this as well. The burden of looking after elderly relatives is a much greater concern in Asia than elsewhere.[30] Further, attitudes around aging vary across the globe, from the fearful West to China, where older people are held in higher esteem.[31] This, along with the state of the economy, can help explain why attitudes towards retirement vary widely across the globe, with consumers in Asia generally more likely to refer to this as a "period of freedom."[32]

"It is never too late to start saving. We encourage people to take the first step. It's less overwhelming if you take it in small steps."

(American Express Benefits Executive)

The benefits executives we talked with as part of this study reported some important cultural differences. For example, in the fast growing companies in India, it is common for employees to share salary information with each other. This has a significant impact on a company's desire to make certain benefits information available more publicly. In some countries such as the Netherlands, it is seen as unusual, perhaps even viewed as overstepping proper boundaries, for companies to provide financial education to employees. Employees are highly educated and receive a good salary, and may feel insulted that the company believes they need this information.

Risk aversion is on the rise globally, with two thirds of people agreeing that life is more "risky than it used to be." Less than 1/3 of respondents are willing to take a higher risk, and most prefer a stable return on their investments.[33] In comparison to most countries in Europe, however, consumers in North America and Asia tend to be willing to accept higher risk with the prospect of higher return.[34] India may be an exception: EMC reports that individuals here are typically more risk-averse and prefer to invest in more traditional instruments such as land, real estate and gold.

It is worth pointing out that financial satisfaction will depend not only on objective measures, but also on perceptions of one's wealth compared to some standard of comparison,[35] which will differ cross-culturally since societal norms for consumption and production vary widely. While there is a currently an East-West divide, growing affluence in emerging economies may change saving and consumption patterns there, increasing borrowing and tendencies towards immediate gratification.[36] For the time being, however, the implications for global companies are clear: the culture of the country where a company is headquartered is not dominant in the rest of the world. In the words of one country executive: *"401(k) plans don't exist outside of the U.S. We need to get better with our corporate communications."*

The Role of Government and Public Policy

The extent to which a country provides social security for its citizens is clearly important in determining a company's benefit policies. Many countries in Europe have a relatively wide safety net, including the Netherlands, which has one of the most comprehensive social security systems in the world.[37] Other countries in Europe, such as Ireland, ensure health care for all, but struggle with accessibility and speed of treatment, thus motivating companies to provide additional insurance coverage. Under privatized health care in the U.S., high medical costs contributed in some degree to about half of the more than 500,000 bankruptcies in the U.S. in 2007.[38] Public health care in Asia varies considerably, from Singapore's highly ranked system to China, where the extent of social insurance is insufficient, particularly in rural areas.[39]

***74%** of consumers worldwide expect ill health to be a very significant, or quite an impact on their finances.[40]*

The table below, provided by Mercer, provides rankings of retirement income systems around the world, based on their adequacy, sustainability and integrity. It is easy to see that there is large variation among the countries and this will have an impact on the need for companies to step in with supplemental policies.

Table 1

Mercer Global Pension Index[41]

Country	Ranking	Total points (out of 80)
Netherlands	1	78.3
Switzerland	2	75.3
Sweden	3	74.5
Australia	4	72.9
Canada	5	69.9
U.K.	6	63.7
Chile	7	59.9
Brazil	8	59.8
Singapore	9	59.6
USA	10	57.3
France	11	54.6
Germany	12	54
Japan	13	42.9
China	14	40.3

The summary below outlines some of the most important government provisions in the countries included in this study. It also outlines some important financial trends.

GOVERNMENTAL PROVISIONS AND FINANCIAL TRENDS

CHINA

Governmental Provisions

- Two-tiered basic pension system:[42]
  - Pooled account: employer contributes 20% of earnings
  - Individual contributes 8% of wages
- Coverage is not universal, with rural population largely outside the system.[43]
- Employers and employees contribute to medical insurance fund, but lack of rural health care is major concern (50% of China's population lives in rural areas).
- 45% of urban populations and 79% of rural populations pay out of pocket for health care.[44]
- Unemployment insurance available for maximum of two years.
- Employers must contribute to employee housing fund (up to 25% of salary in certain regions).[45]

Trends

- Major multinational companies offer supplemental retirement plans.[46]
- OECD predicts the majority of the Chinese population will remain dependent on family support though old age.[47]

SINGAPORE

Governmental provisions

- Central Provident Pension Fund, a defined contribution scheme covering all workers.[48]
- Universal health care ranked 6th out of 191 countries by WHO.[49]
- Unemployment benefits do not exist, with *The Economist* depicting Singapore as a country averse to public welfare.[50]

Trends

- Health care expenditures, currently low at 4% of GDP expected to rise with Singapore's aging population.[51]
- Regarding its welfare policy, the government states that it emphasizes hard work, self-reliance, family responsibility and community support for those in need.[52]

INDIA

Governmental provisions

- Public Employees Provident Fund extends to all sectors of the workforce,[53] but only 9% of the workforce has access to formal social security.
- Due to underfunding, public health facilities offer only the most basic care.[54] People unable to afford private health care may face long queues, limited service availability and perceived lower quality of care.
- No unemployment insurance but indirect assistance, e.g. subsidies on food.[55]
- According to the World Bank, the welfare system fails to provide funds and goods to the needy due to corruption and inefficiency.[56]

Trends

- Aging population is a growing concern.[57]
- Poverty rates continue to be a major concern. As of 2010 more than 37% of India's 1.35 billion population lives below the poverty line.[58]

JAPAN

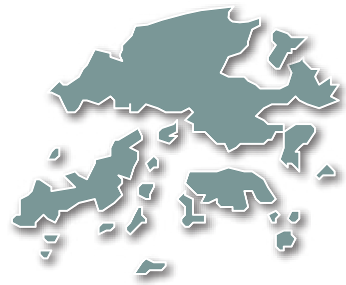
Governmental provisions

- Two-tiered social security system. Flat-rate benefit for all residents under the national program, and earnings-related benefits via the employee pension insurance program.[59]
- Emphasis on family support built into welfare system. Government reserves the right to bill family for cost of public assistance if they can afford it.[60]
- Universal health care system. Costs shared by individuals and their respective health plan, whether covered by national, employee or old-age health insurance.[61]
- Receiving welfare is highly stigmatized in Japan, with familial and communal ties functioning as the main safety net for individuals.[62]

Trends

- Pension system as well as health care system largely unsustainable, due to aging population.[63]
- Citizens aged 65 or more comprised 22.7% of total population in 2009. Pension payments almost doubled between 1990 and 2006, and current projections show this figure rising.[64] Japan expected to raise pension age to 65.[65]

HONG KONG



Governmental provisions

- Employers and employees must contribute to a Mandatory Provident Fund – defined contribution schemes managed by approved private providers.[66]
- Universal health care system in cooperation with private sector provides medical services.[67]
- Familial and communal support to those in need is a societal expectation.[68]

Trends

- Aging population, rising expectations of health care and soaring medical costs are increasing concerns.[69]

NETHERLANDS

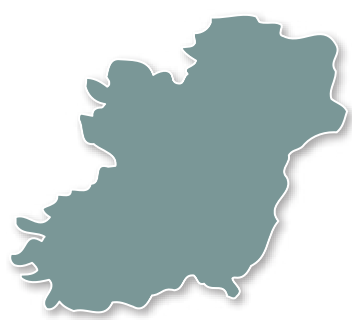
Governmental provisions

- Public pension providing approximately 30% of average earnings.[70]
- More than 90% of employees have a quasi-mandatory scheme with their employer, with 94% of employees being covered by a defined benefit scheme.[71]
- Employee insurance including unemployment benefits exists.[72]
- Long-term disability insurance.[73]

Trends

- Because so many employees are covered by a defined benefit plan,[74] employees do not have to carry as much investment risk and interest rate risk as consumers in other countries.

IRELAND



Governmental provisions

- Public pension scheme: flat rate to all who meet contribution conditions.[75]
- In 2008, 44% of working men and 50% of working women had no pension plan in place other than the State afforded pension which was a flat rate of EUR 223.30/week in 2008 (28.9% of average earnings).[76]
- Government responsible for healthcare, but 50% of people opt for private insurance.[77]
- Unemployment benefits exist, but rank 13 out of 15 EU nations with similar earnings.[78]

Trends

- Roughly 71% of households stated that their finances are likely to dwindle in 2011, with only 3% citing potential for improvement. As for the overall economy, 74% of respondents also expect that this condition will continue to worsen in 2011.[79]

MEXICO

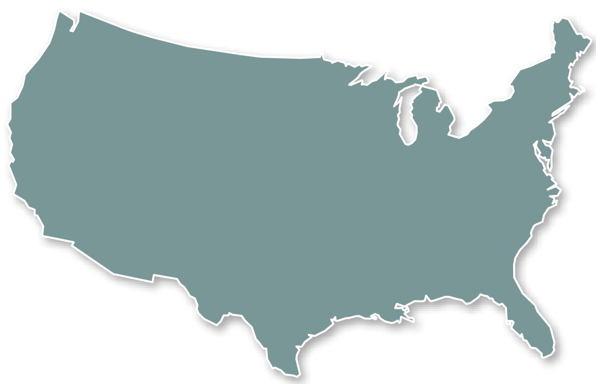
Governmental provisions

- Workers, employers and government contribute to defined contribution scheme.[80]
- Government spending on pensions below OECD average in 2008: 1.4% vs. 7.0%.[81]
- By end of 2007, 75% of population had public health insurance.[82]
- Problems of access and quality in health care, 50% of health care spending is private.[83]
- Social assistance: conditional cash transfer program provides direct monetary assistance to families that comply with a variety of preventive health and school enrollment requirements.[84]

Trends

- Low life expectancy and high rates of obesity and diabetes.[85]
- One of the youngest populations in the world: only 11.3% are above the age of 65.[86]
- Consumer confidence lower than before recession; but despite being pessimistic about Mexico's economic outlook, consumers feel capable of buying goods.[87]
- 45% of Mexican respondents have no emergency fund (global average 33%).[88]

U.S.



Governmental provisions

- Social security is a government provision for the elderly and disabled who have worked.
- Maximum benefit if retiring in 2011 at age 66: $2,366/month.[89] On average social security provides 41% of the income for retirees.[90]
- Among 84.2% with health insurance, in 2006, 59.7% of individuals had coverage from employer, 27% had government-funded coverage and 9.1% purchased coverage individually. Approximately 16% were uninsured in 2006.[91]
- Medicare: a publicly financed health care insurance for people 65 years or older, people under 65 with certain disabilities and people of any age with End-Stage Renal Disease.[92]
- Medicaid supports low-income families with their medical expenses.[93]
- Programs for the poor include the food stamp program and Temporary Assistance for Needy Families (TANF).[94]

Trends

- Problems with current health care system include high costs, incomplete coverage or denial of coverage due to pre-existing conditions, although the current health care reform program will address some of the access issues.[95]
- 54% of workers say their savings and investments (excluding primary home equity and defined benefit plans) are less than $25,000.[96]
- Only 69% of workers have saved for retirement (themselves or their spouse).[97]

The Business Case for Financial Wellness

Figure 5

The "perfect storm" of financial wellness

In the prior section we discussed a number of factors which taken together create the "perfect storm" of consumer financial distress. These factors are summarized in figure 5 above. Although the financial needs of consumers differ globally both in terms of extent and specificity, overall, the current situation cries out for action to increase financial literacy of consumers.

The degree to which benefits and financial education drive productivity and/or company loyalty will vary from one country location to another. The challenge for each company is to determine approaches that best fit with a certain country culture. Is talking about financial wellness something that is culturally acceptable and to what extent is it important for employees?

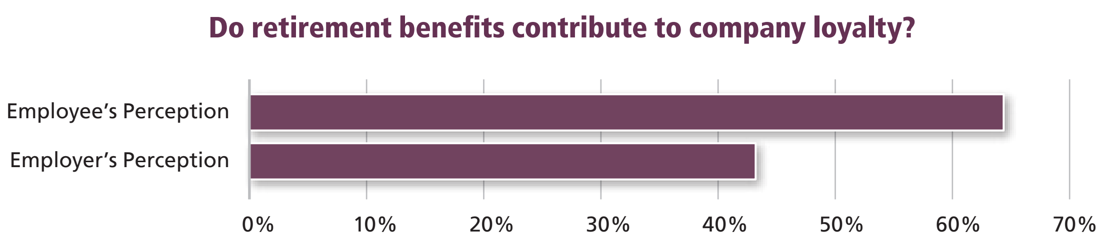
In general, however, research provides a convincing case for companies to provide employee financial wellness education.[98] A recent global study by WFD Consulting found that employees are increasingly addressing financial concerns while at work. Financial stress was identified as a top work-life issue for both women and men across the countries studied.[99] This is worrisome, considering that studies show that financial difficulties can have adverse effects on a person's well-being, leading to social, physical and emotional stress[100] and in some cases contribute to marital tensions.[101] It has been estimated that 15 percent of workers are "experiencing stress from their poor financial behaviors to the extent that it reduces their job productivity."[102] The cost for companies dealing with employees who are overly concerned about money woes is substantial.[103] MetLife's 9th Annual Study of Employee Benefits Trends support this notion, with 58% of employers stating that financial "illness" plays a role in employee absenteeism and 78% saying that concerns over financial problems while at work can have a negative impact on employee productivity.[104] Research done at a chemical production company points to a positive correlation between financial wellness and worker productivity.[105] In increasing numbers, companies are recognizing this association. An EMC interviewee says that the company: "…takes a holistic view. We know there is a direct correlation between financial security and physical health. That is why we provide services in both areas."

*An overwhelming majority of consumers worldwide **(90%)** want to become better at managing money.*[106]

According to research by MetLife in the U.S., employees who are satisfied with their benefits tend to report higher job satisfaction. Employees' satisfaction with benefits also correlates with stronger company loyalty, yet employers tend to underestimate this link.[107] The graph below describes this discrepancy, illustrating the percentage of employees and employers who view retirement benefits as an extremely important loyalty driver.

Figure 6

Disconnect between employees and employers in valuing retirement benefits as loyalty driver.[108]



Retirement benefits contribute to company loyalty, but they may not be sufficient to ensure financial wellness, given the number of consumers who spend too much, save too little and fail to adequately plan for retirement. This is why financial education to improve financial behavior is important. Many studies have found that financial management practices may be the single most influential determinant of financial satisfaction.[109]

In general, studies show that financial education has the potential to:

- Improve credit scores.[110]
- Lower credit costs.[111]
- Increase saving and preparation for home ownership.[112]
- Reduce financial stressor events.[113]
- Increase participation in 401(k) plans.[114]
- Make people more confident and feeling capable of better financial decision-making.[115]
- Increase company loyalty.[116]

It is clear, however, that the business case for financial education, just as with other benefits, will vary from one country to the next. In the words of EMC there are "different perceptions and expectations regarding the role of an employer in the area of financial wellness." EMC in India says that such measures are offered on an ad hoc basis only.

***58%** of employees in the U.S. would like their employer to provide access to financial planners to help them make decisions about financial needs.*[117]

A PHILOSOPHY OF FINANCIAL WELLNESS – THE CASE FOR AN INTEGRATED APPROACH

In many companies, there is currently a clear delineation between the overall health and wellness programs and financial wellness. Given the association between financial distress and employee overall mental well-being, however, EMC is already launching financial and physical wellness under the same umbrella benefits platform, called PeopleLink. American Express, noticing the overlap between its health and wellness policy ("Healthy Living") and its financial wellness program ("Smart Saving") is integrating its messaging around these initiatives and its work-life programs. The company tries to avoid segmenting initiatives and has introduced cross-training programs to make counselors in the Employee Assistance Program (EAP) aware of the type of financial issues employees may bring up. They are then able to refer these employees to certified financial counselors through the financial planning service provided at no cost to American Express employees. Overall the Smart Saving program aligns well with the company philosophy. American Express wants to be a leader in credit management and the message is to use credit responsibly. In the words of corporate headquarters: "We focus on what our customers need, on being responsive to them. It only makes sense to do the same for our employees."

For EMC, the financial wellness program ties into the corporate emphasis on "One EMC," a company where there are no boundaries or barriers and all employees share the same benefits except when national legislation or customs dictate differentiation. Effective tools such as WealthLink (see Financial Wellness Promising Practices section) also align with EMC's main philosophy of being cutting-edge in the field of information technology, in its *"journey to the cloud."*[b] It showcases how Human Resources can be innovative in its use of information technology. Promoting financial wellness is also seen as an important tool to attract and retain the best employees and to keep EMC positioned as an employer of choice.

*Retirement plans of people who engaged in financial planning grew on average **245%** more than people who did not engage in planning.*[118]

[b] Refers to the current IT-revolution within storage, whereby data and software are stored remotely as opposed to on a single computer, meaning an individual (or organization) can access a program or a file anywhere, at any time.

Summary of Financial Benefits Offered by Company and Geography

Companies have taken various strategic responses to address the challenges around financial wellness. Individual companies help improve employee financial wellness by 1) providing competitive benefits and 2) offering classes on financial literacy, as well as other initiatives.

The figure below summarizes the various approaches used by these employers.

Figure 7

Examples of employer policies to enhance employee financial wellness

Before introducing the specific financial wellness promising practices that have been implemented by the participating companies, we turn to a brief summary of the financial benefits offered by American Express and EMC worldwide. The following tables summarize these benefits.

As you can see in the following tables, companies frequently offer different benefits in different geographies, often largely dictated by the welfare provisions in a specific country or different cultural expectations.

Table 2

Financial Benefits Offered by American Express

Benefit	U.S.	Mexico	Hong Kong
	Benefit offered? Covered by company, employee paid or cost share?		
Retirement savings plan (defined contribution)	Yes	Yes	Yes – Government minimum plus supplemental
	Company matches up to certain %	Company matches up to certain %	Company and employee both contribute
Pension plan (defined benefit)	Discontinued in 2007	No – converted in 2000 to current plan	No – converted in 2000 to current plan
	Covered by company		
Stock purchase plan	No	No	No
	But profit-sharing in form of direct payment into 401(k)		
Life insurance	Yes	Yes	Yes
	Covered by company with ability to elect up to 8 times base salary at cost paid by employee	Covered by company	Included in flexible benefits coverage
Health insurance	Yes	Yes	Yes
	Cost shared with employee	Covered by company	Included in flexible benefits coverage
Dental insurance	Yes	Yes	Yes
	Cost shared with employee	Employee paid	Included in flexible benefits coverage
Disability insurance	Yes	Yes	Yes
	Covered by company	Nearly all covered by company	Included in flexible benefits coverage
Long-term care insurance	Yes	No	No
	Covered by company		
Group auto and home insurance	Yes	Yes	No
	Employee paid	Available to employees through a broker	

Table 3

Financial benefits offered by EMC

Benefit	U.S.	Ireland	India
	Benefit offered? Covered by company, employee paid or cost share?		
Retirement savings plan (defined contribution plan)	Yes	Yes	Yes
	Company matches up to certain %	Company contributes up to certain %	Provident Fund: shared contribution
Pension plan (defined benefit plan)	No	No	Yes
			Covered by company
Stock purchase plan	Yes	Yes	Yes
	At reduced rate: 85% of stock price	At reduced rate: 85% of stock price	At reduced rate: 85% of stock price
Life insurance	Yes	Yes	Yes
	Cost shared with employee	Integrated into defined contribution plan	Covered by company
Health insurance	Yes	Yes	Yes
	Cost shared with employee	Covered by company	Covered by company
Dental insurance	Yes	No	No
	Cost shared with employee		
Disability insurance	Yes	Yes	No
	Cost shared with employee	Integrated into defined contribution plan	
Long-term care insurance	Yes	No	No
	Employee paid		
Group auto and home insurance	Yes	No	No
	Employee paid		

"What we might do in Ireland would not be at all relevant for our employees in France and Netherlands."

(EMC Benefits Executive)

Financial Wellness Promising Practices

In this section, we turn to case studies of the two companies in this study that are successfully implementing financial wellness programs. We will review programs from each company, describing the programs and how they have been implemented, discussing the business drivers and challenges faced, and describing the progress made to date. We shall see how such programs, just like benefits provisions, need to be adapted to the particular culture in a country.

EMC WealthLink

Industry sector	Information technology
Size of workforce	Approximately 50,000
Description of financial wellness program	WealthLink: WealthLink provides employees with an individualized site with personalized and action-based tools to understand and optimize their EMC compensation and benefits. Currently US centric but global expansion is under way.
Purpose	1) Attraction and retention: Integrated part of EMC's status as "Employer of Choice." 2) Aligns with EMC's overall motto *"journey to the cloud,"* demonstrating use of cutting-edge technology in the benefits field.

IMPLEMENTATION

Early on, EMC recognized that financial stability drives productivity. In 2006, it started focusing specifically on financial wellness, with an overall objective to increase employees' financial acumen, to make them more financially aware and better able to make the right financial choices. The company wanted to leverage its previous success in the health and wellness field, which includes HealthLink, an individualized portal which gives employees a complete summary of their health records. EMC benchmarked its financial wellness practices against other companies in the market to evaluate its value proposition and surveyed employees to identify the needs of various generational groupings. As a result, the company increased its offering of financial seminars and it now caters to various needs, such as college saving, accumulation of wealth, tax planning and retirement planning. EMC also offers individual financial counseling to all employees, where one session is complimentary and the rest are offered at a reduced rate. To provide these services, EMC has collaborated with various vendors in the U.S. In Ireland, EMC offers similar tailored seminars and consulting services from vendors such as the revenue authorities, local banks, wealth managers and insurance firms.

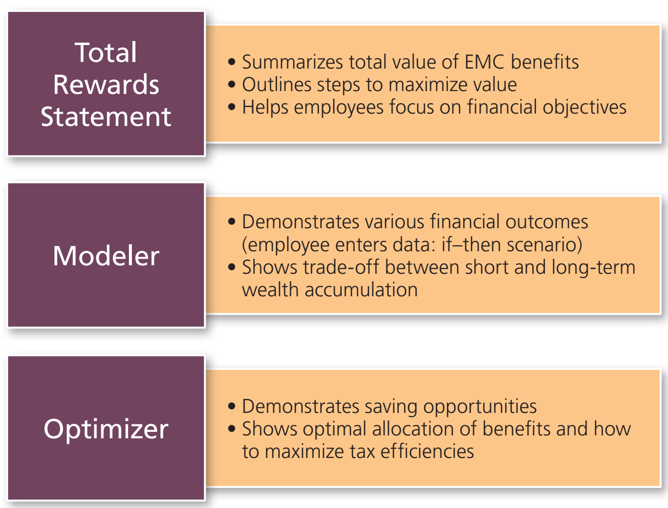
"We have recognized that employees may not know the right questions to ask when it comes to financial wellness."

(EMC Benefits Executive)

In collaboration with Fidelity, EMC launched WealthLink in the U.S. in 2008. WealthLink is an on-line site that provides employees with personalized and action-based tools. It is managed in accordance with the following five guiding principles:

- Personalized
- Action-based
- Expandable
- Portable
- Measurable

WealthLink provides employees a personalized Total Rewards Statement that includes cash compensation, equity compensation and benefits. Employees can model various financial scenarios and use tools to optimize performance. The model below summarizes the functions of the site.



WealthLink takes into account the individual employee's objectives, time horizon, risk tolerance and risk profile. It allows employees to see various outcomes, for example, assess the consequence of putting assets into a stock purchase plan as opposed to the 401(k) in the short and long run respectively. In addition to compensation and benefits from EMC, an employee can add up to five separate accounts to the model, for example, a spouse's 401(k). This allows them to get "the big picture." The Total Rewards System also has "hot links" connected to it that provide employees with access to various financial vendors. EMC is working towards making the model portable, which refers to an employee's ability to bring the profile with them to another employer.

There are three views to WealthLink: employee, employer and recruiter. A manager can access an employee's profile during an annual compensation discussion, or a recruiter can demonstrate the full value of working for EMC during the final phase of a recruitment process. It also helps managers make a convincing case with employees of the value of staying with EMC.

"Employees had questions about how to take advantage of compensation and benefits. WealthLink was a way to answer that."

(EMC Benefits Executive)

EMC plans to implement aspects of WealthLink globally, but emphasizes the need to adapt to local conditions throughout the world. It introduced the Total Rewards Statement in Ireland in December and is currently rolling it out in the U.K. EMC plans to launch it in four Asian locations and, by the end of the year, to all company locations.

BUSINESS DRIVERS

Despite a significant investment, both in terms of money and time, the CFO, CEO and the company board were early champions of EMC's focus on financial wellness, including WealthLink. The endorsement can be attributed to EMC's emphasis on "One EMC," a company where there are no boundaries or barriers and all employees share the same benefits except when national legislation or customs dictate differentiation. WealthLink showcases an advanced IT solution in the HR field, aligning it with EMC's main philosophy of being cutting-edge in the field of information technology, in its *"journey to the cloud."*

EMC recognizes that financial stability drives productivity, even if it is difficult to arrive at hard numbers in terms of ROI. From a company perspective, WealthLink is also seen as an important tool to attract and retain the best employees and to keep EMC positioned as an employer of choice. In a market with continuous innovation, long-term retention is essential to stay competitive.

As early as 2009, EMC in Ireland was encouraged by an independent consultant to increase awareness among employees of the cash value of their total benefits. The Total Rewards Statement aspect of WealthLink was the perfect response to this suggestion.

CHALLENGES FACED

Ideally, EMC would like to launch WealthLink in its entirety globally, but certain cultural challenges limit the expansion to specific tools and concepts from the model. For example, the name has different, not wholly positive, connotations internationally. In addition, according to EMC, cultural attitudes towards compensation differ from one country to the next. In India, for example, where the turnover rate is three times the level in the U.S., open conversations about compensation are accepted as a means to gauge one's salary competitiveness (as opposed to the U.S., where such conversations tend to be more private). Such transparency already raises challenges for HR, in terms of employees comparing benefits internally. As a result, HR in the India office hesitates to introduce the Total Rewards System as on-line tool. They recognize that an instrument that shows all of the various components of employee compensation may increase the level of disclosure.

In contrast, in Ireland the introduction of the Total Rewards System did not encounter any such obstacles. It has been well received, usage is up and feedback from employees has been positive. HR in Ireland caution, however, that companies in Europe are in general wary of national legislation when introducing services around financial wellness. Legislation around privacy, for example, can be a concern. Corporations may fear lawsuits when implementing specific financial education programs.

EVIDENCE OF PROGRESS

Since its launch in 2008, about 50% of EMC's 21,000 employees in the U.S. have participated in WealthLink and 2,075 have actively used the Modeler, the Optimizer and/or the Statement. According to employee satisfaction surveys, attitudes towards WealthLink are very positive to date. There is also evidence that employees who use WealthLink make better long-term financial decisions. In the U.S., the following differences are discernible amongst WealthLink users versus non-users during the 2008-2009 recession:

- Among WealthLink users, there was no scale back in contribution to 401(k) plans, but among non-users, 7% decreased their contribution.
- 38% of WealthLink users increased their contribution to a HSA (Health Savings Account), whereas there was no change among non-users.
- Among non-users, there was a 20% decrease in the Employee Stock Purchase Plan, among users, the decrease was significantly lower: 5%.
- Among users, there was a 32% increase in the participation of a NQDC (Non-Qualified Deferred Compensation Plan) wrap around 401(k) plan (available for Director level and above) compared to 2% among non-users.
- The Flex Spending Account saw a significant decrease among non-users (-17%), but a small increase among users of WealthLink (3%).

In Ireland, the feedback from employees using the Total Rewards Systems has been very positive. Within the first month, 65% of employees were using the system and usage continues to grow. From the employer's perspective, it is an excellent educational tool, as there is generally a very low level of financial awareness and many employees do not take a holistic view of their benefits. (In a recent survey, over 50% of respondents in Ireland had no understanding of the minimum amount that public pensions provide to individuals. Upon learning that amount, 66% of respondents stated that this would not provide the standard of living they expected for themselves and their partners.)[119] EMC reports that equity plans tend to be underappreciated by employees. The company has also noted that financial seminars are very busy and financial consultants are in high demand.

American Express Smart Saving Program

Industry sector	Financial Services
Size of workforce	60,500
Description of financial wellness program	Smart Saving Program
Purpose	Raise awareness around, and encourage utilization of, new and existing financial services to help employees make better financial decisions.

IMPLEMENTATION

Prior to launching the Smart Saving program, American Express offered the following financial services:

- Financial planning and counseling service provided at no cost to employees over the telephone
- Tools and resources available online and by mail order at no cost to employees
- EAP counseling service
- Children's educational support program provided at no cost, including one-on-one sessions
- Legal assistance plan covering a wide variety of services (employee paid)
- Employee deals and discounts (e.g. discounts on travel, entertainment, services)
- Retirement and financial education sessions (e.g. pre-retirement planning, asset allocation, personal financial topics)

Discussions around the Smart Saving program started in 2008, in response to a number of challenges:

- Declining participation in company 401(k) plans
- Poor utilization of existing financial services
- Unfulfilled financial needs as assessed by internal surveys

It was clear to American Express that employees were utilizing the existing programs sparingly, and it was possible to assist employees with education to help them manage their money and find ways to save for retirement. An important function of Smart Saving was to bring all financial offerings under one umbrella and "help employees understand how to use the tools and resources at their fingertips." With the program, American Express also wanted to send the message that financial planning is for everyone, and that it is quick, easy and free. The company used various communication channels to reach different target groups, including traditional home mailings, TV screens in the office, blogs, posters, on-line messaging, fairs and individual meetings.

When the American Express office in Hong Kong prepared to introduce Smart Saving, they wanted to depict the program as a journey, so they added four tenets: Learn - Plan - Save - Achieve. In June 2011, 80% of the employees attended the three-hour kick-off event that introduced a very useful promotional piece that identified different stages of life events (e.g. buying a house, educating your children, planning your retirement) and the support that is available for each different stage.

The table below summarizes many of the components of the Smart Saving program.

Table 6

Summary of American Express Smart Saving program

Component	Comments
Smart Saving fairs	Events that make it fun and easy to start saving and feature one-on-one financial planning sessions with counselors and interactive games. Thirteen events have been held, reaching 6,680 people.
Fair follow-up	All fairs are followed up within six months with Q&A tables and financial planning counselors on-site.
Financial seminars and webinars	Special events themed around important life events, such as saving for college.
Personal financial and retirement planning meetings	Employees can sit down one-on-one with financial planning counselors (unlimited phone calls at no cost). Employees can also get free help to draw up wills if enrolled in the supplemental life insurance program.
Smart Saving pages on the intranet	Offers financial self-assessments where employees are asked questions about their current financial behavior ("Smart Saving Check-in").
Add Power campaign	Employees are encouraged to direct 1% more of pay to the RSP (Retirement Savings Plan) or personal savings.
Smart Savings for Kids	A new program being developed and implemented globally with delivery locally in Hong Kong, Mexico and the U.S. provides workshops for parents and their children to encourage saving for the future.
Budgeting and saving planning tools	Assists employees in managing their money effectively.

The fairs are worth a special mention, since they have been instrumental in the success of the Smart Saving program in the U.S. Fun and interactive, the fairs help make the program "real" for people. The one-on-one interaction with financial counselors made available at fairs is influential in inspiring people, according to American Express, since "brochures alone don't get people to act." An ability to make changes to finances on the spot adds an immediacy that helps people take action. For example, after talking to a financial planning counselor, an employee can use an interactive tool that demonstrates the pay-off of a certain financial decision (e.g. increase contribution to a savings plan). He or she can then implement the decision immediately. In order to entice people to attend the fairs, American Express offers interactive games and giveaways linked to finances, like a piggy bank.

BUSINESS CASE

American Express believes that financial distress may negatively impact productivity. The working hypothesis is that "if you have your financial house in order, you will be more relaxed, productive and engaged at work. And you have more control over your life." The company also believes that the Smart Saving program has had a positive impact on financial wellness. Even if it is hard to present concrete numbers, it is easy to see increases in participation in the company's 401(k) plan. The company believes that financial education is "the right thing to do" and "a great ROI would be icing on the cake." By offering a comprehensive and competitive Smart Saving program the company is responding to an evident need on the part of employees. In the end, this builds loyalty. In other words, the program helps retain important personnel and will hopefully attract others.

The Smart Saving program aligns well with the company philosophy. American Express wants to be a leader in credit management and the message is to use credit responsibly. The company wants to ensure this by educating its customers about financial responsibility. "We focus on what our customers need, being responsive to them. It only makes sense to do the same for our employees."

For these reasons, it was relatively easy to get support from senior management for Smart Saving. Senior leadership sent out e-mails about the program and openly recommended it to employees during meetings.

EVIDENCE OF PROGRESS

American Express launched the Smart Saving program in the U.S. in Q3 2010, in Hong Kong in June 2011 and in Mexico in September 2011. American Express uses home mailings, telephone interviews and e-mail surveys to evaluate the effect of the Smart Saving program. This way, the company can see what percentage of employees actually take action after having been given information from a financial counselor. In the words of an American Express interviewee: *"If you don't get people to act on what they learn, the education is wasted…"*

The results from the program have been substantial. Since the launch of Smart Saving in the United States, there has been a 71% increase in calls to the financial planning counseling service. The Smart Saving fairs have been particularly successful in increasing the number of calls. In addition, from Q3 2009 to Q1 2011, the following results are discernible:

- 9% increase in 401(k) participation.
- 5% increase in employees who deferred 5% to a retirement savings plan.
- Participation in financial counseling is now 8-10%, as opposed to 5% prior to Smart Saving program.

At one site, 63% participated in the 401(k) prior to the launch of Smart Saving, three months later, 65% did. An on-site fair pushed the participation rate up to 73%.

LESSONS LEARNED

American Express has learned a number of lessons from their implementation thus far.

- Use multiple touch points to communicate the program: on-site and in-person, email, messaging to the home
- Employees value their leaders, and cascading leadership messages provide positive re-enforcement
- Simple, intense, targeted messaging works best
- New look and feel of the program engages employees
- Employees want to do the right thing and want assistance
- Simple is better, not just for the employees

CHALLENGES FACED

American Express noticed that participation rates and the types of questions asked varied from one site to another, illustrating that employees differ in their needs and level of financial literacy. Because there are various employee groupings within the company, they used a segmented approach even within the U.S. It could be as simple as recognizing that a 60-minute financial seminar is a bad fit at a call-center site where employees have 30 minutes for lunch. The adjustment to 30-minute presentations increased participation.

The general idea and theme of Smart Saving has resonated well with other country locations. This is probably an indication that insufficient saving is a universal problem. Local customization of the program has been necessary to adapt to national cultures, however. In Hong Kong, for example, the mascot of the U.S. program, a blue pig named "Henry," was substituted by the God of Fortune, symbolizing money and good fortune. Other cross-cultural differences encountered by American Express include the following:

- The meaning of "smart saving" differs cross-culturally. In some cultures people are less enthusiastic about saving than in others. American Express adjusts by shifting the focus to include spending, by emphasizing deals and discounts available for employees.
- In some cultures, people are less receptive to the idea of having an employer talk to employees about finances.
- In some countries, the idea of one-on-one financial guidance is fairly foreign.

American Express carried out thorough research and asked representatives in different locations how Smart Saving could best be implemented in their market. This probably increased acceptance of the program globally.

CONCLUSION

Financial wellness is a relatively new but growing concept. Important macro-economic changes around the world are forcing multinational companies to step up their efforts to provide employees with competitive benefits as well as financial education to enable them to better manage and allocate their assets. The business case for such efforts is fairly well established, as financial wellness programs can reduce employee stress and absenteeism, improve productivity and increase employee loyalty. Financial wellness is a challenging candidate for a global policy, due to differences in legislation, governmental social welfare provisions and cultural attitudes. Working on a global program in this area therefore becomes an exercise in tailoring your offerings to fit local needs. It is clear from the companies we studied that having a sound understanding of cross-cultural differences regarding 1) governmental provisions and 2) attitudes towards financial risk and financial education provides a strong platform for launching successful and cost-effective financial wellness programs.

Below are a few additional points to consider:

Set your target and measure the results. What does your company want to achieve with a financial wellness program – reduced employee stress, increased company loyalty, enhanced financial wellness or something else? Changing financial attitudes is admirable, but since "good intentions do not always translate into desired behavior,"[120] a formal assessment of the outcome of a program may be appropriate. The *InCharge Financial Distress/Financial Well-Being Scale* mentioned earlier in this report could be applied for this purpose.

Make your message relevant for your target audience. Consumers vary in their financial needs and literacy depending on their life-stage and national culture. They are also more or less ready to receive financial advice. Companies can use the Self-Sufficiency Subscale of the Financial Counseling Attitude Scale[121] to assess such "readiness."[c] Employers are also encouraged to recognize cross-cultural, generational and gender differences in financial literacy, risk aversion and attitudes to retirement. Making messages relevant for each target group increases the probability of success in marketing a program.

Use your creativity to gain participation. Lack of immediate gratification; lack of time, money or knowledge; or plain denial; all prevent consumers from improving their financial literacy. Making the issue more real for employees may help. For example, in one study when college-age students were shown digitized images of their potential future selves, they allocated twice as much to retirement, compared to students who were shown contemporary photos.[122]

Based on our study, the need for financial wellness programs is clear. As companies work to improve their employees' overall health, they are well positioned to offer such programs to improve their employees' financial well-being. The companies we have highlighted in this study are implementing these programs successfully and are beginning to see the rewards. We wish to thank them and all of the individuals we interviewed for their excellent contributions to this study.

[c] *Questions include: "A person should work out his or her own financial problems without going to for professional advice," "A mature person should always be able to solve his own financial problems."(Dowling et al.)*

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Metropolitan Life Insurance Company
200 Park Avenue
New York, NY 10166
www.metlife.com