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EMPLOYEE BENEFITS

Navigating the Fragmented Market of Financial Well-Being Benefits

By: Ted Kane, *Partner, Wealth and Financial Security Practice Leader, Brown & Brown*

Financial stress is common among employees, impacting their engagement, productivity and overall well-being.[1] Employers can play a pivotal role in addressing this issue by offering financial well-being benefits. Implementing a comprehensive financial well-being program can lead to a more focused, satisfied and loyal workforce,[2] resulting in positive cultural and financial outcomes for employers.

However, the need for employers to build and refine impactful financial well-being programs presents a dual challenge. On one side, there is significant marketplace innovation and offerings developed and marketed by the vendors specifically targeting employers and the financial well-being of their employees. On the other hand, it is increasingly difficult for employers to navigate this growing array of choices and find the right fit for their needs. The term 'point solution fatigue' is often used to describe this situation.

To best understand the dynamics of this dual challenge, employers should first understand the rapidly expanding and impactful financial well-being solutions developed for employees. Some have been around a long time, while others are new, but overall, these include:

- **Health insurance and health savings accounts (HSAs):** Medical insurance is the single most important benefit to protect an employee's physical, emotional and financial health. Savings accounts like HSAs provide an efficient way for employees to finance their out-of-pocket expenses and save and invest tax-free to fund medical expenses now or in the future.
- **Retirement savings plans (401(k)):** Offering a robust retirement savings plan like a 401(k), particularly with an employer contribution match, is a powerful benefit, given the universal need for financial security in retirement.
- **Income protection benefits:** These include life insurance, disability insurance, long-term care and supplemental health insurance. These offerings provide financial security to employees and their families in case of unforeseen life events, which can be a significant source of financial stress.
- **Student loan repayment and debt assistance:** The resumption of federal student loan payments in late 2023 and the implementation of Secure Act 2.0, which allows employers to treat an employee's qualifying student loan repayments as elective deferrals for a 401(k)-plan matching contribution, have generated increasing interest and will most likely lead to even wider adoption of this benefit in the coming years.

- **Emergency savings accounts:** Financial instability due to unexpected expenses is a common concern, so these programs help employees build emergency savings. These could be company-matched savings programs or tools that facilitate automatic deductions for emergency fund contributions.
- **Financial education and counseling:** Access to financial education resources and personalized financial counseling can be extremely helpful. Employees can receive professional advice on managing their finances, including budgeting, investing and planning for major life events.
- **Salary advances or payday loans:** These offerings allow employees to access a portion of their earnings before the regular payday, which can be important for those facing immediate financial needs.
- **Discounts and purchase programs:** Employees can access discounts on goods and services or purchase a higher-priced item like a computer or home appliance and make payments over time through payroll deduction. This gives employees flexible options and alternatives to often high-interest credit card purchases.
- **Wellness and lifestyle benefits:** These often include gym memberships, transportation subsidies, and other rewards that can contribute to overall savings and improved quality of life.
- **Flexible work arrangements:** While not a direct financial benefit, flexible work arrangements can have a significant financial impact by reducing costs related to commuting, childcare and other work-related expenses.

Choosing the Right Solutions

With a solid grounding in the full array of employee benefits that align with financial well-being, employers must now evaluate quality and effectiveness. This is the 'other side' of the dual challenge mentioned above. Many vendors claim to provide outstanding solutions, bombarding employers with pitches, marketing materials, emails, phone calls, social media outreach, and so on. This onslaught is often what causes employer point solution fatigue.

How do benefit managers cut through the noise and fight the fatigue? There are strategic steps an employer can follow that help navigate this landscape to introduce benefits that not only offer a measurable return on investment but are also highly valued by employees:

1. **Assess employee needs:** Start by assessing employee financial health. Employers can look to objective indicators to reflect financial well-being, such as trends in absenteeism, 401(k) withdrawals and lower-than-benchmark participation in 401(k), spending accounts or other relevant benefits. Subjective indicators can be gleaned through surveys, focus groups and financial wellness self-assessments to provide valuable insights.

2. **Set clear objectives:** Define the end goals of the financial well-being program. Objectives could include improving employee financial literacy, increasing participation in retirement plans or reducing self-reported financial stress. Clear goals will help in evaluating potential vendors and solutions.

3. **Research and vet vendors:** Conduct thorough research to identify vendors that offer solutions aligned with objectives and needs. Look for providers with a strong track record of results, impressive customer references and a suite of services that meet a clear need in an engaging manner. Ask vendors for data on the outcomes they've achieved with other customers, focusing on metrics like those defined in steps one and two.

4. **Consider integration and scalability:** The best financial well-being programs are those that integrate seamlessly with existing benefit ecosystems and can scale as the workforce grows and evolves. Uncover and understand all the value-added benefits within the current vendor landscape in a given benefit suite before looking for new ones.

5. **Evaluate ROI:** Measure the return on investment (ROI) by tracking employee engagement, productivity, turnover rates and utilization metrics.

6. **Solicit employee feedback:** Continuously seek employee feedback to gauge satisfaction and effectiveness. This feedback can inform adjustments and enhancements to the program. Periodic employee self-assessments about financial health and stress levels reveal directional trends.

Choosing the right financial well-being benefit vendor requires a thorough and strategic approach. By carefully assessing your employee needs, conducting diligent research and evaluating vendors against clear criteria, employers can build a comprehensive program that will provide high-quality, effective solutions. This will help to enhance your benefits offering while contributing positively to employee financial health and overall well-being.

1. *MetLife's 21st Annual U.S. Employee Benefit Trends Study 2023, "The Advantages of Employee Care: Creating human-centric employee experiences and work environments."*
2. *2022 PwC employee financial wellness survey, "Three areas where your employees' financial wellness can affect your organization's bottom line, and what you can do to help."*

About the Author

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Ted Kane serves as Partner, Wealth and Financial Security Practice Leader at Brown & Brown. His primary focus is strategic planning, benefit administration and client service for large employer health and welfare benefit programs. In recent years, he has become increasingly involved with financial wellness strategies and the design and implementation of voluntary benefit solutions. Ted has more than 30 years of experience in the employee benefits industry, including founding a benefits advisory firm and holding various sales and leadership roles at MetLife. Ted received a Bachelor of Arts degree in Economics from Harvard University and his MBA from Babson College.

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