Breaking the great wellbeing myth

A living and breathing financial wellbeing strategy

Contents

Introduction

The ‘m’ word

Money. We’re all taking about it, now more than ever; at home, in schools and, of course, in the workplace.

For organisations, the impact of financial worries on the happiness, wellbeing, presenteeism and productivity of their people is becoming increasingly apparent; particularly as financial literacy[1], savings[2] and debt[3] trends in the UK continue to move in the wrong direction.

For employees, there is a growing desire for their employers to do more; particularly as finding the time to manage their money gets harder[4].

So, it’s perhaps no surprise that in recent years financial wellbeing has quickly risen up the agenda for executives and HR professionals and become a key strategic priority, with 61% of organisations increasing spending in this area. With this, the employee benefits market has responded by offering up more products than ever.

_The myth that needs to be broken

The challenge for HR professionals is navigating the range of solutions to build a strategy that is clear, cohesive and inclusive of all employees’ needs. Not only this, but they need to prove measurable outcomes that are both effective and sustainable in the long term.

At first glance, this is a daunting prospect, which is why there’s often a tendency to present employees with a range of ‘financial products’, rather than develop a strategy that ticks all the right boxes for a diverse employee-base and supports the broader people strategy.

1. https://www.openaccessgovernment.org/financial-literacy-problem/72679/
2. https://www.finder.com/uk/saving-statistics/
3. https://themoneycharity.org.uk/money-statistics/
4. “HR Technology Market 2019: Disruption Ahead” Josh Bersin

> **"The myth is that financial wellbeing can be achieved by a collection of employee benefits that restrict individuals to a fixed, limited menu of transactions."**

And with so many employee benefits on the market now being repositioned as 'financial wellbeing' benefits, there's no shortage of 'pick and mix' options to place in the shop window.

It's against this backdrop that a myth has emerged. A myth that financial wellbeing can be achieved by a collection of employee benefits that restrict individuals to a fixed, limited menu of transactions.

There is a whole world of personal finance that spans beyond the workplace which needs to be understood and maximised by employees. And the myth that benefits in isolation will improve financial wellbeing needs to be broken.

Really financial wellbeing is an outcome - it's about having the knowledge and skills to make the most of an income – high or low – and enjoy a comfortable and contented quality of life.

_Financial wellbeing is living and breathing

This outcome may broadly mean the same thing to different people (understanding, control, predictability, security and prosperity), but how you get there and the factors that keep you there are very specific to each individual.

Moreover, changing personal circumstances and the evolving environment we live in mean that, for every individual, these factors are constantly shifting.

For example, age, salary, family situation and work status will influence how we achieve and maintain financial wellbeing; and economic, political and social events will also shape what people want and need.

As these personal and more macro variables shift, so does the path to financial wellbeing. And even if you 'get there', 'staying there' will demand an ability to continually learn and adapt.

"For HR professionals, this means developing an effective strategy that starts by recognising financial wellbeing as a 'living and breathing' concept."

For HR professionals, this means developing a strategy that starts by recognising financial wellbeing as a 'living and breathing' concept.

Employers can put in place all the products on the market, however, unless they are going to be needed by employees, understood, embraced or available at the right time – the outcome and result of improving employees' financial wellbeing is very difficult to achieve.

That is why education and skills should be the beating heart of any financial wellbeing strategy; and providing the right information at the right time, must be done in a way that recognises every person as an individual and their environment as constantly evolving.

_Breaking the myth

To emphasise how financial wellbeing can't simply be achieved through a set collection of employee benefits with a limited number of transactions, this whitepaper examines the extent to which individual needs differ and constantly evolve over time.

We examine how key variables impact:

1. The information people need on personal finance ('the right information')

2. When they experience financial stress ('the right time')

This is not a survey, or a theoretical study based on a control-group. It's an analysis of the real interactions that approximately 300,000 people have had with the nudge personal finance solution, which gives them personalised educational content on personal finance and the tools to manage their money.

The findings allow us to identify key principles for HR professionals to design a living and breathing strategy that can improve the financial wellbeing of their people.

Chapter one

The right information

When it comes to our day-to-day jobs, the roles we perform and the work we do, access to relevant, accurate, comprehensive information in the optimum format, or the 'right' information is crucial. Personal finance is no different.

In the world of personal finance, 'the right information' can mean very different things to different people. This can quickly change as our personal circumstances alter, or as macro trends change the shape of our environment.

"The nudge platform divides the world of finance into 25 areas, from insurance to inheritance; and from in the home to investing."

For example, having a baby will mean that an individual's financial situation will change drastically, not just in the immediate term, but also what they need to be planning for in the long term. What is consistent – is people needing the financial literacy and access to information in order to aid decision making and navigate a complex environment.

In this chapter we look at content accessed by 300,000 people across 25 different areas of personal finance to understand what type of information they want and need; and identify potential gaps and opportunities for HR professionals to adapt their strategy.

_Interests in personal finance by gender

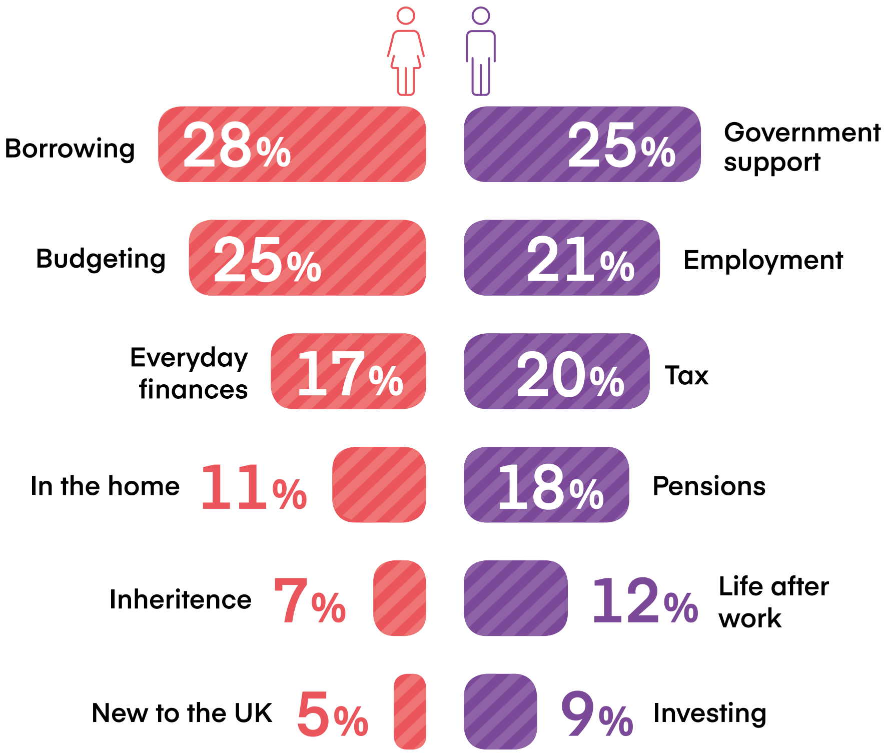
Figure 1 examines the differences in personal finance content accessed by men and women[5] and reveals some interesting trends. For example, articles on budgeting, everyday finances and in the home are more frequently accessed by women.

While investing, pensions and tax more by men. Even when you control for salary, women still tend to digest more 'day-to-day' content than men who look at more 'long-term' content.

5. We recognise male/female is not a comprehensive list of gender options. For our data set these are the largest control groups to be able to determine trends as our other data sets are too small to be able to compare/contrast.

"The differences in personal finance content accessed by men and women reveals some interesting trends."

Fig 1. How much more each gender learns about specific areas of personal finance compared to the other gender.



Psychological studies have shown women are, in general, more financially risk averse than men[6]; and when it comes to growing money there is a statistical preference for "safer" savings[7] over the options perceived to be higher risk.

Research also shows women are less confident about investing in financial products than men[8] and at a more foundational level, studies show that in the UK and worldwide there is a financial literacy gender gap[9].

6. Sundheim, D., 2013. Do Women Take as Many Risks as Men?. Harvard Business Review
7. Osbourne, H., 2019. Why women need to stop saving their cash – and start investing. The Guardian, 8 April.
8. YouGov, 2018
9. Global Financial Literacy Excellence Center, 2017

While these factors are far from binary or 'across the board,' it may explain why women are less likely to access content on topics such as pensions and investing, and why we see a general trend in short versus long term content consumed.

And with research suggesting that those women who do engage make better investment decisions than men, there's every reason to move the needle[10].

_Giving support through wider initiatives

"Financial wellbeing strategies can by optimised by taking this information on people's preferences and turning it into proactive change."

This trend doesn't mean all women are less likely to look for content on longer-term financial strategies than men. Far from it.

Where HR professionals can take this information on people's preferences and turn it into proactive change is alongside advice on closing the gender salary gap[11] and the gender pensions gap[12]. For example, content specifically targeted to women to raise awareness on the pensions gap and actions to take now to avoid this outcome. Also information specifically for women on longer term investment strategies.

It's also worth designing pension communications and content that recognises women generally live longer, but save less than men.

There is a balance to be struck between reacting to the content that people are already engaging with and the longer term topics that they would arguably benefit from engaging with more.

10. Neil Stewart, Warwick Business School
11. https://www.gov.uk/government/news/new-guidance-to-help-employers-close-gender-pay-gap
12. https://www.ft.com/content/48b494fe-e360-11e8-8e70-5e22a430c1ad

Interests in personal finance by age

"People accessing content on investments shows an interesting trend. There are significantly more younger people accessing information on investments, this interest decreases with age. "

Dealing with generational differences has been a challenge for HR for many years.
A challenge that has become even more pertinent with the workforce now spanning six generations.

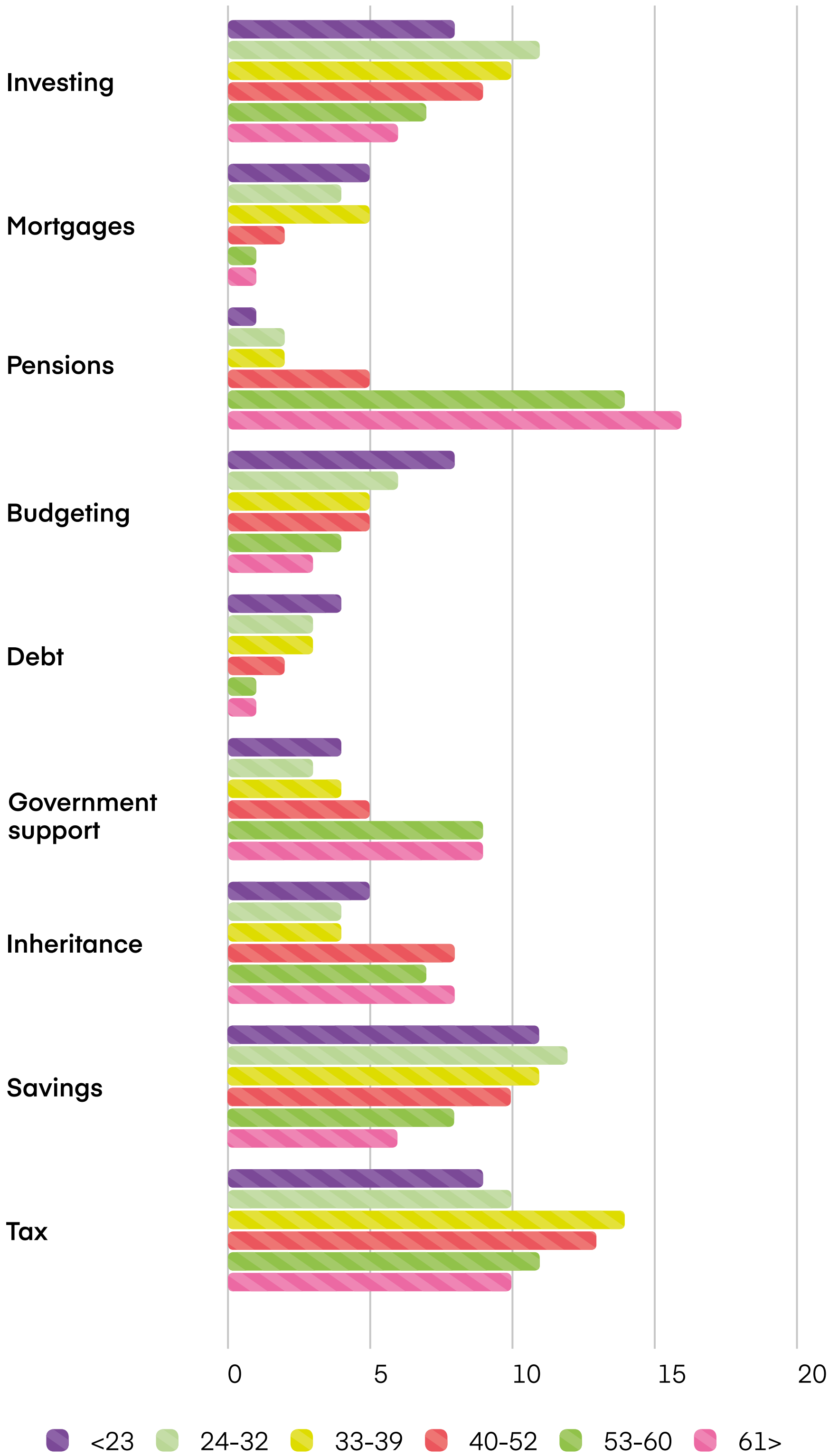
Two groups that have caused the most conflict in advice are Millennials (born between 1985 and the mid-90s, which in this report we have grouped as 24-32 year olds), especially as many are moving into leadership roles, and Generation Z (Gen Z, born between the mid-90s and early 00s, grouped as up to 23 year olds) who bring new outlooks and values to work.

As with gender, overleaf Figure 2 shows there are clear trends when it comes to the type of personal finance content consumed by different age groups across our multi-generational workforce.

Employees up to the age of 39 engage most with content on budgeting, borrowing, debt, savings and mortgages. Those above 39 meanwhile tend to be more interested in life after work, pensions, inheritance and Government support.

People accessing content on investments shows an interesting trend. There are significantly more younger people accessing information on investments, this interest decreases with age.

Fig 2. Percentage of the total of users within each age group accessing each topic on personal finance.



"There are clear trends when it comes to the type of content consumed by different age groups across our multi-generational workforce."

_Accounting for the entire lifetime of an employee

"A carefully curated range of employee benefits – complimented by education, thorough communications and workshops will help you keep all your people financially well, throughout their careers."

None of these trends are surprising, it's important is for HR to have the data to support commonly held theories in order to validate their continued relevance.

When it comes to personal finance, knowing what people are not engaging with is just as important as knowing what content is relevant to them. As is the case with the needs and interests of different age groups in the workforce, there is an opportunity to identify gaps where needs are not being met.

For example, if you combine these trends with recent research from the FCA: "older people are living longer as life expectancy is increasing." So Baby Boomers will need to develop new financial strategies to maintain living standards in later life.

Younger people face a series of difficulties in building wealth due to the combined impact of rising house prices, unsecure employment and student debt.

So-called 'Generation X' are likely to be financially stretched, torn between the responsibility of helping older generations in later life and providing financial support to younger generations[13].

The urgency of financial literacy and differing support requirements between generations is only going to become clearer and more pertinent.

13. https://www.fca.org.uk/news/press-releases/fca-opens-debate-on-intergenerational-finance

The call out for HR professionals is to recognise that as employees get older their preferences will change. It is important to accommodate for generational differences when shaping a strategy. A carefully curated range of employee benefits – complimented by education, thorough communications and workshops will help you keep all your people financially well, throughout their careers.

With all this being said, beware of generational bias. These trends are still not the complete story and don't work for every individual, as we explore next.

_The plot thickens: impact of salary

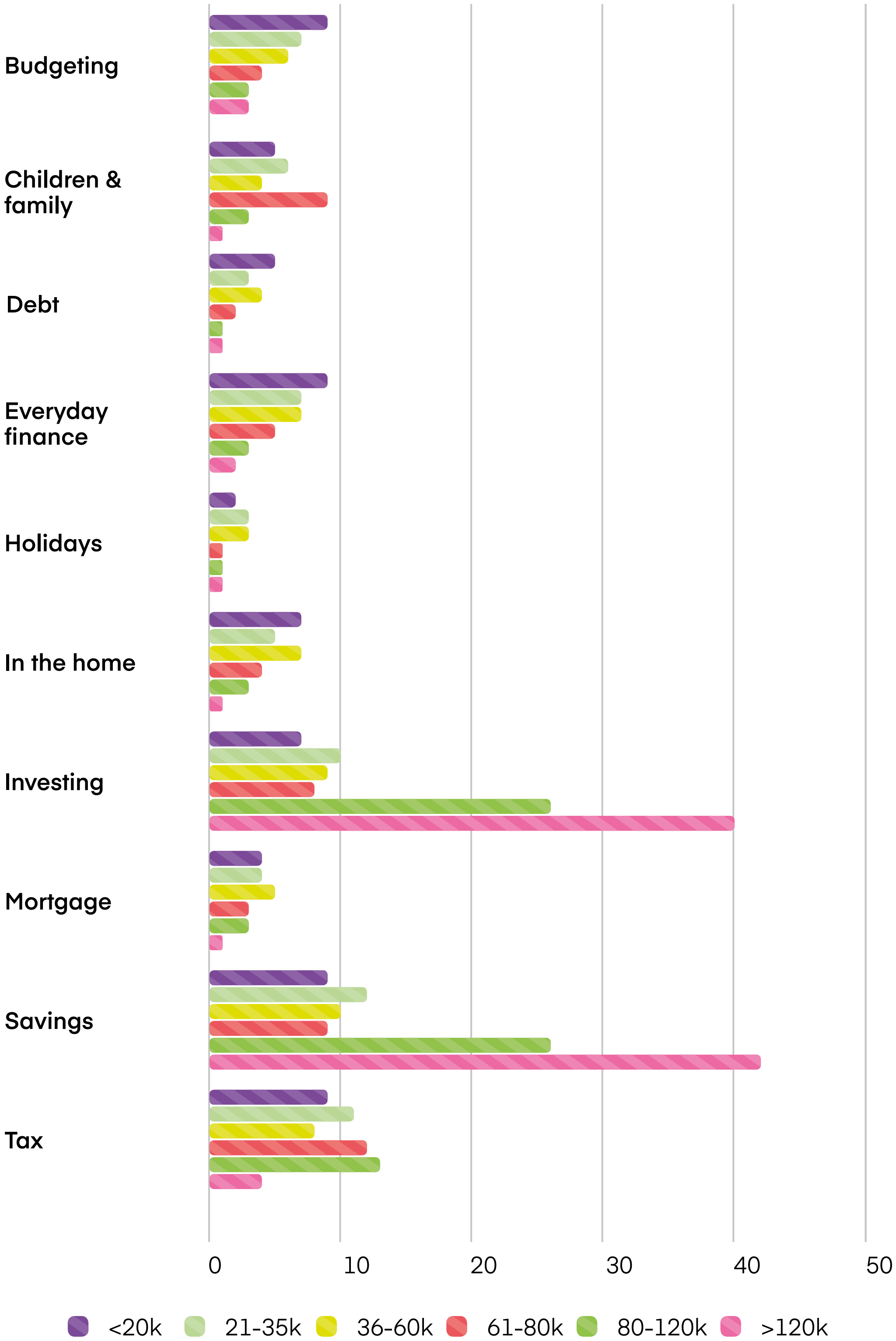
"In some areas, lower earning employees under 32 year olds had very different wants and needs than their higher earning counterparts."

Examining one variable in isolation can in some instances lead to overly simplistic conclusions.

Looking at the impact of age alone is a good example of this. For example, figure 3 focuses on the group of employees up to the age of 32 and on how salary impacts their interests, the 'one size fits all' approach clearly doesn't work across the board.

In some areas, lower earning employees under 32 year olds had very different wants and needs than their higher earning counterparts.

Fig 3. Percentage of the total of under 32 year olds in each salary band accessing content on each personal finance topic.



"Most employees under 32 generally shared a similar interest in topics such as tax, irrespective of salary."

While most employees under 32 generally shared a similar interest in topics such as tax, irrespective of salary (with the exception of those earning over £120,000 per year), there were very pronounced differences when it came to topics such as investing and savings – which become significantly more popular at higher salary levels.

Meanwhile there is a general, albeit less pronounced, trend for lower earning under 32 year old employees to engage more with content on topics such as budgeting and every day finances.

_Not succumbing to generational bias

Employees under 32 (or as they are sometimes referred to 'Gen Z and Y') are often perceived as a single, relatively unique group who require the same general approach, but this is not the case for that age group or indeed other broad age bands. As demonstrated in figure 3, using the same approach across an age band does not always work, as other factors are determining individuals' needs and interests. In this case salary bands.

HR professionals should avoid typical advice on generational interests and create a strategy that has a high degree of flexibility and personalisation that recognises how a combination of factors (such as age and salary) can have a significant impact on the wants and needs of an individual.

Understanding wider environmental impacts

“UK households, organisations and the UK Government are all in deficit for the first time since the 1980s and 8 million people have problems with debt.”

Serving up the right information means more than simply understanding the individual. It also requires an understanding of the broader, macro environment in which that individual lives – such as the economic, social and political landscape. All of which influence what “the right information” means to that individual.

For example, when there is a national event like a new tax year or budget announcement, who will need relevant information? Just those generally interested in tax or in this case will there be a broader appetite and need?

An example of this is the bi-annual content nudge provided on the back of the annual UK Government budget statement and tax year events. These are always highly popular campaigns with strong engagement regardless of personal circumstances or demographic.

Or consider longer-term social and economic trends. For example, UK households, organisations and the Government are all in deficit for the first time since the 1980s[14] and 8 million people have problems with debt. We’re no longer a nation of shopkeepers, we’re a nation of shoppers. This has an impact on the information people need compared to 30 years ago.

14. The Financial Times https://www.ft.com/content/9afd1596-61d3-11e9-a27a-fdd51850994c).
15. Office of National Statistics, 2018

15%

"15% of British people have no savings. This figure increases to 53% for 22-29 year olds."

53%

Looking at attitudes towards savings, today 15% of British people have no savings at all and this figure increases to 53% for 22-29-year olds[15]. A KPMG study in conjunction with YouGov found that when 25-34-year olds were asked where their pay-packet went, 42% said into repaying debt, and just 25% said into savings. When 18-24-year olds were asked the same question, 20% said repaying debt and just 13% said into savings. Again, with clear trends at a national level, the need for content and education on savings and budgeting is greater than ever, particularly for younger people.

There are of course many more macro trends to consider - the proliferation of personal computers and the internet; the popularity of online brokerages; the increasing range of savings and investment choices; the increasing complexity in the UK tax code, to name just a few. All have shaped the world of personal finance and changed the definition of what the 'right information' is for each individual.

Looking ahead, there's more change to come. For example, whilst there is still relatively modest interest in the area of avoiding financial scams in our data, it has now become an area of interest in its own right. As technologies continue to evolve, it will become more important for employers to help their people ensure their finances are protected.

What's more, gambling addiction is on the rise. It may become more of a responsibility for employers to serve up educational and behaviour-changing content that helps with related issues which will be having a serious impact on employees' performance. Particularly as it becomes normalised for younger generations who are regularly exposed to gambling style in-app purchases within gaming[16].

And how about the impact of social media and tech on spending habits; and the fact we are fast becoming a cashless society? We could go on.

15. Office of National Statistics, 2018
16. https://www.gamblingcommission.gov.uk/news-action-and-statistics/News/loot-boxes-within-video-games

_A strategy with resilience and longevity

From a wider environmental perspective, the moral of the story is that over the years the skills and information we need around personal finance have changed and are going to keep changing. When it comes to financial wellbeing strategies in the workplace, be ready to adapt and keep adapting.

To create the optimal financial wellbeing strategy, HR professionals must consider macro trends. For example, if savings and debt trends are two of the key challenges facing the UK today, are employees aware of the preventative measures, or do they need a helping hand to point them in the right direction?

There is a real opportunity for HR to run themed campaigns based on current macro events and trends to add real relevance to the underlying financial content, tools and employee benefits.

Where possible, HR professionals should also try to foresee the likely future macro changes and challenges, providing tools and education focussed on prevention. In order to truly improve financial wellbeing, it's important to not underestimate the requirement to keep abreast of these events in order to provide preventative support at the right time.

> **"To create the optimum financial wellbeing strategy, HR professionals must consider macro trends."**

_Conclusion

Whether HR professionals 'push' information to their people or allow them to 'pull' what they need, it's clear that different individuals want and need different personal finance content as their personal circumstances change. So it's important to have a broad, highly flexible and personalised approach.

"Engagement data is one of the main differences between a static financial wellbeing offering and a living and breathing financial wellbeing strategy."

The ever-changing macro environment also demonstrates how a living and breathing approach is required - not just to react to current trends; but to foresee future needs and ensure the financial wellbeing strategy itself continues to evolve.

When it comes to the more proactive elements of a financial wellbeing strategy, a balance must be struck between giving people more of the information they want and identifying gaps so that employers can give them more of what they need - the two may not necessarily be the same thing. Either way, engagement data is one of the main differences between a static financial wellbeing offering and a living and breathing financial wellbeing strategy. This should inform every other part of an organisation's financial wellbeing ecosystem.

A collection of employee benefits alone or set menu of transactions doesn't allow employees to navigate a complex, highly personal and ever-changing financial landscape.

It doesn't provide the underlying education or level of personalisation required. There's no doubt that traditional employee benefits play an important role in an effective financial wellbeing strategy, but employers need to provide employees with the context, skills and knowledge first. This allows them to make the right choices with regards to these products and to the various resources they will need to access outside of the workplace.

Chapter two

Financial stress and the right time

In this chapter we look at financial stress as an indicator of the right time to provide information around personal finance.

When do people most need information and how can we support employees at key moments, to reduce the risk of financial stress or avoid it all together?

These questions are perhaps more relevant today than ever given the relationship between financial stress and mental health at all ages. The relationship is a complex one, but growing financial and debt concerns undoubtedly have a major impact on mental wellbeing – something that has been widely reported for several years. For example, 75% of respondents to a 2012 Citizens Advice Bureau survey said that debt worries impacted their mental health, 79% said they were losing sleep most nights because of financial stress and one third of employees reported that financial worries were their biggest concern, affecting their work performance and sleep[17].

And the problem hasn't been solved, if anything it has got worse. The CIPD's Health and Wellbeing at Work 2018 report showed that 78% of employees said financial concerns contributed to their stress levels, with 57% saying this impacted their motivation, 51% their energy and 46% their overall health[18].

The problem isn't just limited to those already in work and shows no immediate signs of passing. The future workforce is already experiencing greater levels of financial stress, with 71% of young people (15-18 year olds) saying they worried about money, up from 62% in 2017[19].

In this context, we examine when employees are most likely to experience stress and the shifting factors that can influence this.

Users of the nudge platform were asked whether financial stress was affecting their job, health or relationships. Users were given 5 response options - 'not at all', 'rarely', 'sometimes', 'often' or 'everyday'. For the purposes of this paper 'often' and 'everyday' have been classified as the responses that indicate sustained financial stress

17. Citizens Advice, Debt Health and Wellbeing survey, 2012
18. CIPD's Health and Wellbeing at Work, 2018
19. https://www.libf.ac.uk/docs/default-source/research/young-persons-money-index-2018.pdf

_Financial stress by age

Figure 3 shows, perhaps surprisingly, that people aged under 32 experience the highest levels of financial stress by quite a significant margin. Also, those in the 33 to 52 age bracket have very similar levels of financial stress.

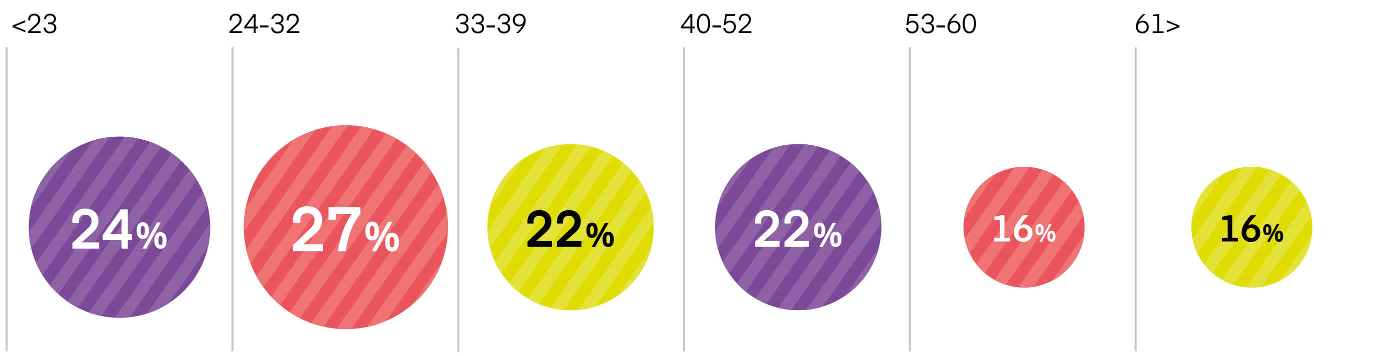
One of the contributing factors for higher levels of financial stress amongst young people is almost certainly the level of financial education younger people have been exposed to at this point. Even the most basic concepts have been given very little time or attention – whether it be at home or in school.

Whilst financial education at UK schools is improving, in many it is not delivered effectively or at all.

Only 3% of schools have dedicated personal finance lessons and for 23% of students it has been a year or more since they have had any financial education[20].

As well as limited financial education prior to entering the workforce, the financial stress levels exhibited in figure 3 by younger employees may be impacted by factors such as outstanding student debt, as well as every day financial commitments that they are experiencing for the first time. For example, as shown previously in figure 2, content on 'everyday finances' are accessed most by employees under 23.

Fig 4. Those who are classified as having sustained financial stress, by age bracket.



20. The London Institute of Banking & Finance

Supporting younger employees to reduce stress

> "The early years of someone's career is a crucial time to offer support and help minimise financial stress levels."

The early years of someone's career is a crucial time to offer support and help minimise financial stress levels. By looking at the topics young people are (and are not) interacting with, as explored previously, HR professionals can find a wealth of information to inform decision making to create a benefits programme that truly supports them.

An example of this in practice is more organisations are providing content, tools and workshops specifically tailored to new graduates, enabling them to understand payslips, tax codes and tax more generally; and helping them learn how to budget and build an emergency fund with their first pay packets.

For a particularly proactive and preventative approach, HR teams could arrange workshops for their employees who are parents, to provide them with tips on providing financial education at home. This not only improves retention and connection with these parents – but also impacts the next generation of graduates, who will continue to have a connection with the employer brand.

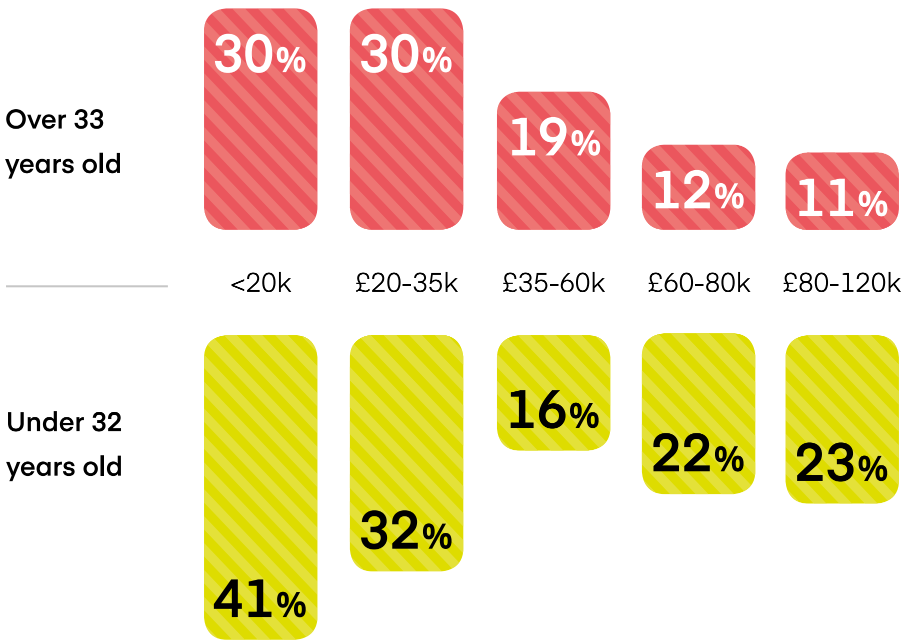
Impact of salary on financial stress

"For over 33-year olds financial stress reduces as salaries increase, likely reflecting a greater level of financial security and freedom."

Continuing to look at how financial stress changes with age, the impact of salary reveals further trends. Figure 5 shows that for over 33-year olds financial stress reduces as salaries increase, likely reflecting a greater level of financial security and freedom. For Millennials however, while stress is particularly high at lower levels of income, it rises again once salaries reach £60,000 per year. This could be due to pressures associated with significant salaries coupled with limited financial literacy.

It's interesting to note that regardless of salary banding, those employees under 32 generally experience the highest levels of stress. These individuals who rated their financial stress levels the highest tended to work in high pressure industries, such as finance or law. This type of job is demanding on new graduates and the stress of the role, with its long hours[21], may spread into other areas of life, especially if they do not have the free time to look after their own "life admin".

Fig 5. Impact of salary on levels of financial stress for under 32 year olds and over 33 year olds.



21. Higginbottom, K., 2019. Breaking the long hours culture.

Financial wellbeing of young high earners

"HR professionals must consider whether they are providing the right levels of support for people below 32 years old at higher salary levels."

As well as supporting their lower-paid employees, HR professionals must consider whether they are providing the right levels of support for people below 32 years old at higher salary levels – especially those who are working their way up the career ladder fast. For example, do they have more complex financial decisions to take which require a longer term and more strategic view?

The education system helps you earn more, but does it teach you how to manage those earnings? Employers may be investing in high salaries, but not giving people the tools they need to make the most out of them.

Financial education delivered with a pay rise is a clever way of not only giving someone more money, but helping them understand how to manage it, supporting potentially stressful decisions.

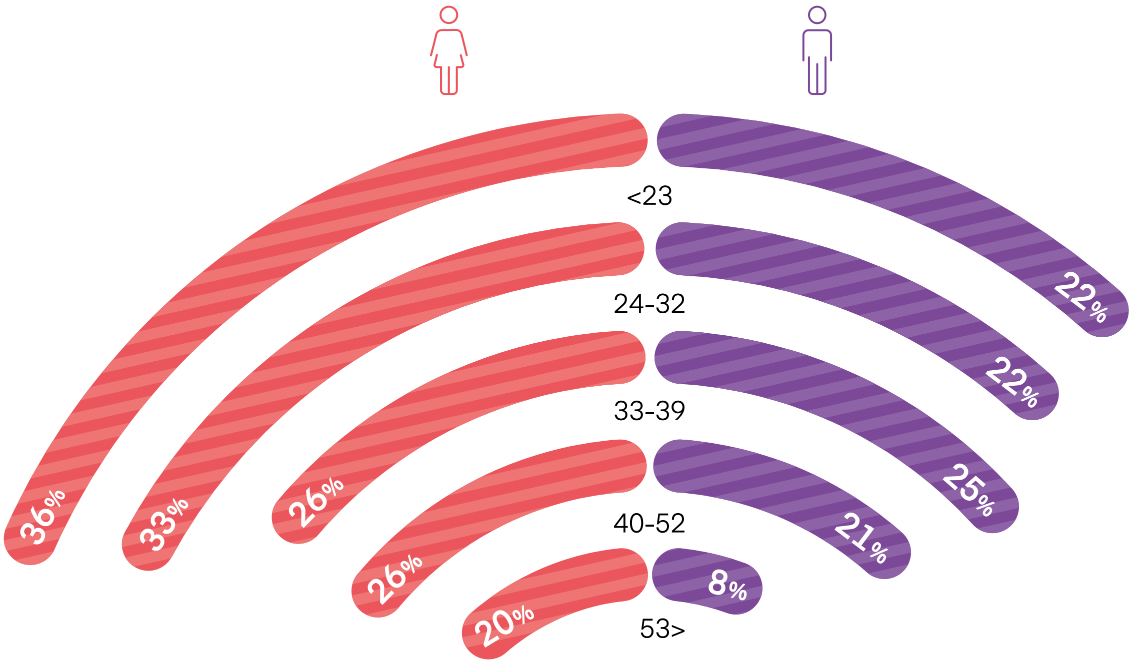
How financial stress changes with age for men and women

Studies have shown that women, in general, experience greater levels of financial stress than men[22]. Contributing factors may again include the gender pay gap, gender pensions gap, financial 'confidence' and competing priorities outside the world of personal finance.

In fact, figure 6 shows that women were more prone to financial stress than men in every age bracket.

22. American Psychological Society, 2011. Stress and Gender, s.l.: s.n.

Fig 6. Men and women who suffer from prolonged financial stress levels per age bracket.



"The biggest variances in levels of financial stress between men and woman occur at the very start and end of their careers."

The biggest variances in levels of financial stress between men and women occur at the very start and end of their careers. Between age 16 and 23 years, 36% of woman experienced prolonged financial stress compared to just 22% of men in the same age group. Between the ages of 53 and 60 years the rates are 20% and 8%, respectively.

The early career variance between men and women under 32 could in part be explained by what has been recently termed as the "do-it-all" generation of women, who are under considerable pressure to prioritise competing areas of life[23].

The HSE found that early to mid-career females are suffering from high amounts of stress when juggling progressing their careers with family and home.

For the late career variance, it could be that gender pay and pensions gap are being felt more acutely later in womens' careers. Especially now given the recent legislative changes with respect to the age women are able to claim their state pension.

More generally, there is a clear trend that shows financial stress in women falling consistently with age. Men on the other hand experience relatively consistent stress levels – certainly until their early 50's.

23. Health and Safety Executive, 2018; Bingham, J., 2015. 'Do-it-all' generation of women suffering work stress epidemic. [Online]

Personalising support for age groups

"There are a number of benefits and personal finance support areas that can be rolled out to help ease the burden of financial stress."

There are a number of benefits and personal finance support areas that HR professionals can roll out to help ease the burden of financial stress. Especially around the pinch points identified above.

For example, personal finance workshops designed for the "do-it-all" generation. Or talks about the gender pensions gap and the contributing factors (women in their 30's are more likely than men to participate in workplace pensions, but career breaks and the gender pay gap have contributed to women's pension wealth being 51% of men's[24]).

Financial stress and the impact of salary for men and women

Looking at gender and salary together suggests there are key moments (and different ways) to support people with financial stress. A salary of around £60,000 is considered the point where people are able to have their emotional wellbeing satisfied[25].

With this in mind, figure 7 looks at the financial stress levels of men and women considering how it changes below and above this salary benchmark.

24 The Pensions Policy Institute, July 2019
25 Jebb, A. T., Tay, L., Diener, E. & Oishi, S., 2018. Happiness, income satiation and turning points around the world. Nature Human Behaviour, 2(1), p. 33.

"Gender and salary are also an interesting set of variables when considered together. Looking at both together suggests there are key moments (and different ways) to support people with financial stress."

Fig 7. Financial stress levels of men and women, above and below £60,000 per annum

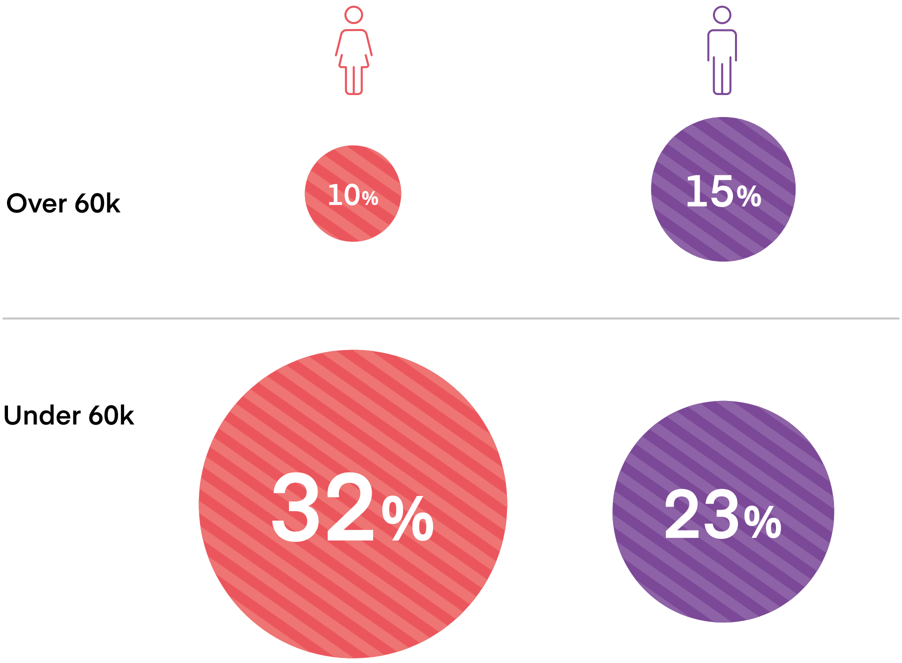


Figure 7 shows financial stress in men and women earning above and below £60,000 per year. Below £60,000, 32% of women said they experienced prolonged financial stress, however above £60,000, this figure was just 10%. A reduction of 22%. For men, it reduced from 23% to 15% - just 8% difference.

There are a number of factors that will be influencing these trends. One of which will be studies show that men, in general, are more competitive[26]. Earnings and "success" are seen as a big motivator for men, more so than women, and so rather than feeling content or comfortable, they may feel they never have quite enough. This will have a knock on affect on financial stress.

26 Buser, T., Niederle, M. & Oosterbeek, H., 2014. Gender, competitiveness, and career choices. The Quarterly 6. Journal of Economics, 129(3), pp. 1409-1447. Bönte, W. & Piegeler, M., 2013. Gender gap in latent and nascent entrepreneurship: driven by competitiveness. Small Business Economics, 41(4), pp. 961-987.

Opportunities to prevent financial stress

"There is a real opportunity here for HR to take into consideration how financial stress is impacting men and women differently."

There is a real opportunity here for HR to take into consideration how financial stress is impacting men and women differently, providing benefits and supportive techniques to improve the current situation before it can escalate into more longer term challenges.

For example. take into consideration the financial stress levels of men earning over £60k – as this will be having a serious impact on their performance at work, mental health benefits could potentially be beneficial as a preventative measure for this group. And for women, understanding the pain points that are causing high stress for those earning less and providing benefits to support will go a long way.

Financial stress and life events

The gradual and more predictable changes associated with getting older or salary changes are punctuated by key life events, such as moving home or having a baby. These are two of life's great experiences, but they're also expensive and stressful.

The financial to-do-list for having a baby includes understanding and making decisions related to: insurances, wills, childcare support, Government support, free prescriptions, dental care, budgeting, savings and setting up new savings accounts. And if the new parents are really organised, planning for school or university fees.

The financial to-do-list for moving home, includes getting to grips with all the various costs (mortgage payments, new insurance policies, solicitor and estate agent fees and moving day costs), arranging new home insurances, shopping around for new utility providers, finding out more about council tax, setting-up new direct debits and reviewing their new budget.

In these high-pressure and stressful moments many people need or would welcome more support, including in areas they have not historically held a keen interest. These key moments are much more effective if delivered at 'the right time'.

_A helping hand at the right moment

"HR departments typically have access to life-event data that can be useful in identifying when their people will experience significant peaks in financial stress."

HR departments typically have access to life-event data that can be useful in identifying when their people will experience significant peaks in financial stress. Rather than only using this data to open up benefit selection windows there is a real opportunity to take a more proactive approach and share relevant and personalised ideas and information, bringing these benefits and other vital resources outside of the workplace to life.

For example, financially focused checklists for moving home and having a baby are great ideas that will save significant time for employees, reducing stress.

And we don't need to stop there. Employers can go on the 'journey' with their employees who have had a baby and continue to support them and send them proactive communication as their child(ren) hit key milestone ages.

Some nudge clients have introduced initiatives such as "parents clubs" or "parent and carer networks" to provide their employees with an opportunity to network and discuss the financial implications of being a parent.

Financial stress, mental health and the turbulent world we are in

"Levels of financial stress and the definition of providing personal financial information at 'the right time' are also impacted by a range of external and more macro variables with are impacting us all in the UK."

Levels of financial stress and providing personal financial information at 'the right time' are also impacted by a range of external and more macro variables which are impacting us all in the UK.

The rise of less predictable working arrangements (zero hours contracts and the gig economy); the risk of recession (the Bank of England has warned there is a one in three chance of a UK recession in Q1 2020); a weakening Pound against both the Euro and Dollar putting upward pressure on the price of imported goods; and even seasonal impacts (five million Britons suffer from money worries and stress in the run up to Christmas[27]).

All of these factors and emerging trends will have an impact on financial stress and influence the optimal timing and frequency of financial education and support.

Of all the macro trends that impact financial stress in the UK, perhaps none is more topical than Brexit. Around 33% of people said Britain's departure from the European Union has had a negative effect on their wellbeing[28]. In a large part this is due to uncertainty over the future of businesses; fear of losing jobs; the impact of short-term contracts due to expire post the exit date; the potential impact on cost of goods and services; and the general climate of financial uncertainty.

27 The money advice trust
28 The British Association for Counselling and Psychotherapy (BACP)

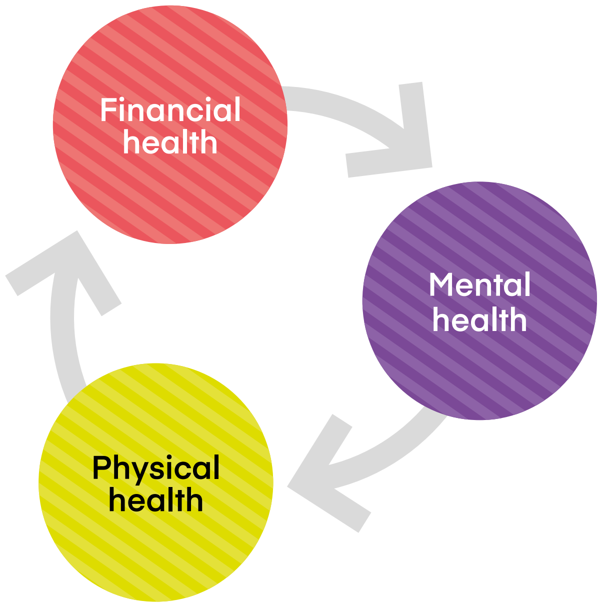
"It's important to note that just as financial stress can impact mental health, mental health can impact an individual's ability to track money and make good financial decisions."

As well as economic events and trends, social trends also impact levels of financial stress. Consider for example the impact of mental health. A topic which is becoming increasingly prevalent globally as our mental health is in decline[29].

With this trend in mind, it's important to note that just as financial stress can impact mental health, mental health can impact an individual's ability to track money and make good financial decisions.

According to the Money and Mental Health Policy Institute, 72% of survey respondents said that their mental health problems had made their financial situations worse[30].

In addition to this, mental health has a serious impact on physical health. The virtuous circle of mental, physical and financial health can quite quickly turn into a vicious cycle when one or more of these elements are not going well. And can quite rapidly have a negative impact on each other.



29 https://www.bbc.co.uk/news/health-41125009
30 Money and Mental Health Policy Institute https://www.moneyandmentalhealth.org/wp-content/uploads/2019/03/debt-mental-health-facts-2019.pdf

Timing here is critical, with our mental health as a nation in decline we are in a situation where financial education and support is particularly important. Not only to reduce financial stress, but also to prevent it occurring.

For example, are there areas of personal finance that individuals may not have necessarily needed support on up until now, but that they need today?

_What this means for HR

"It is also important to understand how all areas of a wellbeing strategy fit together, creating a co-ordinated and integrated financial, physical and mental wellbeing approach."

Financial wellbeing strategies need to recognise the impact of macro events such as Brexit on financial stress, and this is arguably a period where frequent communication and education around personal finances are more important than ever. Now is the 'right time' to revisit topics that may not have been as relevant to all people in times of economic certainty.

It is also important to understand how all areas of a wellbeing strategy fit together, creating a co-ordinated and integrated financial, physical and mental wellbeing approach.

_Conclusion

When it comes to assessing or improving financial wellbeing, timing is an incredibly important factor, particularly when looking through the lens of when people are most financially stressed.

"Engagement data is one of the main differences between a static financial wellbeing offering and a living and breathing financial wellbeing strategy."

There are key moments in an individual's career where they will experience greater levels of stress and this will vary with gender, age and salary. And each individual's journey will be punctuated by life-events that create sharp peaks in financial stress. HR leaders have an opportunity to identify these key moments and present information, support and options at these key times. For example, financial education for new graduates or targeted support for the 'do-it-all' generation of women.

There are also more general times in the year where people are likely to experience more stress and need more frequent communication. The run up to Christmas, a period of significant financial stress for many, is a great example of this. Support, education and employee benefits that may have been less engaging or relevant to individuals at other times in the year, may become important. For example, budgeting tools in the run up to Christmas.

And looking across the years and decades, there will be trends and events that will require HR professionals to adapt financial wellbeing strategies and leverage them to a greater extent.

> **"In all of these instances if you look at stress, the argument for promoting relevant employee benefits at the right time becomes stronger."**

Today, for example, consider Brexit, the financial pressures this could create and the different types of support that may alleviate stress. For example, guidance on building an emergency fund or saving in general.

In all of these instances the argument for promoting relevant employee benefits at the right time becomes stronger; be it an employee assistance programme on the back of organisational change, discounted shopping schemes in the run up to Christmas or perhaps workplace ISAs when a pension contribution allowance is breached. This approach gives context and breathes life into these benefits.

And at a more strategic level, the case for a co-ordinated and integrated financial, physical and mental health approach is stronger than ever. In the same way physical, financial and mental health can create a negative cycle, the right strategy that connects the dots can create positive cycles. All of these areas overlap, so over time HR departments will demand that they are addressed in a holistic way[32].

Overall, knowledge is power and a good way to manage stress. The right knowledge at the right time is significantly more powerful than trying to cover all of these factors with a plethora of benefits and a great way to shift to a more preventative approach to financial stress.

32 Josh Bersin, HR Tech disruptions, 2019

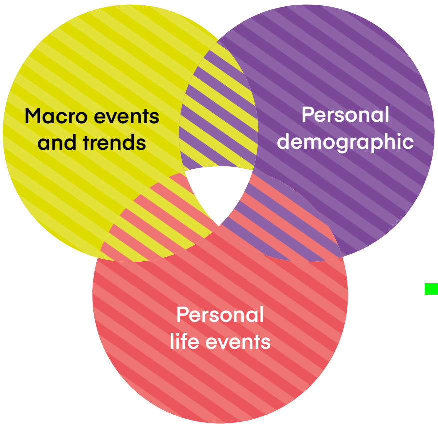
Chapter three

Designing a living and breathing strategy

Turning theory into practice.

Commentary on designing an effective financial wellbeing strategy tends to cite similar principles – understanding the needs of employees; ensuring the strategy is inclusive, accessible, engaging, clear and well communicated; measuring return, and so on.

Fig 8. Factors influencing each individual's financial wellbeing.



These are great principles, but the real question is how? How do you achieve high engagement, what does 'well communicated' look like in the context of financial wellbeing and what do you measure?

How do you turn these theoretical principles into a strategy that works in practice?

_A practical solution that adapts and evolves

Every employee is unique and will experience frequent changes that impact their personal finance priorities and levels of stress. The changes might be to their general personal circumstances, or they could be associated with broader economic, political or social events that impact larger populations. Either way, these changes can quickly and sometimes radically affect an individual's financial wellbeing.

In this sense, the data examined in this whitepaper begins to reveal the extent to which a practical financial wellbeing strategy needs to be living and breathing.

_Education and skills at the heart

"Education is key to empowering employees and to cater for the ever-changing needs of an incredibly diverse employee base."

Education is the beating heart of a living and breathing financial wellbeing strategy. Why?

Because of the complexity of personal finance, the vast range of considerations and options involved, and the rate of change in the financial landscape. It's not possible for employers to provide solutions in every area of personal finance, certainly not from within the workplace. Even if it were possible each problem may have more than one solution, so the employee needs to be able to make an informed choice that is personal to them.

Education is key to empowering employees and to cater for the ever-changing needs of an incredibly diverse employee base.

To achieve this level of individual financial empowerment successfully, HR professionals can harness the power of data to provide timely and relevant education and information (as evidenced by a range of behavioural science bodies[33] personalisation and timeliness are the key to effective communication).

For example, rather than just opening up a benefits window when an employee is moving home or having a new baby, can HR automate helpful education and checklists on the top 10 financial considerations at these potentially stressful times? When someone gets a pay rise, is it an opportunity to automate messages on saving and promote workplace savings benefits?

In this way, financial education and skills are not limited to one of either push or pull communications, this intervention can have a very significant impact on preventing financial stress – before it impacts an individual's mental health. Provided of course that the information is credible, transparent and not leading the employee towards a specific outcome too early.

The more macro-changes represent another good opportunity to put traditionally sterile education and communication into a context that feels much more current, relevant and engaging.

33. Sunstein, C. R., 2013. Deciding by default. U. Pa. L. Rev, 162, 1.

For example, the state retirement age for women has increased from 60 to 65 years old and we also know that in general women save less than men and live longer. Can you use this to frame campaigns and promote workplace savings products?

Living and breathing doesn't just mean the strategy is constantly communicating in a personalised way. At the highest level a financial wellbeing strategy itself has to continually learn and adapt.

HR professionals must ensure they are constantly monitoring outcomes to continue to learn and evolve their wellbeing strategy.

Outcomes include: employee engagement with the wellbeing ecosystem and with individual benefits; financial stress levels and financial literacy levels.

This information is crucial in ensuring the strategy remains effective and that it also predicts future trends that allow preventive benefits to be put in place. We must continuously review what employees need today and what they might need in the future.

In order to break the wellbeing myth and make a start in transforming financial wellbeing strategies, there are **seven fundamental steps we encourage employers to take:**

_Designing a living breathing strategy

1. Map out the financial wellbeing ecosystem

Map out the entire financial wellbeing ecosystem, so the different elements are connected, and it becomes a single, cohesive strategy. Define the purpose of this ecosystem – what does financial wellbeing mean for the business?

2. Make education the beating heart

Whether pushing information or empowering employees to pull it, an effective financial wellbeing strategy has to be built on a foundation of education. Education brings every other element of the ecosystem to life by providing important context and understanding. It also starts to position financial wellbeing as long-term and strategic, rather than short-term and tactical.

"The more personalised the communication is, the faster high engagement levels are achieved. For example, employees are 60% more likely to login to the nudge platform to access content and tools after receiving a personalised salary or moving home nudge."

3. Harness the power of data

Data enables the delivery of good quality information for employees to make the most out of the benefits programme, two characteristics of which are timeliness and relevance. Harnessing the data available to HR professionals enables prevention of stress, as well as needs-based intervention at an individual level.

4. Monitor macro changes

Monitor macro changes and ensure they inform the content shared, the tools focussed on and the employee benefits promoted. Macro changes can provide an important frame of context for otherwise sterile products.

5. Talk in a style that engages

It is difficult to create long-term behavioural change, but it's possible with regular, snackable content that makes it easy for the employee. Also, keep in mind that the financial decision maker may not always be the employee so make it easy for employees to share the communication, knowledge and tools with family.

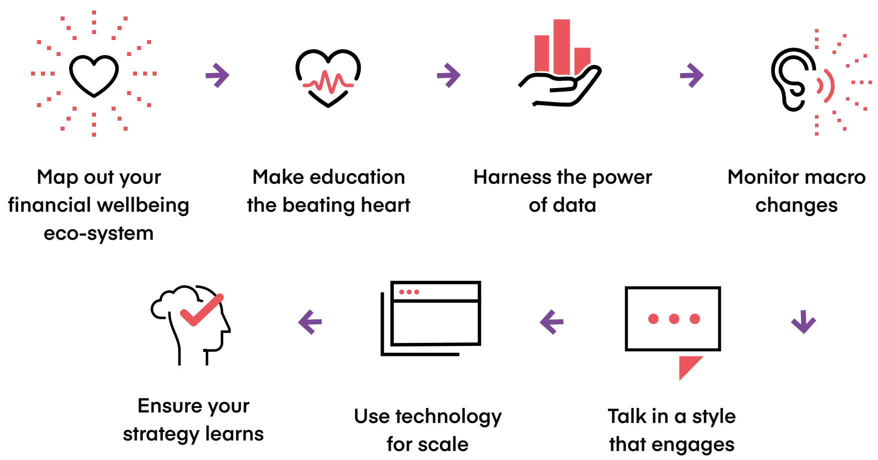
6. Use technology for scale

Technology automates processes and personalised communication. It enables crucial integration of financial content, tools, employee benefits and other resources - allowing people to easily connect knowledge with action. Technology ensures scalability and sustainability in the long term, and enables monitoring of outcomes and trends.

7. Ensure the strategy learns

Constantly monitor and learn from all the interactions employees have with communications, content, tools and benefits, to enable improvements of the financial wellbeing strategy. Monitor changing needs and trends to identify gaps in the ecosystem.

In summary:



_The important role of data in a holistic wellbeing approach

> **“Once you have transformed your financial wellbeing strategy, the next step is to link it to your mental and physical wellbeing strategies”**

Once you have transformed your financial wellbeing strategy, the next step is to link it to your mental and physical wellbeing strategies.

In his latest report, Josh Bersin talks about the shift from ‘wellbeing to performance’ showing trends moving from a pure focus on individual health and wellbeing solutions, which is where we currently are – to a more holistic approach, using this data at an even more granular level on individuals and how it is impacting their performance.

He argues that employee data could be used to analyse performance and productivity, point out accident and health risks, and give employees a very useful tool to make their work lives healthier[34].

Whether HR teams are on board with this view or agree, based on current developments in HR Tech this prediction is very likely to come to reality and would be a natural progression from where we are today. Now is the time to really look at all wellbeing solutions in place and the extent to which they are based on data and constantly evolving on people’s interactions.

34. Josh Bersin, HR Tech disruptions, 2019

_Conclusion

A myth has emerged that financial wellbeing is a collection of employee benefits and menu of transactions. Presenting employees with a finite list of transactions confined to the world of employee benefits is great, but it isn't enough.

"The beating heart of the strategy has to be skills and education; allowing employees to truly benefit from the options that are available to them."

Individual needs are just too varied and there are so many frequently changing variables, that affect their financial environment, be it demographics, personal life events or economic, social or political events. People experience changing needs and financial stress in different ways and at different moments.

HR professionals must start thinking of financial wellbeing as a living and breathing concept and any strategy to help employees achieve and maintain it as living and breathing too.

The beating heart of the strategy has to be skills and education; allowing employees to truly benefit from the options that are available to them.

This approach not only breathes life into the employee benefits on offer. It also enables employees to make better choices when it comes to their personal finances outside of the world of employee benefits. All these elements inside and outside of work are then folded into the employees' experience, empowering them to make better financial decisions.

Partnering this education-first approach with technology and data, gives employers the chance to pull their financial wellbeing strategy into one cohesive and connected ecosystem, with employees' individual needs at the centre.

Employers are in a unique position when it comes to financial wellbeing – providing the lion share of an individual's income, with access to meaningful data, awareness of key life events and, importantly, they are trusted by employees more than financial institutions.

By optimising financial wellbeing strategies employers have the opportunity to reduce financial stress, improve mental wellbeing, reduce absenteeism, increase presenteeism, engagement and productivity. And of course, create brighter financial futures for their people.

No more myths. It's time to bring financial wellbeing to life.

Over the next few months we will continue to break the conventional narrative on financial wellbeing. Providing clarity so you can create a holistic strategy that truly supports your people. No matter who they are.

To break convention we look outside HR and reward. To trends and stories from how 300,000 real people manage their financial wellbeing; behavioral psychology thesis; campaigning best practice and the wider tech market.

Giving you the knowledge you need to move forward with your strategy to help your people be financially well.

It's time to break the wellbeing myth. And get to the facts. #wellbeingmyth

Sign up today to receive insights in this series

Breaking convention: the great wellbeing myth.

SIGN UP

_About nudge

At nudge we are driven by a shared vision to create brighter financial futures for millions of people.

We work with over 100 organisations of all sizes to help fast approaching half a million employees maximise financial opportunities, overcome financial problems and make managing money stress free.

Our personal finance solution combines financial education with personalised, timely, unbiased prompts to help individuals plot a path to prosperity. nudge works in three ways:

nudges:

When there's something you need to know, or a financial action you ought to take, we send you a personal, timely, nudge to remind you to do it.

Education:

Snackable content – personalised to your preferences – makes the idea of managing money compelling and interesting.

Tools:

Money management is so much simpler when it's structured. Our intelligent tools make tasks like budgeting or saving for goals easy, inspirational and rewarding.

_Methodology

This whitepaper has been created using our data comprising of 300,000 users, the communications (nudges via email, text or WhatsApp) they receive, and their behaviour on the nudge platform, we are able to build up an accurate picture of users. Layering survey data over the top of this helps us add colour to the picture, along with qualitative data to enable us to provide a clearer picture for our readers.

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