T.RowePrice®
INVEST WITH CONFIDENCE

REFRAMING FINANCIAL WELLNESS

Recruit, Retain, Retire

So much of the financial wellness conversation to date has focused on the potential health care cost mitigation of adopting organizations.

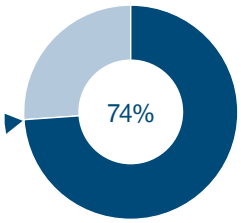
A more effective angle, however, may come in the form of the company's increased ability to **recruit**, **retain**, and allow a happier workforce to **retire** on time.

This provides advisors with a unique way to address financial wellness and differentiate themselves with prospects.

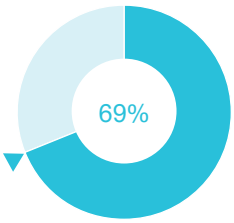
Wellness Programs Aim to Keep Employees and Employers Happy

T. Rowe Price conducted a plan sponsor survey in April 2016[1] to get their thoughts about financial wellness and other defined contribution trends. When asked what the major objectives of financial wellness initiatives are for your company, plan sponsors responded with:

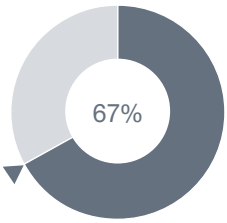
Major Objective: Retaining skilled employees



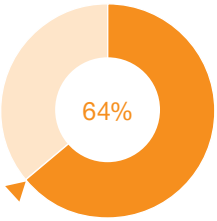
Major Objective: Increasing employee satisfaction



Major Objective: Improving employee productivity



Major Objective: Competing effectively for skilled employees



These responses are almost identical to the common reasons why employers offer an overall benefits package in the first place—to recruit and retain top talent.

Financial wellness programs, for the most part, are focused on more holistic financial education, such as debt management, budgeting, and saving and spending strategies. It takes some connecting the dots to figure out why retirement advisors—who are typically focused on investments, plan design, and fiduciary issues—are the ones proactively addressing something as broad as financial wellness programs.

Why Advisors Are Focusing on Financial Wellness

Advisors have a huge opportunity to make the connection between financial wellness and a workforce that has saved enough to retire on time.

The willingness of an employer to consider implementing a financial wellness program seems to be driven more by employee satisfaction than a desire to increase retirement savings. Therefore, it's up to the plan advisor to reframe the discussion with plan sponsors to show the importance of a financial wellness program to improve financial readiness.

The foundational objective of a financial wellness program should be to positively impact the overall financial condition of the participant. This then gives them the capacity to generate increased retirement savings.

However, in our survey, only 34% of plan sponsors polled viewed increased 401(k) deferral rates as a major objective. And only around 20% viewed decreasing 401(k) cash-outs and loans—actions that could be viewed as financially distressed behavior—as a major objective. This presents the advisor with a huge

opportunity to shine a light on the relationship between an employee's ability to "right his or her financial ship" and start saving for retirement at recommended rates (10%–15%) so he or she can retire on time.

A financial wellness conversation or program isn't by itself the end game, but merely the start of a more valuable initiative to get an organization's workforce financially fit.

In a world of commoditized investment analysis, financial wellness could prove to be a game changer for plan advisors.

Retirement Success Requires Fiscal Fitness

Over the years, advisors and employers have improved overall retirement plan participation rates and perhaps deferral rates through automatic services; however, overall retirement readiness may not be improving. Why? It may be counterproductive to tell employees to save more, maximize the match, and take advantage of compounding if there are larger financial issues preventing them from doing so.

And even if employees are participating and saving at an adequate rate, that doesn't necessarily mean they have the financial flexibility to cover a financial emergency. Often, retirement savings is the first to suffer when a financial crisis hits.

Some advisors are seeing new business come in the door *just because* they can offer credible insights on the topic of financial wellness.

When reframing the financial wellness conversation with employers, it's important to stress that these programs are designed to help individuals and families manage their daily finances while setting short- and long-term savings goals. But realizing measurable success of implementing a financial wellness program may take time.

Unlike implementing services like reenrollment, where sponsors can see the immediate effects in the form of increased participation, the benefits reaped from implementing a financial wellness program will be realized over time. Depending on the level of debt employees may carry, it may take a few years to make a significant impact on increased retirement savings.

And it's important to understand that financial wellness programs are not a participant-sold idea or service. They can be a very effective value add for the employer in the forms of increased retention, higher morale, longer tenure, and potential cost mitigation—that also can have an extremely positive impact on the financial and emotional state of the workforce.

Recruit, Retain, *Retire*: A Fresh Take on Employee Benefits

Advisors can work with employers to frame financial wellness as the "on ramp" to the long-term road to retirement savings success. They can drive home that message and help the employer see that employees under financial stress may not be able to save effectively for retirement.

The old mantra of offering a competitive benefits package to "recruit, retain, and reward" needs updating. With an emphasis on retirement savings and financial wellness, the "three Rs" should now shift to "recruit, retain, and retire."

Learn more about reframing financial wellness for your clients.
Visit **troweprice.com/wellnessworks**

Next
Generation
Thinking

[1]T. Rowe Price/Brightwork Partners, LLC, Plan Sponsor Pulse Survey, April 2016. Survey of 155 401(k) plan sponsors with assets of $100 million or more conducted online, March 22–April 1, 2016.

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