

Five Steps to Creating a Successful Financial Program

Welcome

Elizabeth: Welcome to this session of WorldatWork's Education-on-the-Go series for the on-the-go human resource professionals. This session is brought to you by Retirement Made Simpler. Retirement Made Simpler is a coalition formed by AARP, the Financial Industry Regulatory Authority (FINRA), and the Retirement Security Project (RSP). The coalition was created specifically to inspire and support employers who want to help their employees save more for retirement by providing the tools and information to help automate their 401(k) plans.

Elizabeth: Thank you for joining us today. My name is Elizabeth Angulo and I will be your moderator for today's program. In this course, *Five Steps to Creating a Successful Financial Education Program*, we'll talk with Lenny Sanicola, Practice Leader at WorldatWork. We will discuss some key steps to consider when creating a financial education program for your organization.

In addition to this audio portion, complimentary resources are provided to extend your learning. To access these resources, as well as a transcript of this course, click on the links in the 'Complimentary Resources' section of the Education-on-the-Go product web page.

Introduction

Elizabeth: Welcome, Lenny. Thank you for joining us today.

Lenny: Thank you, Liz. It's great to be here.

Elizabeth: Let's start right off with the big question. Why should an organization even consider offering financial education?

Lenny: That's a great question, Elizabeth. According to a 2009 National Financial Capability Survey, when asked about financial knowledge and decision-making, many people responded that they were adept at dealing with day-to-day financial matters. But when it came to real-life actions, the results point to a workforce that has some real gaps in knowledge and financial decision-making. For example, the survey showed a marked inability by many to do basic interest calculations and other math-oriented tasks. And most didn't compare the terms of financial products or shop around before making financial decisions. Furthermore, most didn't have an emergency fund set aside, which is an important part of financial preparedness.

Lenny: As the responsibility for financial planning and funding for retirement has shifted to the employee, employers can add real value by offering financial education programs. The value is realized not only by the employee but by the employer as well. It's a simple fact that when employees are focused on personal financial issues and concerns there may be a loss of productivity at work. By providing education to employees, employers can start to alleviate that type of productivity drain and distraction.

Elizabeth: That definitely makes sense and I'm looking forward to our discussion today on this important topic. To help out our listeners, will you provide a framework that paints the big picture of where we are headed in our discussion?

Lenny: Sure, Liz. Today we will be discussing five steps for creating a successful financial education program. These steps include:

- Step 1: Know your target audience
- Step 2: Identify ways to generate interest and engagement
- Step 3: Start with the basics
- Step 4: Determine your educational approaches and support tools
- Step 5: Collect feedback and refine as needed

Lenny: However, I think it's really important before we go any further that we address the distinction between financial education and financial advice.

Elizabeth: Yes, Lenny, that is a great point and important distinction. Can you explain the difference for our listeners?

Lenny: Sure. Financial education focuses on building basic money management skills that lead to an understanding of personal financial topics, such as banking, insurance, budgeting, savings, investing, managing debt and the importance of good credit. These skills can help individuals make sound decisions about their finances.

Lenny: Whereas, financial advice provides customized information and recommendations that specifically tells employees what to do with their money and how to do it. This advice tends to come from financial professionals who may also provide products and services for a fee. They may be brokers, investment advisers, certified public accountants, lawyers, insurance agents, or financial planners. In addition, they may work in a variety of settings, from large firms to small private practices.

Lenny: Our program today focuses solely on creating a financial education program for your employees. Providing financial advice for employees will not be discussed.

Elizabeth: Excellent. Thank you, Lenny, for clearing that up.

Step 1: Know your target audience

Elizabeth: Now, let's jump in and begin with **step 1, knowing your target audience**. Sounds simple enough, but what does this really entail?

Lenny: Well, Liz, Investor education isn't a 'one size fits all' outreach. You'll want to include all employees at all ages and life stages in your education efforts, although as we'll discuss in step 2 the messages will likely be different. Therefore, begin with the assumption that all employees have a need for financial education, from the lowest-paid to the highest-paid and from the youngest employees to those getting ready to retire.

Lenny: Companies should build their educational campaign around the employees' overall financial picture. Some organizations may make the mistake of thinking financial education is just about retirement and therefore concentrate only on that financial phase and maybe only on the organization's retirement plan. But financial education includes not only retirement and investment education but also may cover budgeting, college planning, estate planning, debt-management, the basics of investing, how to set up an emergency fund, and more.

Elizabeth: That's a great point about the different topics that financial education can encompass.

Elizabeth: It may sound strange, but are there other people besides employees that you'd include as your target audience?

Lenny: Yes, there are. Although employees will be your main audience it's important to recognize that financial decisions can be made independently or jointly. In fact, open conversation about finances is healthy. Although most information will flow to the employee, involving spouses or domestic partners can be valuable.

Elizabeth: So now that you've identified your target audience as all employees and potentially their spouses or partners, **what type of information is helpful to have before you begin developing your specific educational campaign?**

Lenny: Well first, collect as much information on the demographics and financial habits of your employees as possible. If the opportunity is available, survey your employees to find out what issues and concerns are at the top of their minds. What's keeping them awake at night or distracting them at work? What are they interested in learning about? Engage them in the process from the beginning. You can conduct these surveys either online or in-person using focus groups or simple paper-pencil surveys.

Elizabeth: Okay, Lenny, let's start with the demographics. What type of demographics are you talking about?

Lenny: General demographics can help you determine your employees' needs and wants. This information can help you as you try to target an initial focus for your education program. Look at the age of your employees and their stage in life. Are they single, married, do they have kids/grandkids? These things influence a person's interests and savings habits and can help you to not only target the right education but create effective messaging so as to entice the employee to take part. Lastly, although one shouldn't stereotype based on age factors, there has certainly been a lot of research on generational preferences, behaviors, and styles that may be helpful as you plan your program.

Elizabeth: OK. What else are you looking for?

Lenny: If possible, it's good to look at employee behaviors. Things such as what are the participation/nonparticipation rates in your organization's retirement plan and what are the contribution levels?

Elizabeth: So where would you typically go to gather this type of information?

Lenny: Both demographic and participation information could come from your HR department, it could come from the administrator of your organization's retirement plans and/or other external service partners. I would say the best way to get much of this information is by asking your employees to share it with you so as to help build the most relevant educational experience you can.

Step 2: Identify ways to generate employee interest and engagement

Elizabeth: Now that you have identified and learned as much as possible about your employee population, how do you begin to think about generating employee interest and engagement?

Lenny: There are several ways, but I will highlight three today. The first two apply to all financial education topics and the last one is specific to investment/retirement education.

Elizabeth: Sounds good. So what is the first way?

Lenny: Based on the information discovered in the previous step, **customize your message to your audience** in order to generate employee interest. The more relevant the message is to an individual, the more likely he/she will take notice. It's important to note, this goes hand-in-hand with identifying the specific topics you'll be focusing the education on as well.

Elizabeth: Can you give a specific example of what you mean?

Lenny: Sure, Liz. This simply means that your messages may be quite different if you are targeting those in their 20s versus those in their 50s or someone who is single versus someone with a family. If the majority of your employees are under 30, you will want to engage them with messages and educational programs that are most relevant to them. For example, the value of saving early and how time is usually an investor's best friend, or the topic of buying your first home, or your first car; these would be topics that would be of interest to many employees under the age of 30. However, employees in their 50s are probably looking at more straight-forward discussion regarding retirement goals, asset allocation and diversification as well as the opportunity to take advantage of catch-up contributions. Employees with children might be interested in a discussion about saving for college. This could include 529 plans and other savings options parents might want to consider.

Lenny: Liz, one word of caution around customizing messages: Be sensitive to people's privacy. Targeting a group of people is okay but targeting specific individuals is usually not appropriate.

Elizabeth: Good point, Lenny. So what is another way to generate interest and engagement?

Lenny: I recommend **utilizing good communication principles in general**. Remember, in order to reach all your employees, you may need to communicate frequently and often. Consider different ways to reach out to employees with your message. It may take several communications to not only capture their attention but also to get them to take the necessary action to get involved with the education.

Lenny: Keep the communications simple and clear. It's often better to provide smaller chunks of information so as not to overwhelm the employee with too many details.

Lenny: Get creative. Use teasers to catch the eyes and interests of employees. Be sure to highlight that the organization has a great program, which it's very committed to. Let employees know you are serious about investor education.

Elizabeth: You mentioned you'd address three ways to generate interest and engagement. We've covered two, customizing your message and utilizing good communication principles. What's the third way?

Lenny: Well the third way, simply put, is to give people a reason to be interested. One way many companies have found to be successful for not only building participation but also engagement is by **giving employees a stake via automatic enrollment and escalation** in the organization's retirement plan. By automatically enrolling employees you've created an opportunity and reason to get them to engage in information about the plan and investor education because they have a very real stake at hand, their own money.

Elizabeth: Lenny, I think we need to take a step back and define automatic enrollment and escalation?

Lenny: With automatic enrollment, employees are automatically enrolled in their organization's retirement plan at a preset contribution rate. Furthermore, they are enrolled into a pre-selected investment option, such as a lifecycle fund or a balanced fund. Employees may opt out at any time but the initial decision to start saving through the company's retirement plan is essentially made for them.

Lenny: Automatic escalation is when an organization automatically increases an employee's rate of savings into the employee's retirement account over time. Typically organizations increase the savings by 1% per year, often timed with annual merit base pay increases, capping out at a predetermined maximum contribution amount.

Elizabeth: How popular are these types of plan designs?

Lenny: Very popular. Based on recent surveys by Towers Watson and Profit Sharing/401k Council of America, automatic enrollment is now the dominant practice for larger employers and, in fact, is in place in more than 30% of small and mid-size companies. Furthermore, a third of companies that automatically enroll their employees also offer automatic escalation.

Lenny: Organizations may offer both automatic enrollment and automatic escalation or they may offer just one of the two. Depending on your organization's retirement and savings objectives and plan design approaches, you may find it advantageous to offer one or both of these options to your employees.

Elizabeth: All very good information, Lenny. As I think about these automatic features, I'm wondering whether they eliminate the need for investor education.

Lenny: Definitely not. Although this is a great approach in terms of getting people in to the plan as well as increasing participation rates, this approach also makes it extremely important to provide education. If you automatically enroll employees in the retirement plan you'll want to make sure these people don't just go on autopilot. It's easy for employees to become passive and not take part in actively managing their accounts as they may assume that the organization or plan administrator is taking care of it for them.

Lenny: The good news, however, is that studies by Prudential and Retirement Made Simpler have shown that both employers and employees at companies with automatic features value financial education. If you have these features in place, they can actually serve as a launching pad to build interest and engagement in education about the plan and other financial issues.

Step 3: Start with the basics

Elizabeth: Up to this point, we've really been looking at the employee population and how to interest and engage them. What's next?

Lenny: Next comes the **actual education program itself**. It can be overwhelming when thinking about the wide variety of topics these programs could focus on. If an organization is just starting to implement financial education, it's important to start with the basics.

Elizabeth: Why is that so important?

Lenny: An organization has to be realistic about their employees' financial knowledge. As the National Financial Capability study showed, there can be a gap between what employees say they think they know and what they really do know. Furthermore, the basics never go out of style and will always continue to be valuable. This is where a lot of employees will find value.

Elizabeth: Lenny, so what are some of **the basics**?

Lenny: **Education around saving**, both personal savings and retirement savings is a great place to start. The time value of money and a discussion of compound interest are excellent topics that show employees how savings can add up over time. A discussion around dollar cost averaging and investing at regular intervals such as \$100 a month introduces both the value of getting into a saving and investing routine and also the concept of how to manage market fluctuations and volatility. A seminar detailing your organization's retirement plan can help participants understand the plan specifics and recognize if they are leaving any money on the table with respect to a company match. You could also go over the different investment selections that your plan offers, in general terms. Furthermore, you may want to provide education on personal savings plans such as IRAs.

Elizabeth: Do you have other basics you'd recommend?

Lenny: In the area of **investing**, you could look at the relationship between risk and return and help employees understand that. Also, you could address the topic of investment diversification and how it's helpful. Discussing the difference between investing for the long run and not making split second decisions based on the ebb and flow of the market may be worthwhile for your employee base as well. The fundamentals of how to research an investment before investing your money is also valuable. These are basic concepts but if employees don't understand them, they can really get into trouble. I also think it's important to talk about investor protection. For example, how do you select a broker, financial advisor, or insurance agent or someone else to assist you with your financial needs?

Elizabeth: What about **financial goal setting**?

Lenny: Setting financial goals is extremely worthwhile. Goals can work, especially when they're written down. This brings up an important point, Liz. Don't be afraid to give your attendees an assignment, like writing down a financial goal. Put them to work. Discussing emergency or rainy-day funds and impediments to saving can go hand in hand with goal setting.

Elizabeth: Are there any others you can think of?

Lenny: Education around **budgeting and debt-management** can be extremely valuable for your employees. For some groups of employees, even the basics of how to set up a bank account would be valuable.

Elizabeth: These are all great topics and I can see how these would be useful for a wide variety of audiences.

Step 4: Determine your educational approaches and support tools

Elizabeth: So let's do a quick review before moving onto Step 4. We first talked about how important it is to really understand your target audience, including the demographics and financial habits of your employees. Next, we discussed how to use the information gathered about your audience to identify ways to create interest and engage your audience along with thinking about the actual educational programs that would be most valuable for your employees. And in this area, we reviewed how important it is to start with the basics. Now that we understand our audience, have generated interest, and have the basics as a starting point, where do we go from here?

Lenny: The next step is to **determine your educational approaches and support tools**. This is done by answering several questions, Liz.

1. Who will deliver the financial education?
2. What delivery approaches will be used?
3. What support tools can be provided to aid the employee?

Elizabeth: Sounds good. Let's start with the first question. **Who will deliver the financial education?**

Lenny: It's important for an organization to think through whom they want delivering the education. Do they want to use an in-house resource or do they want to tap into an external source, such as a consultant, plan administrator, or other professionals in the financial arena? It may be that an organization chooses to use a combination of both internal and external sources.

Elizabeth: Lenny, to me it seems like an in-house resource would be a good option.

Lenny: It could be, but an organization must ask whether they have someone who has the right expertise to provide this type of information and education. They may find that they have someone in-house who can educate on specific programs that the organization offers but then will need to turn to an external person to provide education around the basics.

Elizabeth: If an organization does choose to utilize an external source for education, what recommendations or tips do you have for identifying and selecting an external source?

Lenny: For those areas specific to your company's retirement savings plan, your plan administrator is often a good place to start. Your plan administrator might be able to provide you with a recommendation for someone who can provide other general financial basics. Keep in mind that your goal should be providing objective information. Ideally that means information by someone who is knowledgeable and not selling a particular product or service.

Elizabeth: Let's talk a bit more about that. What sort of professionals might you want to consider?

Lenny: College professors or personal finance educators are a possibility. So are government agencies at the local, state and federal levels and government and non-governmental financial regulators as well. There are also nonprofit associations that provide financial education as part of their mission.

Lenny: You may find that you want to partner with a wide variety of professionals so as to cover the broad scope of financial education or perhaps one or two specific individuals will fit your needs. Bottom line here is that the financial professional or professionals which you choose to work with should have a firm understanding that they will be providing education and NOT selling products to your employees. Remember that the very fact that your company is working with a third party confers credibility on that party, so you will want to make sure you've done your homework.

Elizabeth: Excellent point. I can see how it's extremely important to bring in a professional who is not only knowledgeable but also unbiased and isn't trying to sell something to your employees.

Lenny: One last thing, Liz, before we leave this topic of 'who delivers the education'; it's crucial that your HR department be firmly in control of the program messages regardless of who delivers the education. HR staff should be sure to review the presentations and hand-outs in advance—and they should check the background of any presenter who works in the financial services industry.

Elizabeth: Moving on, what about **delivery approaches for your education?**

Lenny: The typical approaches that may be used include brown bags, onsite workshops, one-on-one coaching sessions, and more recently online options including webinars and audio casts. Your organization may find that based on the employee population one approach is more successful than another or you may find that you'll want to do a combination of these approaches in order to reach all employees.

Elizabeth: Lenny, this seems pretty straight-forward.

Lenny: The options for delivery are straight-forward. However, what is important to understand here is that one delivery mode isn't necessarily better than another. Instead it's essential to make the message relevant and engaging to the individuals. If possible, having a call to action or application opportunity at the end of the education can be extremely valuable regardless of the delivery mode used. Bottom line: keep the session interactive and engaging whether it's a face-to-face delivery or online delivery.

Elizabeth: Okay, let's return to the subject of involving spouses and significant others in the process and educational deliveries.

Lenny: Whenever possible, it's a great idea to invite spouses and significant others to these educational sessions. Also, have information sent to employees at their homes. If an HR portal website is available, consider giving dependents access.

Elizabeth: Good points, thank you. Next up, **how do you ensure that you provide support tools that are valuable?**

Lenny: Tools are great and there are a lot of different ones out there but the real question is, how user-friendly are they? Thinking about how your employees may or may not use these tools is important.

Lenny: Specifically, online calculators can be wonderful in helping support this type of education. Calculators can be used for retirement and expense calculation along with modeling. The key here is to not just provide your employees with these tools but also provide demonstrations so that they can learn to use these tools appropriately. As an example, previously we talked about giving assignments in your presentations. One assignment for younger employees might be to use a retirement savings calculator to open their eyes to how much they need to save. For older employees, it might be having them try out a retirement income calculator so that they see how long their savings will last if they withdraw a certain percentage each year.

Step 5: Collect feedback and refine as necessary

Elizabeth: We have now reached our fifth and final step, **collect feedback and refine as necessary**. Lenny, what information do you want to share with our listeners regarding this step?

Lenny: Let's take the first part, **collection of feedback**. There are several different collection approaches out there. A fairly quick and easy way is to have participants fill out surveys, either paper-based or online. This can provide you with good data on what the participants liked, disliked, and wanted to see more or less of. Focus groups are also a great way to gather data but can be more time and resource consuming. Regardless of the method, it's important to ensure that employees feel comfortable enough that they can share their honest opinions and feedback.

Elizabeth: Lenny, what if your organization wants to go beyond satisfaction and find out if the financial education really made a difference?

Lenny: In that situation pre and post assessments can be valuable. Also, if there is a way to compare the numbers of employees utilizing tools and resources prior to the training versus after the training that can provide nice data as well. Furthermore, taking a long term view and returning to follow-up with surveys a year or so later can be useful. Was there a change in the actions or behaviors that you were hoping to see? Did any of the key messages prove to be helpful in the participant's lives over the last year? Are there any testimonials from employees stating what actions they took based on the financial education program?

Elizabeth: All good suggestions. Anything else on the collection approaches?

Lenny: One last thought. It's important to constantly gather feedback and data. Although we list this as step 5 in this program, we don't mean to imply that this is a one shot type of thing. Collecting feedback and refining your program is a constant work in progress.

Elizabeth: Speaking of **program refinement**, what types of activities does this involve?

Lenny: It means looking at all aspects of the program, from content to delivery mechanisms, to the presenter, the venue, and even the time of day programs were provided. How did your audience react to each of these things? What things need to be changed? What worked well and doesn't need to be changed? Are there other financial education topics that your people want to see covered? Thoroughly reviewing the feedback and data can help you to refine your program and make it as valuable as possible for your employees. Also, keep in mind that as you have new employees join your organization and others leave, your demographic mix may change. Your organization needs to consider how to continually address different aspects of financial education for new employees.

Elizabeth: Great discussion, Lenny. Thank you for joining us today.

Lenny: It was my pleasure, Liz.

Elizabeth: This has been quite informative. This concludes the audio portion of *Five Steps to Creating a Successful Financial Education Program*. We encourage you to use the “Complimentary Resources” that accompany this product on the Education-on-the-Go webpage to further assist you in applying the material we have discussed in today’s course.

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