

HEALTH WEALTH CAREER

FINDINGS FROM  
MERCER CANADA'S  
INSIDE EMPLOYEES'  
MINDS™ SURVEY

# MOVING THE NEEDLE ON EMPLOYEE FINANCIAL WELLNESS

PRACTICAL STEPS FOR  
CANADIAN EMPLOYERS



MAKE TOMORROW, TODAY



# THE CHALLENGE OF EMPLOYEE FINANCIAL WELLNESS

A GROWING NUMBER OF EMPLOYERS ACROSS CANADA ARE RECOGNIZING THE IMPORTANCE OF FINANCIAL WELLNESS. THEY UNDERSTAND THAT WHEN EMPLOYEES ARE COMFORTABLE WITH THEIR ABILITY TO MEET FINANCIAL OBLIGATIONS, THEY'RE MORE PRODUCTIVE AND ENGAGED AT WORK.

However, new research from Mercer has found some surprising challenges in the path to financial wellness in the Canadian workforce. Unless these issues are fully addressed, employers may put their energy and resources into the wrong places—and find that they're having trouble improving employee financial wellness and overall employee engagement.

## BRINGING TOGETHER OUR FINANCIAL WELLNESS SURVEY AND INDEX FOR DEEP INSIGHT

Mercer Canada recently conducted the [Inside Employees' Minds Financial Wellness™ Survey](#), asking more than 1,500 employees across Canada about their financial attitudes, preferences and behaviours.

The survey also included both the objective and subjective global financial literacy tests. We then leveraged the findings to create the Mercer Financial Wellness Index, a first-to-market solution to benchmark the financial wellness of the Canadian workforce. Together, these resources offer deep insight into what financial wellness really is—and the specific steps employers can take to help their workers achieve it.

## KEY FINDINGS

1		<p>WORRY ABOUT FINANCES CUTS ACROSS ALL INCOME LEVELS</p>	<p>Many people in households making more than \$100,000 a year were just as stressed about how to pay their bills, and save for retirement, as those making far less money.</p>
2		<p>A MAJORITY OF EMPLOYEES SIMPLY DON'T TRUST FINANCIAL INFORMATION &amp; ADVICE FROM THEIR EMPLOYERS</p>	<p>They're far more likely to trust outside sources, such as banks and personal financial advisors.</p>
3		<p>MOST EMPLOYEES OVER 50 DON'T HAVE A STRATEGY FOR SAVING FOR RETIREMENT</p>	<p>This is a particularly severe problem for those with the lowest levels of financial wellness.</p>
4		<p>THERE IS A STRONG CORRELATION BETWEEN FINANCIAL HEALTH &amp; PHYSICAL HEALTH</p>	<p>The more stressed that employees are about their finances, the more they're likely to miss work—or not engage—due to illness and other health problems.</p>
5		<p>WOMEN, ON AVERAGE, HAVE SIGNIFICANTLY LOWER LEVELS OF FINANCIAL WELLNESS THAN MEN</p>	<p>They also have less confidence in their ability to make the right financial decisions—which makes it even harder for them to take the steps necessary to grow stronger.</p>

# WHAT FINANCIAL WELLNESS REALLY MEANS

Many employers equate financial literacy with financial wellness. However, knowledge about financial matters does not translate into higher employee engagement or high participation in financial programs.

Many employers also equate financial wellness with retirement readiness. And so they believe that if they have a great retirement projection tool, or if they conduct information sessions about investments every quarter, that's all that's needed for an employee financial wellness program.

But while having enough income for retirement is one element of employee financial wellness, that's only part of the larger picture. Our research confirms that there are four essential steps to achieving financial wellness—or the lack of it:

- 1 Do people feel they have control over their day-to-day and month-to-month finances? Do they know what's coming in and going out, and are they comfortable with it?
- 2 Do people have the ability to absorb a financial shock? If they had to come up with \$500 right away, could they do it?
- 3 Are people making real progress in achieving their financial goals? Not just saving for retirement, but meeting more immediate goals such as upgrading a home or saving for a vacation?
- 4 Do people have the financial freedom to make choices that allow them to enjoy life? For example, can they afford to travel? Can they retire when they want?

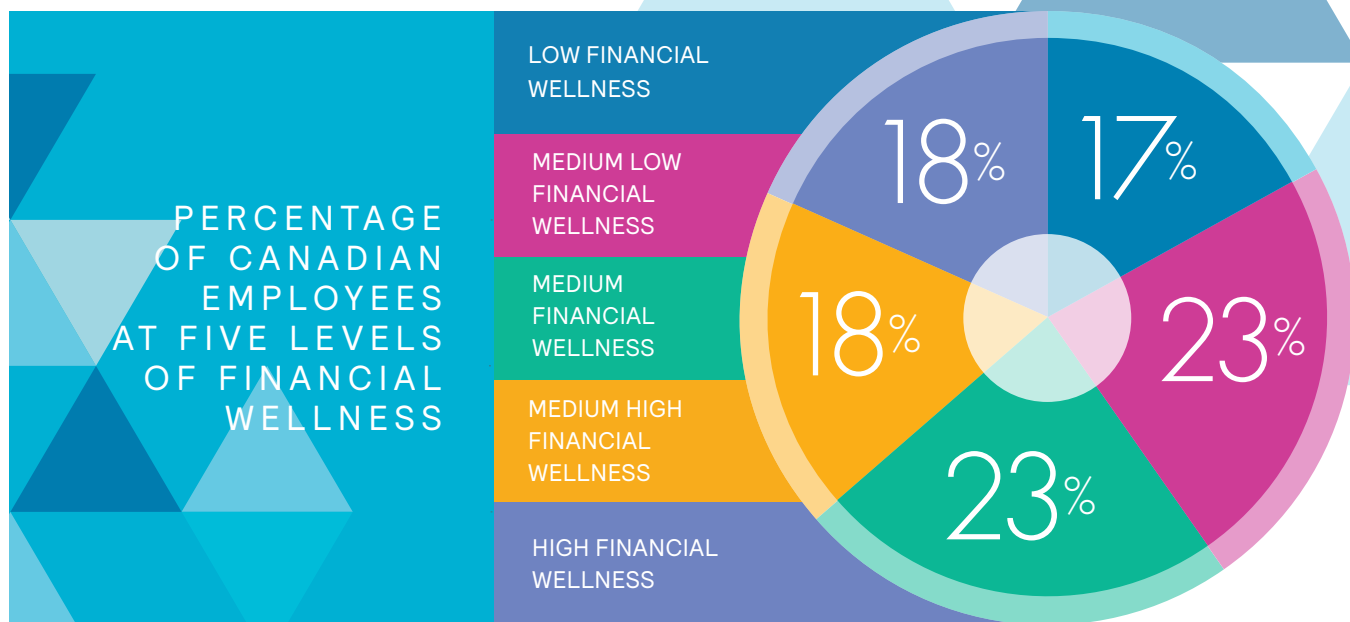
The sequence of these steps is important. For example, people first need to have control over their day-to-day finances before they can figure out how much to save. Once they're able to establish and maintain budgets, then they're ready to plan for short or mid-term goals such as travel, as well as for larger goals like planning their retirement. As life makes its twists and turns, people might need to re-do some of the steps, such as making sure they're able to sustain financial shocks.

Achieving just the first step can have significant implications in the workplace. People who don't feel in control of their finances often spend much of their time worrying—including while they're at work. They may become less productive, less engaged in their jobs, and less present around others, and they may also delay retirement because they're not prepared. Whether they will have retirement income 5 or 30 years from now may be the least of their concerns—they're just trying to make it through the week.

These employees will also not likely be paying attention to the features and benefits of their workplace retirement and savings arrangements. Over time, this lack of engagement can change people's perceptions of why benefits are an important part of the employee compensation package. That can make it more difficult to retain and attract talent, or help employees retire when they need or want to.

## YOU MAY HAVE MORE EMPLOYEES WITH LOW FINANCIAL WELLNESS THAN YOU THINK

Our research found that in the Canadian workforce, there is a fairly even distribution of employees across the various levels of financial wellness. For every employee at your company who is comfortable with his or her financial situation, you probably have one who is filled with constant worry.





## KEY FINDING:

# WORRY ABOUT FINANCES CUTS ACROSS ALL INCOME LEVELS

One of the most common myths about financial wellness is that money worries are mostly limited to employees at the lower end of the salary spectrum. But our research found that's just not the case. Nearly 20 percent of employees in households making 100,000–\$150,000 a year say they don't feel in control of their financial situation. And 11 percent of those in households making more than \$150,000 say they feel the same way.

## HIGHER SALARIES DON'T MAKE FINANCIAL STRESS GO AWAY

This lack of control doesn't correlate to financial literacy—higher-paid employees generally consider themselves much more financially literate than do those who make less money. The explanation is probably much simpler: the more people make, the higher their standard of living and the costs needed

to maintain it. And so even as their income rises, they still have the same struggles to pay for recurring expenses, reduce their debt, and save for retirement.

Highly paid employees may even feel additional stress because they're looked upon as leaders and mentors—people who shouldn't have money worries. Yet 9 percent of senior leaders say they need to borrow money to make ends meet each month—compared to just 3 percent of clerical and production workers.

These findings have significant implications for employers. When your leaders are stressed and feel out of control, you're not going to get their best. The bottom line: Financial wellness programs must find ways to reach people at all income levels—including the very highest.





## KEY FINDING:

# A MAJORITY OF EMPLOYEES SIMPLY DON'T TRUST FINANCIAL INFORMATION & ADVICE FROM THEIR EMPLOYERS

When employees were asked who they trusted for financial guidance, employers ranked near the bottom. Only 40 percent of workers say they trust their employers, compared with 72 percent who trust their personal financial advisor, and 63 percent who trust their bank.

This likely reflects the overall decline in trust in employers as companies across Canada manage changes that involve taking something away or increasing costs to employees. For example, we have seen a shift away from traditional benefits such as defined benefit pension plans and retiree benefits. With employees also potentially paying a higher share of increasing healthcare costs, employers have lost much of the value proposition offered by traditional benefit programs. Among the more troubling findings of the survey: only 37 percent of employees say their employer cares about their long-term financial security. And only 20 percent of workers want their employers to be directly involved in training and educating them in financial matters.

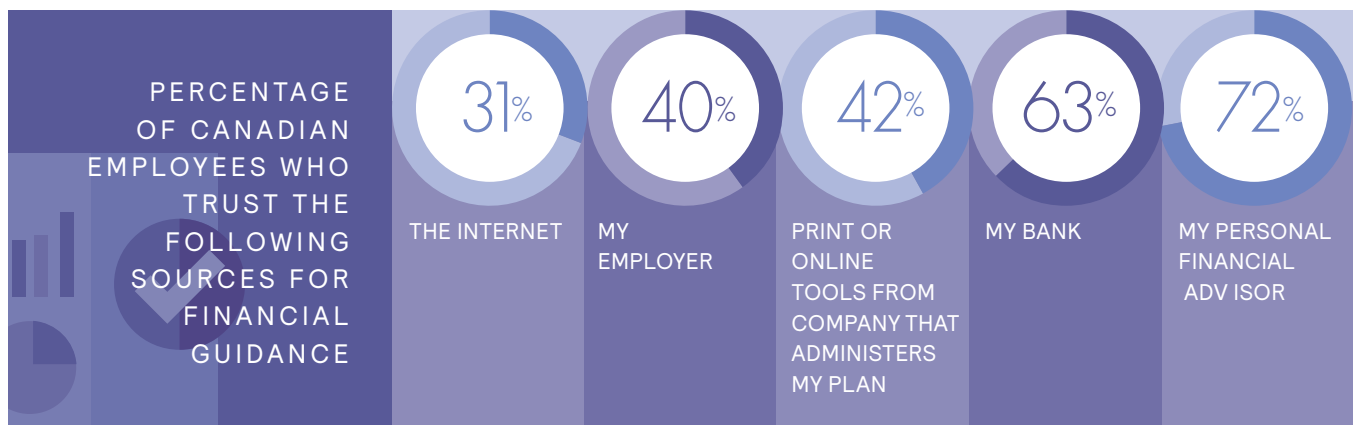
The high trust employees put in banks is not surprising—most Canadians interact with their banks on a frequent basis, whether to deposit money, pay a bill, or set up a mortgage. Banks also provide many people with financial planning and wealth management. However,

this trust in banks can actually work against employee financial wellness. High fees and limited transparency on what is being paid, which make it harder for employees to save and makes it difficult for them to develop financial confidence and skills. If employers bring trusted finance planning and wealth management solutions under their umbrella, they will help their employees achieve greater financial wellness overall.

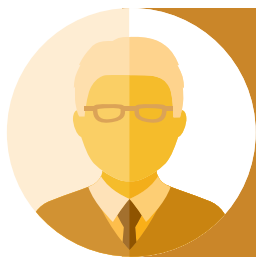
## REGAINING THE TRUST OF EMPLOYEES

The significance for employers is clear: if they want to improve the financial wellness of their workforce, they will have to bring in outside resources that can be trusted. If employers default to what their service provider offers, they are unlikely to see much progress—many employees simply won't pay attention. However, trusted resources have significant potential—a growing number of employees believe that financial planning will help give them more control over their investments, and more financial confidence.

A bright note in the research: As employees' financial wellness improves, so does their trust in their employer. This means that financial wellness programs in the workplace can be used as a tool to regain trust—and to become part of a [new employee value proposition](#).







## KEY FINDING:

# MOST EMPLOYEES OVER 50 DON'T HAVE A STRATEGY FOR SAVING FOR RETIREMENT

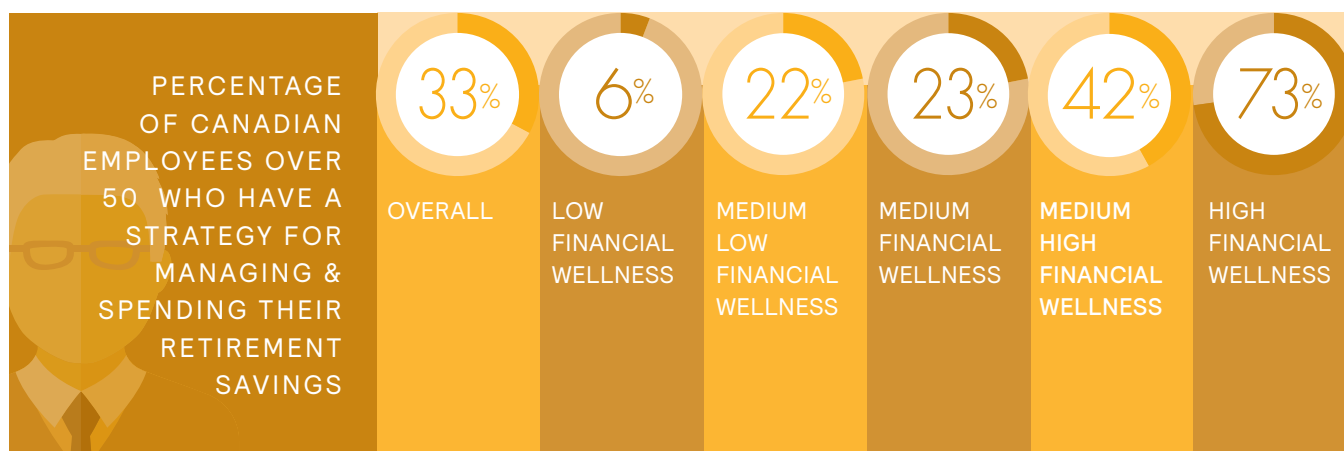
Helping their employees prepare for retirement has been a longtime goal for many Canadian employers. Yet the research suggests that much of that effort hasn't taken hold, particularly for workers over 50. Only a third of those older workers say they have a strategy for managing and spending their retirement savings. Just as troubling, only 6 percent of employees over 50 at the lowest levels—those who arguably need a plan the most—are preparing for retirement.

It's not that employees aren't stressed about saving for retirement. The survey found that among employees of all ages, the largest group—27 percent—say having enough money for retirement was their biggest financial worry, the one that causes them to lose sleep. This was nearly

double the next largest group of employees (14 percent), who cite keeping up with monthly expenses and credit card debt as their biggest worries.

## TO PREPARE FOR THE FUTURE, FOCUS ON THE PRESENT

These findings clearly suggest that retirement readiness programs alone are not enough. Employees can't save for retirement—or even think of saving—if they're not financially well on a day-to-day basis. If employers want their workers to be truly prepared for retirement, they first have to focus on helping them improve their current financial situations.







## KEY FINDING:

# THERE IS A STRONG CORRELATION BETWEEN FINANCIAL HEALTH AND PHYSICAL HEALTH

The lower that people score in financial wellness, the more likely they are to be in poor physical health as well. That finding adds to growing evidence that financial and physical health are tightly intertwined. And it brings home the wider imperative employers have in helping workers achieve financial wellness. A stressed employee might also be a sick employee.

Our research found that with employees at the lowest level of financial wellness, just 39 percent said they were in excellent or very good health. Among the most financially well, the percentage was 81 .

## THE DANGERS OF STRESS

One reason may be the stress that often accompanies low financial wellness. It is well established that stress has an effect on the body. In the short term, it can lead to problems such as poor digestion, headaches, sleeplessness and

irritability, as well as greater susceptibility to colds and the flu. Long-term stress can result in serious health problems such as heart disease, high-blood pressure, diabetes, and mental disorders such as depression and anxiety.<sup>1</sup>

At the same time, people who do not feel in control of their finances also often feel they're not in control of other aspects of their lives—and so it may be harder for them to eat right, exercise or quit smoking.

The financial-physical health connection raises the stakes for employers. A lack of financial wellness doesn't just result in lower employee engagement—it can also lead to a host of physical and mental health problems, as well as [higher absenteeism](#) and more medical leaves.

<sup>1</sup> National Institutes of Mental Health: "5 Things You Should Know About Stress." [www.nimh.nih.gov/health/publications/stress/index.shtml](http://www.nimh.nih.gov/health/publications/stress/index.shtml)





KEY  
FINDING:

WOMEN, ON AVERAGE,  
HAVE SIGNIFICANTLY LOWER  
LEVELS OF FINANCIAL  
WELLNESS COMPARED TO MEN

ONE OF THE MOST IMPORTANT FINDINGS OF THE RESEARCH WAS THAT WHEN IT COMES TO EMPLOYEE FINANCIAL WELLNESS, MEN AND WOMEN ARE FAR FROM BEING ON EQUAL FOOTING. NEARLY HALF OF ALL WOMEN SCORE LOW OR MEDIUM LOW IN FINANCIAL WELLNESS, COMPARED TO JUST A THIRD OF MEN.

There are a number of reasons why Canadian women are in this bind:

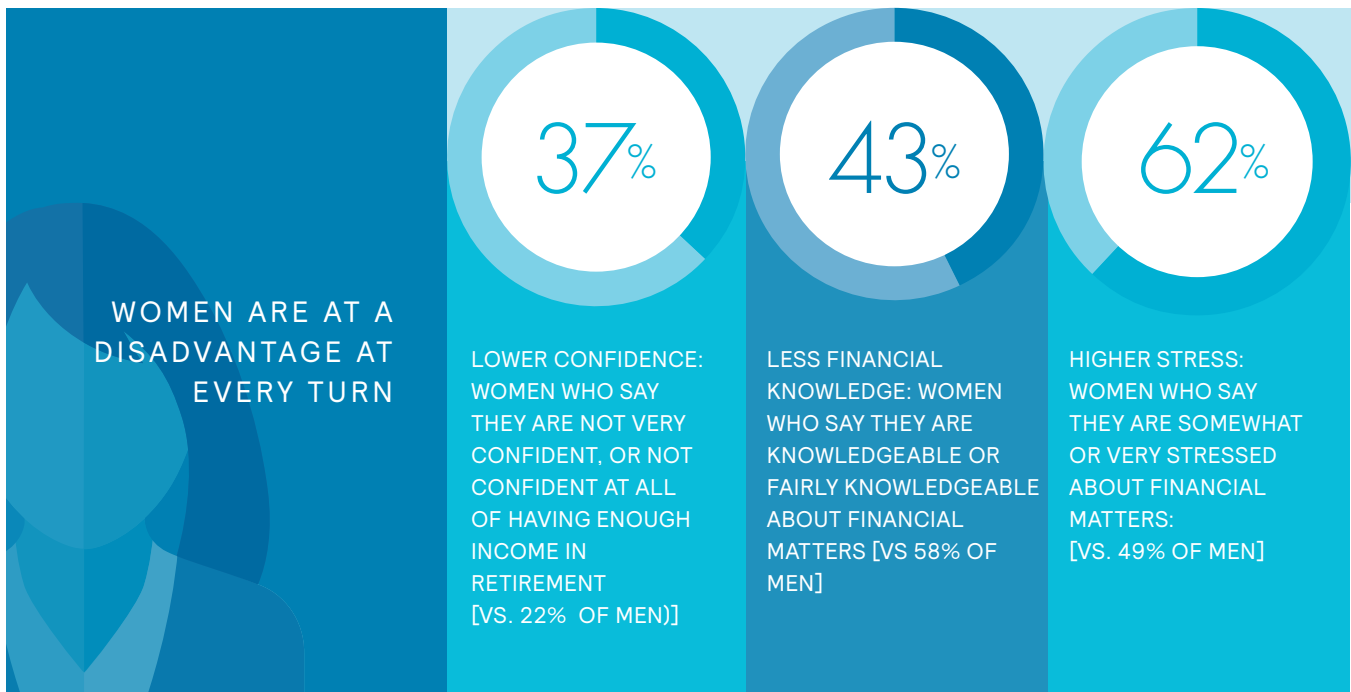
- ▶ Because of pay differential with men, women in Canada essentially work 14 weeks each year for free. Their smaller paycheques mean women end up saving less for retirement, and paying less into pensions.
- ▶ They also take more leaves—or go part-time—to care for children and elderly family members, further reducing their ability to save.
- ▶ But at the same time, women live an average of 4.5 years longer than men, which means their retirement savings have to go further.

The upshot: women have less to spend on day-to-day expenses, and yet they need to save 25% more than men by age 65 to retire at that age. No wonder their financial wellness suffers.

The key implication of the research for employers is that if they want their financial wellness programs to succeed, they will have to pay particular attention to the challenges women face.

There are a number of specific actions employers can take. For example, making it easier for employees to contribute to retirement accounts while they are on leave, so that they don't have to put away extra when they return. Allowing access to savings to supplement income is also a consideration.

Employers can also personalize financial wellness programs for women. For example, women respond positively to mentoring, counselling and learning from other women peers who understand what they may face in their daily lives. Employers can also make a difference by implementing financial education workshops that use case studies that women can relate to, and by ensuring access to financial advice and counselling from women advisors.



## THE PATH TO FINANCIAL WELLNESS

As our study makes clear, financial wellness goes far beyond retirement readiness. It really has to do with the mental and emotional state of employees as they go about their daily jobs, and then go home to their families. There is much at stake for employers—workers with low financial wellness are less likely to be productive or engaged, and more likely to have health problems.

But there is also much that employers can do, from bringing in trusted outside resources to personalizing financial wellness programs for women and employees at different income levels.

Employers can also promote financial wellness in the workplace by helping employees successfully manage the steps towards achieving financial freedom, and at the same time by strengthening their employee value proposition.

### BENCHMARKING YOUR COMPANY

Another lesson of the research is that to be successful, financial wellness programs for employees must be closely tailored to a company's individual workforce. Mercer can help with a benchmark analysis that leverages the Mercer Financial Wellness Index. We survey your employees with a short questionnaire, and then benchmark your company's workforce against the wider Canadian marketplace. By looking at the gaps—and the opportunities for improvement—you can develop a financial wellness strategy that meets the specific needs of your workforce.

Our research shows that employers can have a major impact on their employees' financial wellness. And the benefits are clear: a more productive, engaged and healthier workforce.

## ABOUT MERCER

At Mercer, we make a difference in the lives of more than 110 million people every day by advancing their health, wealth, and careers. We're in the business of creating more secure and rewarding futures for our clients and their employees – whether we're designing affordable health plans, assuring income for retirement or aligning workers with workforce needs. Using analysis and insights as catalysts for change, we anticipate and understand the individual impact of business decisions,

now and in the future. We see people's current and future needs through a lens of innovation, and our holistic view, specialized expertise, and deep analytical rigour underpin each and every idea and solution we offer. For more than 70 years, we've turned our insights into actions, enabling people around the globe to live, work, and retire well.

At Mercer, we say we **Make Tomorrow, Today.**

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