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# WHAT EMPLOYERS CAN DO TO PROMOTE EMPLOYEE FINANCIAL WELL-BEING

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# INTRODUCTION

The purpose of this guide is to offer information and ideas for employers to consider in promoting employee financial well-being. Employers who are new to the topic of financial wellness may wish to review resources noted with an (\*) in Appendix A.<sup>1</sup>

In the present guide, we go into greater detail concerning:

- Understanding employee financial well-being
- Reviewing and strengthening existing benefits
- Critically assessing financial wellness benefits

In addition, we offer information about:

- Public benefits and community resources to support financial well-being
- Public-private innovations to promote employee financial well-being

Employers are in a unique position to help improve employees' financial well-being by helping them access and use both employer benefits and public benefits and community resources. With the emergence of employee financial wellness benefits, the workplace represents an opportunity to help employees gain access to important financial products and services, such as savings programs and short-term loans.

## **Building a Strong Foundation for Employee Financial Wellness: Job Quality**

Employers' efforts to promote employee financial wellness will be most effective when these efforts are considered an aspect of job quality. Job quality includes the following components:

1. Pay: stable, predictable, and sufficient.
2. Schedule: stable and predictable work hours.
3. Benefits: affordable access to core benefits such as health, paid leave, and retirement.
4. Working conditions: safety and freedom from harassment and discrimination in the workplace and career growth opportunities.

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5. Agency and respect: voice in improving work conditions, respect for contributions made to achieve the company's goals.<sup>2</sup>

Concerning **pay, employees need to earn** enough income to meet their family's basic needs and have some discretionary funds. MIT's Living Wage Calculator is a market-based approach that includes the local cost of living for basic needs such as food and housing and accounts for the number of children and working adults in the family. Living wage estimates far exceed the national minimum wage of \$7.25/hour and the federal poverty level. Wages that consistently fall below household expenses mean workers and their families may experience hardships such as food insecurity, fall into debt, and fail to save.

Over 50 million workers - nearly half (44%) of all U.S. workers - are low-wage earners who have a median hourly wage of only \$10.22. Almost 30% of these workers have children and over a quarter are the sole bread winner in their family.<sup>3</sup>

Irregular and unpredictable **schedules** can introduce income volatility into the household, making it difficult to pay for month-to-month expenses like a car payment. Workers with children who are called in to work unexpectedly may find it hard to arrange for childcare. Childcare and transportation costs can eat into wages of those who are sent home early when work is slow.

**Benefits** such as affordable health coverage, paid leave, and retirement are critical in supporting employees' financial well-being. For example, out-of-pocket healthcare expenses that exceed 10% of employees' income may make it difficult to meet other basic needs such as paying rent (for more detail, see "Reviewing and Strengthening Existing Benefits" below). Part-time, sub-contracted, and "gig" workers are much less likely than full-time employees to have access to these important benefits.<sup>4</sup>

Unsafe and unhealthy **work conditions** related physical demands and environmental hazards result in worsened health among workers.<sup>5</sup> In turn, health problems may diminish one's ability to work and result in increased health care costs. A lack of career development and advancement opportunities can block employees from experiencing the long-term wage growth needed to achieve longer-term goals such as home ownership and paying for their children's college education.

Lastly, a lack of **agency and respect** among workers will make it difficult for employers to understand the financial and other challenges facing employees which may harm employee satisfaction and retention.

A fast-growing market for employee financial well-being solutions is emerging. The products and services offered by vendors - mostly financial services technology ("fin tech") firms - may be an appealing option to help workers who are struggling financially. Yet selecting these benefits may just treat the symptoms of poor-quality jobs. Thus, the intent of this guide is to help employers take a holistic view of employee financial well-being by considering a full range of options, including but not limited to financial wellness benefits.

## What is Financial Well-being?

The Consumer Financial Protection Bureau (CFPB) defines financial well-being as the degree to which individuals:

1. Have control over their finances
2. Can cope with a financial shock
3. Are on track to meet their financial goals and
4. Enjoy freedom of choice<sup>6</sup>

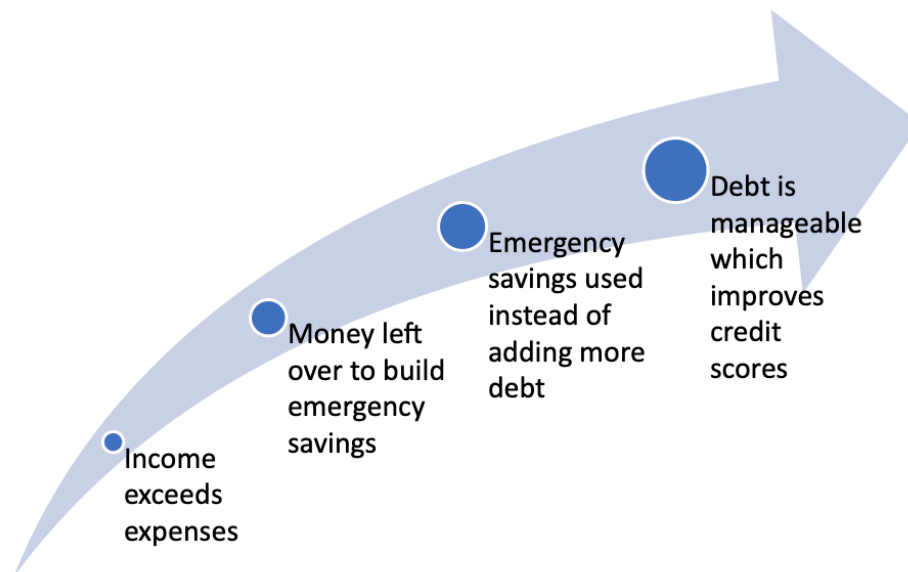
The Financial Health Network (FHN) lists the following indicators that reflect these elements of financial well-being:

1. Spend less than income
2. Pay bills on time
3. Have sufficient liquid savings
4. Have sufficient long-term savings
5. Have manageable debt
6. Have a prime credit score
7. Have appropriate insurance
8. Plan ahead financially<sup>7</sup>

Employers are already addressing many of these indicators – especially by offering competitive wages and salary, health insurance, and retirement plans. Yet employers can also act in ways that harm financial well-being: low wages may mean employees spend more than their incomes, irregular work hours can make it hard to pay bills on time, and a lack of 401k matching makes it more difficult for employees to save for the long-term.

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These 8 indicators support each other and should be viewed holistically. For example, consider how indicators 1, 3, 5, and 6 relate to each other:



## A Growing Focus on Employee Financial Well-being

Interest is growing among employers about new ways to promote financial well-being based on increased awareness of employee financial stress. Among 1,000 employees of mid- and large-size companies surveyed by the Financial Health Network, 58% said their finances are stressful – a higher percentage than work, health, and family issues as sources of stress. Most employees (78%) with high levels of financial stress say this stress affects their work. Specific issues related to financial stress include:

- Spending that is more than or equal to income (50%)
- Unmanageable debt (37%)
- Insufficient emergency savings (41%)
- Difficulty paying bills on time (32%)



Most of these employees (60%) said useful benefits to promote their financial well-being would encourage them to remain with their employer, though less than a third said their employers offer benefits to help them with budgeting, managing debt, and building emergency savings.<sup>8</sup>

In a different survey from the Society for Human Resource Management (SHRM) and the U.S. Chamber of Commerce Foundation (USCCF), the proportion of companies offering various financial well-being benefits included:

- Financial counseling and coaching (42%)
- Financial education (32%)
- Financial management digital platforms and apps (31%)
- Short-term loans (17%)
- Debt management services (15%)
- Information and access to public benefits (13%)
- Pay advances (12%)
- Education (6%) and emergency (4%) savings programs<sup>9</sup>

These findings closely mirrored results of SHRM's 2019 Benefits Survey:

- Credit counseling (18%)
- Pay advances (15%)
- Emergency loans (17%)
- Non-retirement financial education (36%)<sup>10</sup>

Two barriers to offering financial well-being benefits identified in the SHRM/USCCF study were a lack of information about available programs and about what other employers are doing to offer these benefits.

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## Why Focus on Employee Financial Well-Being?

The above findings suggest that the supply of financial wellness benefits falls short of demand among employees. Employers may be motivated to focus on employee financial well-being for a variety of reasons, to:

- Express concern for employees. Improving employee well-being was the top reason companies offered these benefits<sup>11</sup> Almost half (47%) of lower-paid employees who used a financial wellness benefit said they felt better about their employer<sup>12</sup>
- Show a commitment to the Business Roundtable's 2019 revised Statement on the Purpose of a Corporation that says companies should benefit all stakeholders, including employees<sup>13</sup>
- Boost productivity<sup>14</sup> One study found that Comcast employees who registered to use the Brightside financial wellness platform had lower rates of turnover than employees who did not register<sup>15</sup> Another study found that among lower-paid employees, 30% of those who used a financial wellness benefit said the benefit help them concentrate more at work<sup>16</sup>
- Support recruitment and retention. A focus on employee financial well-being is an aspect of job quality that may help recruit and retain talent<sup>17</sup> Over half (57%) of employers surveyed said financial well-being benefits helped with retention<sup>18</sup>

Support the company's strategy concerning diversity, equity, and inclusion by addressing inequalities in employee financial well-being<sup>19</sup>

## Economic Challenges Facing Workers

Companies can do a lot to promote employee financial well-being – starting with paying a living wage and offering good benefits. It is also important to recognize that workers are confronted by larger economic forces that contribute to the financial stress they experience:

- Rising health care costs – nearly one-fifth of workers with employer health coverage spent 10% or more of their income on insurance premiums and/or out-of-pocket health care costs<sup>20</sup>
- Lack of affordable housing - a third of U.S. households are housing cost burdened – pay more than 30% of their income on housing costs<sup>21</sup> as housing costs are rising well above inflation due to a limited supply of affordable units.

- Over half of workers with children surveyed (54%) said it was hard to find quality childcare they could afford; problems finding childcare affects parents' availability to work more hours; 42% of parents changed jobs for more flexible work hours needed to afford childcare while 57% and 47% delayed or decreased saving for emergencies and for retirement, respectively, to afford childcare<sup>22</sup>
- Rising student debt (\$1.7 trillion<sup>23</sup>) with 18% of borrowers behind on loan payments<sup>24</sup>
- 45 million Americans have no credit score. Black and Hispanic individuals are more likely than White and Asian individuals to not have a credit score<sup>25</sup> Without a credit score, individuals cannot apply for many forms of credit such as auto loans, mortgages, and credit cards and may turn to high-cost payday loans to meet their short-term needs.

## ASSESSING EMPLOYEE FINANCIAL WELL-BEING

Employers should start by getting a better understanding of their own employee needs and there are a variety of ways to accomplish this. A good place to start is with defined contribution plan (e.g., 401k plans) data. Retirement plan withdrawal requests, transportation problems, and pay advance requests may indicate financial trouble<sup>26</sup> More specifically, certain “safe harbor” reasons for 401k hardship distributions<sup>27</sup> may signal financial trouble:

- Foreclosure or eviction prevention
- Medical expenses and/or
- Home repair

These reasons suggest that the employee's household income and liquid assets are not enough to cover these needs. Other safe harbor reasons may not signal an immediate problem (tuition, home down payment, funeral expenses), but may suggest the employee lacks access to affordable credit<sup>28</sup> In addition:

- Employee characteristics (job title or occupational category, demographics) associated with hardship distributions can be examined to see if certain types of employees may have greater risk for financial problems. For example, young (ages 18-34) and African American employees are more likely to have made 401k hardship withdrawals<sup>29</sup>

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- A lack of 401k plan participation may mean an employee lacks “financial slack” – their income is just enough to meet their expenses or is less than expenses – and/or that the employee is more concerned about near-term financial needs and goals.

Another data source to examine is **payroll**. Employees who decline **direct deposit** (if available) may be unbanked, which increases the chance they turn to “alternative” financial services such as check cashing services and payday loans, fees for which can significantly eat into earnings. Employees who have **wage garnishments** due to child support, back taxes, student loans, or other legal matters may be more at risk for financial insecurity.

Surveying employees can offer further insight. The National Fund for Workforce Solutions offers [an employee financial wellness survey and interpretation guide](#), many questions of which correspond to the Financial Health Network’s 8 indicators mentioned above. In addition, employers might consider the [Consumer Financial Protection Bureau’s Financial Well-being Scale](#), scores for which can be compared to national findings to offer a snapshot of how employees feel they are doing financially and their financial outlook.

**A word of caution:** Employers should ensure the survey can be taken anonymously. Still, employees may feel uncomfortable revealing their financial challenges and resentful if they are already concerned about low pay. It can help if employers explain that they are conducting the survey out of concern for employees with the intention of offering a new benefit and/or improving existing benefits. An alternative to asking employees questions about their financial lives is to ask about which financial wellness benefits they would be interested in using and their satisfaction with existing benefits.

# REVIEWING AND STRENGTHENING EXISTING BENEFITS

Before committing to financial well-being benefits, employers might wish to look at their existing benefits. Certain types of benefits are especially important for financial well-being:

## Health Insurance

When employees are expected to pay for more of their health care expenses up front – as is the case with High Deductible Health Plans (HDHPs) – health care utilization and costs typically drop. The problem is that this is true both for necessary and unnecessary care. For necessary care, employees may decrease their use of preventive care and not take medications as prescribed.<sup>30</sup> As a result, risk for employee illness rises, which may increase “downstream” health care costs (e.g., a hospitalization for a poorly treated chronic condition) and absenteeism. To avoid this, employers might consider contributing to employee Health Savings Accounts (HSAs) to help cover employee deductibles.

In general, health care is considered unaffordable when employees pay 10% or more of their income on out-of-pocket (OOP) costs and/or premiums. At 10% or greater, employees may experience greater risk for financial problems.

## Paid leave

Most (75%) private sector workers had access to paid leave in 2020, yet this rate varies by industry – 52% in leisure and hospitality and 93% in financial services. Regarding paid sick leave, 68% of workers had access.<sup>31</sup> However, only 49% of workers in the lowest wage quartile had it compared to 80% of workers in the 2nd quartile.<sup>32</sup>

Heading into the COVID-19 pandemic, employees who did not have paid leave were more likely to have trouble paying rent and other bills, seeing the doctor or paying for medications, and affording food.<sup>33</sup> The reason is simple: losing pay when you get sick, need to care for a loved one, or just wish to spend vacation time with your family makes it harder to meet basic needs. This is also a reason why workers without paid leave may show up for work sick, which makes paid leave an important public health policy during the COVID-19 pandemic.

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## Profit Sharing and Employee Ownership

A direct way to promote employee financial well-being is to offer employees ownership (EO) opportunities such as Employee Stock Option Programs (ESOPs), which can also benefit employers. Small ESOPs (comprising no more than 5% of company shares) have been found to increase worker productivity in smaller companies.<sup>34</sup> In the face of large (recessions) and small (decline in sales) shocks, companies with EO have better employee retention compared to those without EO.<sup>35</sup>

## Retirement Savings Plans

Nearly 40% of Americans do not have a retirement account.<sup>36</sup> The workplace is the primary way most Americans build retirement savings, yet a third lack access to employer-based retirement plans and of those with access, almost a quarter do not participate.<sup>37</sup> Lower-income households are especially at risk for entering retirement unprepared as access to and participation in employer-based retirement plans is much lower among the lowest paid workers.<sup>38</sup> For example, only 42% of workers in the lowest wage quartile had access to retirement benefits compared to 67% of workers in the second wage quartile.<sup>39</sup>

### Making Retirement Saving Easier and More Attractive

A common idea is that workers who do not save for retirement may not appreciate the importance of planning for the future. Why? For some workers who spend a large share of their income on basic needs - housing, transportation, food, health care, and childcare, saving for retirement may be the last thing on their minds. Two key methods shown to be effective in boosting retirement plan participation are 1) automatically enrolling employees in plans (always with the opportunity to “opt out”)<sup>40</sup> and 2) matching their contributions.<sup>41</sup>

## Tuition Assistance

Just over half of employers offer a tuition assistance benefit.<sup>42</sup> Given rising college costs and student debt, these benefits are important for helping employees afford higher education and reduce dependence on loans. Innovative practices related to financial well-being include direct employer payments to educational institutions and training providers so employees do not have to incur the expense and seek reimbursement, and offering student loan repayment assistance.<sup>43</sup> Vendors such as Guild Education may help employers administer their tuition assistance programs by arranging for direct payments to a vetted group of educational institutions and training providers, using the federal tuition assistance tax exemption, and offering coaching to worker-students, including about how to apply for additional financial aid.<sup>44</sup>

### **An Equity Perspective**

For companies concerned about equity, it is important to note that Black and Hispanic workers are more likely than White workers to not have access to 401k plans, paid leave,<sup>45</sup> and health insurance because they are more likely to work for employers who do not offer these important benefits.<sup>46</sup> Women have less access to paid leave because they are more likely to work in occupations and industries that do not offer these benefits. Because women continue to be the primary caregiver in most families, a lack of paid leave forces them to choose between work and caregiving and is a source of employee turnover.

## **EMPLOYEE FINANCIAL WELLNESS PROGRAMS (EFWPS)**

In addition to benefits such as retirement plans, employers are increasingly interested in offering benefits to help employees deal with their financial stress. The employee financial wellness benefits market is new and emerging; new products and services continue to enter the market and existing providers modify their benefits to address a different financial need and/or to better leverage technology.

Below are individual financial wellness products and services, which may be offered together if not fully integrated into one benefit<sup>47</sup> to address one or more of the 8 financial health indicators. Advantages, disadvantages, and applicable research evidence are summarized for each benefit.

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## Digital Financial Management (DFM) Apps

DFM apps usually have a core financial management function that allows users to set up a budget, track their spending, and pay bills on time – ideally by using an account aggregator like Chime so the app can connect to users’ bank accounts to use transaction data. DFM apps also may offer financial education content, use push notifications for bill payment reminders, and help users set savings goals and monitor progress. Multi-functional DFM apps may also integrate payroll-linked EWA, ESSDL, and savings products. DFM apps may also include help for employees manage benefits (e.g., how to best use flex spending accounts and rollover retirement plans) and understand and maximize public benefits such as the Earned Income Tax Credit (EITC).

<i>Advantages</i>	<i>Disadvantages</i>
A comprehensive “one-stop” personal finance tool through which financial education and products can be integrated and users can organize their financial information and get reminders and message-based prompts to simplify and “nudge” positive financial decisions.	The quality and accuracy of financial education content may vary. Users may be steered toward using certain financial products and services (i.e., the app may act as an advertising platform). The app may not include access to financial counseling or coaching to help users with complex financial needs.

### Research evidence

These apps are very new and not well studied. However, an assessment of one app with many features and product integrations found that use of the app was associated with lower employee turnover.

## Employee Wage Advance (EWA)

Employees get access to part of their accrued wages to help pay bills that are due before payday, usually through an app linked to company payroll and to employees’ bank account. Pricing models include employer-paid subscription fees, employee-paid transaction fees on, and a value-added service for payroll platforms.

<i>Advantages</i>	<i>Disadvantages</i>
An alternative to high-cost payday and auto title loans. Employers typically bear no costs other than the time and effort to set up their payroll system to connect to the app for advances.	Limited to alleviating short-term cash emergencies that are the result of a lack of emergency savings, low wages, and/or volatile pay.

### Research evidence

EWAs have not been well studied yet some legal papers caution that EWA products may harm consumers because they are an unregulated form of credit.



## Employer-Sponsored Small Dollar Loans (ESSDLs)

Loans of \$500 to \$3,000 with terms of 4 to 24 months, re-paid in installments automatically through payroll deductions with annualized percentage rates (APRs) typically less than 24%. Loans are offered and administered through apps and digital platforms to expedite applications and processing. Decisions are usually made within 24 to 48 hours. Credit scores and reports are typically not used in making application decisions; instead, lenders apply ability-to-repay (ATR) standards concerning installment payments – usually no greater than 8% of pay.

### *Advantages*

Alternative to high-cost credit such as payday loans. Amounts are large enough to help employees address major financial needs. Loans can be offered to employees who otherwise would not qualify for a bank loan due to poor credit scores. Loan payments can be reported to credit reporting agencies (CRAs) to help employees improve their credit health. Employers typically bear no costs other than the time and effort to set up their payroll system to connect to the app for loan payments. Payroll deductions can be converted to savings deposits upon loan maturity to help employees build emergency savings and exit a cycle of repeated borrowing.

### *Disadvantages*

The ease and convenience of applying online and quick loan decisions may make it too easy for employees to borrow without need and/or encourage borrowing more than is really needed.

### **Research evidence**

Studies have found low (<5%) default<sup>48</sup> and loan loss<sup>49</sup> rates from ESSDLs. Additional evidence indicates half of employees rolling over to savings deposits at loan maturity and points to decreased defined contribution plan withdrawals and high-cost credit use.

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## Financial Counseling or Coaching<sup>50</sup>

Individuals receive one-on-one assistance from a counselor or coach to resolve specific problems like difficulty managing debt or help set and pursue financial goals. Services can be provided in the workplace or remotely via phone or video conference by a contracted provider that ensures the confidentiality of services.

<i>Advantages</i>	<i>Disadvantages</i>
Can address a wide range of financial challenges and goals and be offered in conjunction with loans and savings programs and financial management apps. EAP packages may already include financial counseling.	Employees may be reluctant to receive help in or through the workplace because they do not want colleagues to know they may have financial problems.

### Research evidence

Financial counseling helps reduce financial stress, improve financial capabilities, improve credit health, and build savings. In the workplace, financial counseling helped low-wage workers improved their credit scores and credit health - especially those with sub-prime scores., Financial coaching improves financial management skills, increases savings, decreases debt, and boosts credit scores.

## Financial Education

Information about personal finance topics (e.g., budgeting, debt) delivered through the workplace via seminars, one-on-one advising sessions, newsletters, or digital means. Vendors like Fidelity and TIAA-CREF usually offer financial education as a value-added service for defined contribution plans. Banks and credit unions may also offer seminars on a wide range of topics. Financial education content is increasingly being packaged and delivered through digital channels such as digital financial management (DFM) apps.

<i>Advantages</i>	<i>Disadvantages</i>
Low-cost way to reach many employees with information on many financial topics. Information can be packaged and delivered in different ways (in-person, digital).	Individuals typically need more than financial education to support behavior change, address financial challenges, and work toward financial goals.

### Research evidence

Numerous studies show limited impacts on financial behavior change, - about what is found with other educational programs. In the workplace, a few studies have found improvements in employees' self-reported financial knowledge and behaviors, and short-term impacts on credit and debt outcomes.

## Savings Programs

In their simplest form, employers offer split direct deposit so employees can automatically save part of the paychecks. Employers may also automatically enroll employees for payroll deductions for emergency savings accounts (ESAs), offer matches and other incentives, and use a third-party app that helps employees set goals and track their savings progress. ESAs may include “sidecar” accounts which are offered in conjunction with retirement savings plans.

<i>Advantages</i>	<i>Disadvantages</i>
Emergency savings is a strategy for employees to “get out ahead” of financial problems and avoid increased unsecured debt by building a liquidity buffer to draw on when income falls below expenses or employees experience expense shocks. Employers can make saving automatic for employees via payroll deduction at no cost and little effort. Employer matches can accelerate savings accumulation.	Employees whose expenses are equal to or exceed their income will find it very hard to save. It may take lower-paid employees several months to build emergency savings to a meaningful level (e.g., to pay a month’s rent).

### Research evidence

Most (71%) employees say they would save into a “rainy day” fund if offered by their employer. In another study, half of employees were saving on a regular basis when offered an online savings program with saving incentives.

## Student Loan Repayment

Employers provide financial assistance to employees to help them make student loan payments. Annual benefit amounts range from \$500 to \$6,000 with an average of \$1,656 and are considered taxable income for the employee. Repayment benefits can be offered within a defined contribution plan and/or in addition to offering tuition assistance benefits as described above.

<i>Advantages</i>	<i>Disadvantages</i>
Simplicity and meaningfulness – a direct cash benefit that addresses the challenge of keeping up with loan payments experienced by many borrowers. For employees able to make loan payments, assistance can further reduce principal balances to shorten repayment periods.	Payments may not be applied to principal balances by loan servicers. Employees who have repaid their student loans or did not attend college may resent not receiving financial help. Benefits may not be as helpful as other benefits for employees who have student debt but may receive loan forgiveness.

### Research evidence

Employees prefer help making student loan payments over saving for retirement yet only 8% of employers offered these benefits in 2019.

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## ACCESS TO PUBLIC BENEFITS AND COMMUNITY RESOURCES

Helping employees become aware of and access various government benefits and community resources is an additional strategy to promote financial well-being. Workers may be eligible for supports that can improve their financial well-being in addition to pay and benefits. It is important to recognize that both government and employers provide financial support to workers, even if these public and private supports are not well coordinated. There are exceptions; government already works with employers to offer benefits through the tax code: 401k and 403b retirement plans, tax deductibility of employer and employee health insurance premiums, and tax advantages for health savings and reimbursement accounts and flexible spending accounts. Yet employers can help employees access additional public benefits such as the Earned Income Tax Credit (EITC), Child Tax Credit (CTC), ABLE accounts, housing help, and more.<sup>51</sup>

### Tax Credits & Tax Filing Assistance

Many of the tax benefits outlined below were changed under the 2021 American Rescue plan to provide an additional financial boost for tax filers, such as making an ordinarily non-refundable credit refundable and/or increasing the size of the credit or deduction. Whether these changes will remain beyond December 31, 2021, will be determined based on future legislation.

A tax **credit** is a direct offset of tax liability. A **refundable** credit results in a payment to the tax filer for the portion of the credit that exceeds tax liability while a **non-refundable** credit can only reduce tax liability. A credit may also be both refundable and non-refundable depending on tax filer income. A tax **deduction** reduces the amount of income that is taxed.

#### **American Opportunity Tax Credit (AOTC)**

The AOTC is partially refundable educational tax credit.

In order to qualify for the AOTC, the taxpayer (or taxpayer's child or dependent) must be an eligible student with qualifying educational expenses. This is available only for the first four years of post-secondary education. Each year, the credit can be as high as \$2,500. Those who qualify can receive a refund of up to \$1,000 if the credit reduces their tax liability to zero. For the first \$2,000 of qualifying expenses, the taxpayer receives a \$2,000 credit, and then for the next \$2,000, the taxpayer receives a \$500 credit. There are income limits for different filing statuses.

### **Child Tax Credit (CTC)**

Previously, the CTC reduced a taxpayer's tax liability by up to \$2,000 per qualifying child and was potentially refundable, depending on the taxpayer's eligibility. For TY 2021, the credit increased, the qualifications changed, and it was fully refundable.

For tax year 2020, taxpayers could claim qualifying children up to age 17 to receive the CTC of up to \$2,000 per child. If the credit was greater than the tax liability, taxpayers could receive a refund of up to \$1,400 through the additional tax credit. For TY 2021, the age was extended to children under 18 and the credit increased to \$3,600 for children under six and \$3,000 for children ages six and up. It is also fully refundable. In addition, families can receive advance payments for the CTC starting in July 2021 and then receive the balance due when they file their 2021 taxes in 2022.) There are also credits for other qualifying dependents.

To learn about who is a qualifying child for TY 2020, see page 3 of IRS Publication 972.  
To learn about who is a qualifying child for TY 2021, visit [this link](#).

### **Dependent Care Tax Credit**

This non-refundable credit is offered for parents and other caregivers who paid for childcare for children ages 12 and younger, and/or dependent care for a spouse or other family member who is claimed as a dependent. The credit was made temporarily refundable under the 2021 American Rescue Plan.

The amount of care expenses that can be claimed has a maximum of \$3,000 for one person and \$6,000 for two persons must be reduced by the amount an employer paid and/or that was withheld on a pre-tax basis through a dependent care flex spending account. The amount of the credit depends on the cost of care provided and income with the credit amounts decreasing as income rises.

### **Earned Income Tax Credit (EITC)**

The EITC can reduce a taxpayer's income tax liability and is a refundable credit. There is a federal EITC as well as a state EITC available in 30 states and D.C., as well as U.S. territories Guam and Puerto Rico. The eligibility parameters for state EITCs vary.

In order to qualify for the federal EITC, a taxpayer must have earned income below a certain adjusted gross income (AGI) limit, must use certain filing statuses, and must have qualifying children. (It is also possible to qualify without children.) For example, taxpayers filing as Married Filing Jointly and having an AGI below \$48,108 with one qualifying child can qualify for an EITC of \$3,618 for TY 2021. A taxpayer filing as Single, Head of Household, or Widowed with one qualifying child must have an AGI of \$42,158 or less.

More information on state EITC eligibility parameters can be found [here](#).

# WHAT EMPLOYERS CAN DO TO PROMOTE EMPLOYEE FINANCIAL WELL-BEING

## **Lifetime Learning Credit (LLC)**

The LLC is a non-refundable educational tax credit.

In order to qualify for the LLC, the taxpayer (or taxpayer's child or dependent) must be an eligible student with certain tuition or education-related expenses. Each year, the credit can be as high as \$2,000. There are income limits for different filing statuses.

Learn about the differences between the AOC and LLC [here](#).

## **Tax Filing Assistance**

Individuals can receive three types of assistance in filing their taxes through the IRS – in-person tax preparation services through the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs and online tax filing software preparation programs through the Free File Alliance and MyFreeTaxes.com, and Free Forms for those who wish to complete their own tax forms.

The VITA program is available to individuals with income of \$57,000 or less, generally, as well as individuals living with disabilities and with limited English-speaking abilities, regardless of income. The TCE program is available to anyone age 60 or older, regardless of income. Use the VITA and TCE programs locator [here](#).

Through the Free File Alliance, individuals with income of \$72,000 and below can use one of several tax filing software programs (e.g., TurboTax) for free to file their taxes. Individuals with income of \$57,000 and below can use MyFreeTaxes.com, made available through a partnership of United Way and H&R Block.

Individuals with income above \$72,000 can use the IRS' free fillable electronic tax forms.

## Public Assistance Programs

### Achieving a Better Life Experience (ABLE) Accounts

ABLE is a savings program for individuals with disabilities.

These savings programs are available to those whose age of onset of disability is 25 or younger and who receive SSI or SSDI. If an individual doesn't receive these benefits, they can qualify if they meet certain limitation of functioning and have a letter verifying disability from specific medical providers. Savings can be used for expenses related to the individual's disability.

Note: Savings accumulated in these special accounts generally will not affect eligibility for most means-tested benefits, nor will they generally affect eligibility SSI or Medicaid.

State ABLE Account links can be found here. Note: Some states do not have ABLE Account programs, so individuals can look for a state that accepts out-of-state residents. Individuals who live in states with ABLE Account programs can also compare other states' accounts and choose those if they accept out-of-state participants as well.

### Childcare & Pre-K Education

Employees with children and lower incomes can get help paying for childcare or they can enroll in programs that are free or have reduced charges.

Through the federal government's Child Care and Development Fund (CCDF), local and state childcare subsidy programs give financial assistance (aka "vouchers" and "fee assistance) to parents for the licensed a regulated childcare they select and pay for in the community. Each state has different income guidelines and assistance amounts and ways to apply.

Most, but not all states offer state-funded Pre-K programs through local school districts. These programs have a limited amount of funding and cap enrollment and/or apply income guidelines, yet two states (Florida and Vermont) and some cities (Washington, DC, New York, San Antonio) offer universal Pre-K. Information about state programs can be found here.

Head Start and Early Head Start programs offer both learning and development activities for eligible children from birth to age five through community organizations and public schools. All families qualify if they are at or below federal poverty guideline levels. Head Start programs can also allow a certain number of families to participate when their income is above the poverty level. If a child is in foster care, is homeless, or is part of a family that receives TANF or SSI, they are eligible, regardless of income. There are also local eligibility requirements. See information about applying.

# WHAT EMPLOYERS CAN DO TO PROMOTE EMPLOYEE FINANCIAL WELL-BEING

## **Federal Student Aid and the Free Application for Federal Student Aid (FAFSA)**

There are multiple types of federal student financial aid: loans, grants, work-study, etc. An individual can apply for this by completing the FAFSA.

A student applying for federal financial aid must prove that there is a financial need, that they are a U.S citizen (or eligible non-citizen), and that they are enrolled in certain academic programs at eligible educational institutions, among other eligibility parameters. There are additional criteria for certain populations (e.g., those with criminal convictions, those who are (or were previously) in foster care, and those who have intellectual disabilities). Also, most states have financial aid programs to help pay for college. Some of these programs require an additional, state-specific application, such as the Texas Application for State Financial Aid (TAFSA).

Workers should be encouraged to apply for financial aid in the fall when the FAFSA is released. Applying in the spring at the final deadline to apply is too late for most aid programs, including state programs. In addition, it is recommended to provide education around the differences between a loan and a grant, as the term “financial aid” is sometime understood to be solely funding that does not have to be paid back. Finally, a federal student loan will more than likely have much better terms all around than a private loan or a credit card.

Federal Student Aid website  
State Financial Aid programs

Employers can coordinate their tuition assistance benefits (see above) with state and federal financial aid through a vendor such as Guild Education which will administer the tuition assistance and help workers apply for additional financial aid.<sup>51</sup>



## Housing Assistance

Housing assistance comes in two basic forms: 1) ongoing subsidies to make rent affordable; and 2) temporary emergency assistance to help people pay rent.

### Rental subsidies

Individuals with low income, who have a disability, or who are elderly can [apply for an affordable unit through their local public housing agency](#). Individuals with lower-incomes can also apply for a [Housing Choice Voucher](#) (also known as Section 8 voucher), which provides a payment to landlords who choose to participate in the program to cover part of rent, limiting the amount tenants have to pay to 30% of their income.

In addition, the Department of Housing and Urban Development (HUD) maintains an extensive list of affordable housing units which are supported with [Low-Income Housing Tax Credits](#) to assist individuals with low and moderate incomes (up to 80% of the area median income, e.g., \$67,900 for a family of four in St. Louis, MO).

Look up [HUD affordable housing units](#) – search by state (“select a single state” in the left window), then by city or county. Keep criteria set to “No Restriction”, scroll down, and select “Retrieve Project Data”.

### Emergency Rental Assistance

[Emergency rental assistance](#) offers time-limited help in paying rent and may be administered by community organizations, local government agencies, or state government. Additional help and expanded eligibility guidelines have been in place during the COVID-19 pandemic.

Find [emergency rental assistance](#).

## Low Income Home Energy Assistance Program (LIHEAP)

[LIHEAP](#) help qualifying individuals with energy costs and home weatherization.

In order to qualify for LIHEAP, individuals must earn below a certain income, according to household size, and need financial assistance for home energy needs. For example, for a household of four, gross annual household income must be below \$39,750.

State and territory information can be found [here](#).

## Medicaid

[Medicaid](#) is health care coverage for individuals with low incomes. Each state runs its own programs.

[Eligibility for Medicaid](#) varies by state. If someone lives in a state that has expanded Medicaid, they qualify solely on earning below a certain income. If your state has not expanded Medicaid, there are a variety of eligibility parameters.

Links to state Medicaid websites can be found [here](#).

# WHAT EMPLOYERS CAN DO TO PROMOTE EMPLOYEE FINANCIAL WELL-BEING

## **Supplemental Nutrition Assistance Program (SNAP)**

SNAP benefits, also known as “food stamps,” helps individuals purchase groceries for their families.

In order to [qualify for SNAP](#), individuals must earn below a specific gross monthly income and net monthly income with respect to the number of people in their household. If a household member is elderly or disabled, that household only must earn below the net income limit. In addition, they cannot have over a certain amount of “countable resources.” This includes \$2,250 in cash or a bank account, unless they live with a person who is disabled or over 60, in which case they cannot have over \$3,500. Vehicles also count towards resource in determining eligibility. The way vehicles are counted as resources is determined by each state individually.

Income limits are updated annually. For the current year, for a household of four, the gross income limit is \$2,839 and the net income limit is \$2,184. These limits are always higher in Alaska and Hawaii.

Find a local SNAP office [here](#).

## **Supplemental Security Income (SSI)**

[SSI](#) is supplemental income for individuals who are elderly, blind, and disabled with low to no income.

SSI is for individuals with low to no income who are 65 and older, blind, or disabled. In addition, one cannot have greater than \$2,000 in resources (e.g., cash, land, a car, etc.).

[Benefit Eligibility Screening Tool](#).

Apply for SSI [here](#).

## **Women, Infants, and Children (WIC)**

The [WIC](#) program provides supplemental financial assistance for groceries, as well as free nutrition education and breastfeeding support.

Pregnant or postpartum women, infants, and children five and under who are low income [qualify for this program](#). Individuals must also be deemed to be at nutritional risk. Income eligibility is based on being at or below 100% of the Federal Poverty Guidelines and is adjusted for household size. For example, for a household of four, the Federal Poverty Guideline is \$2,209 or less monthly, except for in Alaska and Hawaii.

[WIC program locator by state](#).

[Phone numbers for state WIC agencies](#)

## Additional Community Resources

### 211: An Excellent Starting Point for those Seeking a Variety of Local Resources

Individuals can simply dial 2-1-1 and get connected to a plethora of local resources. They can also find their local 2-1-1 online database [here](#). This is a great resource to advertise in the workplace, and helps employees maintain privacy around the type of assistance they need.

### Clothing

[Dress for Success](#): Provides professional clothing for women. There are [local affiliates](#) in 40 states as well as D.C.

### Consumer Protection and Legal Aid

- **Attorneys General**: Individuals can file consumer complaints with this office. Find your state attorneys general office [here](#). In addition to state consumer protection offices, some states have [city and/or county consumer protection offices](#).
- **Consumer Financial Protection Bureau (CFPB)**: In addition to learning about a wide variety of money topics from a consumer protection standpoint, individuals can also use the CFPB website to submit complaints against a financial product or service (e.g., mortgage, credit card, auto loan, debt collection, etc.) by going [here](#).
- **Federal Trade Commission (FTC)**: Individuals can visit the FTC website to report fraud or identify theft and register for the [National Do Not Call Registry](#). On the National Do Not Call Registry, individuals can also report unwanted calls. Individuals can review the fraud reporting and recovery planning process on the FTC's IdentityTheft.gov [website](#).
- **Legal Aid**: Find financial assistance for civil legal aid in your state [here](#).
- **OptOutPrescreen.com**: For some individuals, receiving firm offers of credit can be tempting, especially if they are not generally approved for many financial products. They can visit this website to opt out of receiving these offers.

### Financial Counseling

- **Association for Financial Counseling and Planning Education® (AFCPE®)**: AFCPE® is offering [free financial counseling and coaching sessions](#) for individuals who are having financial difficulties due to COVID-19. If someone does not qualify for this reason, they can still use this website to locate an accredited financial counselor.

# WHAT EMPLOYERS CAN DO TO PROMOTE EMPLOYEE FINANCIAL WELL-BEING

- [National Foundation for Credit Counseling® \(NFCC®\)](#): financial counseling on various topics through nonprofit agencies. Find a local NFCC member agency [here](#).
- [Financial Empowerment Centers \(FEC\)](#): Individuals can meet with financial counselors at no charge at a FEC in 19 states and D.C. Find a program [here](#).

## Food

- Food Banks: Find one in your area [here](#).

## Housing and Utilities

- [Homesharing](#): Homesharing is mutually beneficial opportunity that allows the homeowner to stay in their home and for a previously unknown roommate to find affordable rent. You can find information about homesharing programs in California, Colorado, Florida, Georgia, Illinois, Louisiana, Maryland, Massachusetts, Michigan, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Texas, Vermont, and Washington [here](#).
- [Socialserve](#): an online search tool for affordable housing in 29 states and D.C.

## Internet

- [EveryoneOn](#): EveryoneOn works to connect individuals with low incomes to discounted internet service and computers. Individuals can search for offers in their area [here](#).

## Medical bill assistance

- Charity care: Charity care is financial assistance for charges related to emergency and inpatient care at hospitals. Individuals can apply whether they have health insurance. [This article](#) explains how to access charity care.
- Interest free/low interest medical bill repayment through [AccessOne](#): Patients can learn more and sign up [here](#).

## Mental Health Care and Substance Abuse Services

- The National Alliance on Mental Illness (NAMI) is an advocacy organization for individuals living with mental illness and their loved ones. They offer guidance about [finding a mental health care provider](#) and [a list of local affiliates](#).
- The Substance Abuse and Mental Health Services Administration (SAMHSA) offers [a national helpline](#) (1-800-662-4357) for finding help for mental health and substance abuse challenges.

## Support for Older Adults

- Meals on Wheels: This is a program that helps ensure seniors do not go hungry. Find a Meals on Wheels provider [here](#). In addition to receiving a meal, seniors have an opportunity to have social interaction and someone to verify their well-being.
- Program of All-Inclusive Care for the Elderly (PACE): PACE is a care coordination program of Medicare and Medicaid that help seniors age in place by connecting them to community services. It is only available in states that offer this program under their Medicaid program.
- Senior Centers: Senior centers are places older adults can visit to access a [myriad of services](#) and programs such as meals, fitness, volunteer opportunities, and social activities.
- Caregiver resources: visit [this link](#) to learn more about a variety of long-term care resources.

## Support for Persons Living with Disabilities

- Centers for Independent Living: Independent and community living arrangements for individuals living with all types of disabilities. Find one in your state [here](#).
- Other programs: find additional programs for persons living with disabilities [here](#).

# WHAT EMPLOYERS CAN DO TO PROMOTE EMPLOYEE FINANCIAL WELL-BEING

## CONNECTING EMPLOYEES TO RESOURCES: THE ROLE OF HUMAN RESOURCES

Human Resources (HR) plays an important role in connecting employees to the public benefits and community resources outlined above. One simple approach is to share the above list with all employees, which is important for three key reasons:

1. Many of these benefits and resources are available to individuals and households with different levels of income; the list does not single out lower-paid employees.
2. The list of benefits and resources appeal to a wide range of individual and family needs and circumstances.
3. Employees may want to know about these benefits and resources for other family members, e.g., an adult sibling who is struggling financially.<sup>52</sup>

### Benefits Selection and Use

During onboarding or open enrollment, employees are overwhelmed by benefits selections and can benefit from [receiving guidance about benefit selections](#). Health insurance is a particularly confusing benefit to navigate. HR can give employees a [basic glossary of key terms](#), tips about [high deductible health plans](#), and [guidance about health plan changes](#) based on health and family changes. Flex spending account (FSA) benefits are especially hard to understand. HR can help employees understand the value of FSA benefits relative to employees' tax situations and family circumstances. For employees with children, it is important to understand how the dependent care FSA is different than Dependent Care Tax Credits and how they both relate to the EITC.<sup>53</sup>

### Benefits “Cliffs”

HR can also play an important role in understanding how public benefits interact with employee pay in important ways. As pay increases, employees may become ineligible for some public benefits or receive fewer benefits. This means that pay raises may come with a “hidden” high marginal tax rate that employees should anticipate. For example, an employee who earns \$28,000 and has two children would receive an Earned Income Tax Credit (EITC) of \$4,089. If they received a raise and now earned \$32,000, their EITC would decrease to \$3,246 – equivalent to a marginal tax rate of 21% on the salary increase.

For other benefits with a distinct “cliff” such as SNAP – where an additional \$1 of income results in ineligibility, the effective marginal tax rate is 100%. Considering benefit “bundles” (EITC, SNAP, Child Tax Credits, and Medicaid or State Children’s Health Insurance), the median marginal rate is 51%.<sup>51</sup>

To help prepare employees for these “[benefit cliffs](#)”, employers should consider partnering with the Leap Fund (or another organization with a similar focus) which offers a calculator to help employees understand what benefits would be affected by an increase in earnings, by how much, and when these benefits would be affected. For companies with employees in New York state, Leap Fund offers an income deferment product that allows employees to accept their raises without having their public benefits affected.

In addition, employers can use the Federal Reserve Bank of Atlanta’s Career Ladder Identifier and Financial Forecaster (CLIFF) - a set of data tools that demonstrate the financial trade-offs (gains and losses) for workers of career advancement relative to public benefits.

## Leveraging HRIS Data

HR can also help by using Human Resource Information Systems (HRIS) data to target information for various groups of employees. For example, HR may be aware of employees with children based on benefit selections that include dependents (an employee + family health insurance selection) and use this information to do targeted promotional emails about the Child Tax Credit in December and January (before the start of tax season) or to share information about childcare assistance a few times a year. Similarly, HR can use employee wage data to conduct targeted outreach to workers who may be eligible for the Earned Income Tax Credit.

## Resource Navigators

If you are an HR manager and read through the above list of public benefits and community resources and felt overloaded with information, you are probably in good company. A benefit companies might consider that supplements the HR function is Resource Navigation. For example, the nonprofit [WorkLife Partnership](#) offers a Resource Navigation benefit to employees to help achieve work-life balance in different ways. Navigators meet with employees one on one to help them identify a) stressors in their lives; and b) goals they can work towards to alleviate those stressors – including the use of public benefits and community resources. Resource Navigators help employees address a broader set of concerns than are typically covered with EAP benefits – financial stress, mental health, caregiving support for family members, applying for public benefits, and/or helping getting legal assistance. Resource Navigators also help employees better understand, access, and use their employer benefits.

# WHAT EMPLOYERS CAN DO TO PROMOTE EMPLOYEE FINANCIAL WELL-BEING

## Tax Withholding

Asking employees to complete a W4 is routine practice during onboarding. Form instructions are meant to help employees avoid under- or over-withholding based on their tax filing circumstances. Employees who struggle making ends meet during the year and/or accumulate unsecured debt may want to reduce their withholding so more money is available now to meet basic needs. Employers could send out a notice after the end of tax filing season (usually April 15) encouraging employees to re-check their withholding using [this tool from the IRS](#) and consider changing their W4 if they either had a larger than expected tax bill or refund, assuming that their income and family circumstances will mostly remain the same.

### How to Choose a Financial Wellness Benefit and Partner

The market is crowded with many vendors (e.g., fin tech firms, banks, credit unions) offering financial wellness solutions to employers, including national nonprofit organizations that have adapted their financial wellness services for the workplace. In considering these options, employers may wish to consider the following product and service features:

- 1. Address multiple aspects of financial well-being.**<sup>54</sup> The partner should address at least two [indicators of financial health](#) defined by the Financial Health Network and take a holistic approach to financial well-being. For example, employees who gain access to small-dollar loans may need help from financial counselors in adjusting their spending once they begin making loan payments. Emergency savings (indicator 3) is especially important as it helps individuals avoid debt and cope with unexpected events and irregular expenses so they can continue to meet basic needs.
- 2. Connect workers to financial products.** Some workers may not have bank accounts, which limited the degree to which they can benefit from a financial wellness benefit. A financial wellness partner ought to be ready to help workers access basic financial products such as checking and savings accounts, prepaid debt cards, and/or virtual wallets.
- 3. Connect to payroll systems.** Payroll systems are a powerful tool to harness for financial wellness. A financial wellness app or platform ought to have the capability to connect to the company's payroll system to facilitate pay advances via earned wage access, and savings deposit and loan payment deductions.
- 4. Include account aggregation.** Many fin tech apps and platforms connect to users' bank accounts. This can help workers [stay on top of their finances](#) by tracking their progress in build up emergency savings, making on-time debt payments, and managing the timing of when they are paid and when certain bills are due.



- 5. Help employees learn about and apply for public benefits.** As outlined above, there are many important public benefits for which workers may be eligible. A financial wellness partner should be knowledgeable about these resources and equipped to raise awareness among employees by integrating eligibility screening tools in a digital app or platform, or by giving workers access to financial counselors or resource navigators who can help.
- 6. Incorporate behavioral science.**<sup>55</sup> A good financial wellness benefit has been designed based on insights about human behavior. Many of us suffer from information overload and inattention, procrastination, and present bias.<sup>56</sup> Digital apps and platforms should be designed for easy access and use, and to simplify financial decisions and “nudge” users toward healthy financial behaviors such as saving and making on-time debt payments.
- 7. Are data-driven.** Benefits should be designed based on one or more sources of data: prior research on financial well-being,<sup>57</sup> information about users’ needs, preferences, and experiences, and/or data the partner has collected and analyzed about how well the benefit is helping users.
- 8. Have no or low fees for employees.** The last thing a worker who is struggling financially needs is another expense. While certain costs to workers such as loan interest may be unavoidable, these costs should be kept as low as possible. Cost may be an issue for the employer as well; 31% said a lack of funding is holding them back from offering financial wellness benefits,<sup>58</sup> while 79% of employers said government support (e.g., tax incentives) would be moderately, very, or extremely important in encouraging them to bolster financial well-being benefits.<sup>59</sup>
- 9. Include access to financial counseling or coaching.** No matter how well-designed a digital financial wellness benefit is, some employees may have financial challenges that can only be addressed by talking to a qualified professional. That is, the benefit should have “high touch” options for workers who lack digital literacy and/or access to smart devices to engage with digital solutions. The provider or their partner ought to be a member of the National Foundation for Credit Counseling while counselors or coaches should have a professional credential through the Association for Financial Counseling and Planning Education.
- 10. Offer digital security.** Providers that offer digital solutions should explain how workers’ data privacy is protected and whether the company has ever experienced a data breach and if so, how they responded.

# WHAT EMPLOYERS CAN DO TO PROMOTE EMPLOYEE FINANCIAL WELL-BEING

## EMPLOYER-GOVERNMENT PARTNERSHIPS

Employers can go a step further than helping employees access public benefits and community resources by participating with government in key initiatives to promote financial well-being. A few examples include:

### **Avoiding the “Benefits Cliff” for Child Care Assistance**

The Colorado Child Care Assistance Program (CCCAP) allocates a portion of public funds for child care assistance to workers who would otherwise lose their child care assistance benefits due to raises and promotions. Ten counties in Colorado are currently implementing pilot projects. Employers in Colorado could help raise awareness of this program among workers; those in other states could reach out to state Departments of Human Services to consider implementing similar projects. A public-private partnership model might include a \$1:\$1 employer match for the public funds a state sets aside for workers to continue to receive childcare assistance.

### **Bank and Credit Union Partnerships**

Many banks and credit unions offer partnerships with employers so employees can access checking and savings accounts, financial education workshops, loans, and investment products. Banks and credit unions are regulated by various federal agencies which regulate and authorize financial products aimed at promoting financial wellness. For example, the National Credit Union Administration (NCUA) allows credit unions to offer Payday Alternative Loans (PALs) – short-term loans to address emergencies, credit-building loans, and prize-linked savings programs. Federal agencies regulating banks have encouraged banks to offer “responsible” small-dollar loans. To reach individuals with damaged credit, many banks offer credit-building loans, “second chance” bank accounts, and secured credit cards. As noted above the BankOn coalition recruits banks to adopt standards for safe and affordable checking and savings accounts which were inspired by the Federal Deposit Insurance Corporation’s (FDIC) 2012 Model Safe Accounts Template. Through support from the Filene Institute, credit unions are partnering with employers to offer small-dollar loans, which in some cases are converted to savings deposits via payroll deduction once employees have finished re-paying their loans.

## **Blackrock Emergency Savings Initiative (ESI)**

Investment firm Blackrock launched the \$50 million ESI in partnership with three national nonprofit organizations to engage employers and financial service companies in increasing access to savings accounts and programs focusing on low- and moderate-income individuals. Several companies have signed on, including UPS, Best Buy, Voya, ADP, and Self Financial. A cornerstone strategy is to reach individuals through the workplace, including by auto-enrolling employees in an emergency savings program using payroll deductions. Through a Compliance Assistance Statement of Terms (CAST) template, the Consumer Financial Protection Bureau has provided a way for employers to apply to use auto-save and be compliant with Regulation E of the Electronic Funds Transfer Act (EFTA). More information about applying to use the CAST template can be found [here](#).

## **Free Tax Assistance**

The IRS Volunteer Income Tax Assistance (VITA) program offers free tax filing assistance to income-qualified taxpayers. VITA sites can be hosted by community organizations, yet employers can also host one or more sites, if services are available to the general public in addition to employees. For example, the U.S. Chamber of Commerce Foundation hosted a pilot project to increase access to the Earned Income Tax Credit (EITC) among employees of five Goodwill Industries sites in different parts of the U.S. Goodwill sites not only hosted VITA sites, they conducted outreach through the workplace during new employee orientation sessions, team meetings, and other events, offered incentives to encourage tax filing, and gave employees information about free online tax filing options. In addition, local United Ways conduct outreach through the workplace to encourage low- and moderate-income workers to receive assistance through VITA sites.

## **State Retirement Savings Programs**

State retirement programs like OregonSaves and Illinois Secure Choice allow employees who do not have access to a qualified retirement plan to contribute to a Roth IRA using payroll deducted contributions. The standard contribution is 5% of pay, increasing annually by 1% until the maximum contribution of 10% is reached. Employees are auto-enrolled after 30 days of hire yet can opt-out. A key limitation of these programs is the employers cannot make contributions to employees' IRAs.

# WHAT EMPLOYERS CAN DO TO PROMOTE EMPLOYEE FINANCIAL WELL-BEING

## Student Loan Repayment Assistance

In response to a request from Abbott Labs, the IRS issued a ruling in (date) permitting Abbott Labs to offer 5% employer matches to defined contribution plans (401k) in lieu of employees who make payroll-deducted student loan payments equal to 2% of pay. This initiative is meant to help employees save for retirement without requiring contributions for employees who are repaying student loans.

## CLOSING THOUGHTS

Communication is critical when offering employee financial wellness benefits. In particular, it is important to communicate that financial wellness benefits are meant to supplement pay and other benefits.<sup>60</sup>

Employers should frame communication around promoting financial wellness rather than offering help to employees with financial problems.<sup>61</sup> Communication should also normalize focusing on financial wellness – “We can all use support to reach our financial goals!” and should focus on ALL employees, not just lower-paid employees. Employers should stay in close touch with employees to understand which employee financial wellness benefits are helping or not, and ways in which standard benefits can be improved.

The central goal of this guide is to encourage employers to think holistically about how to promote employee financial wellness. Employers should examine their pay and existing benefits such as health insurance and retirement plans before they consider financial wellness benefits. In addition to these new types of benefits, employers can play an important role in connecting employees to public benefits and community resources that can help stabilize finances.

## APPENDIX A: ADDITIONAL RESOURCES

Aspen Institute - Financial Security Program

Moving from Experimentation to the Mainstream: Policy Options to Automate Workplace  
Emergency Savings

Financial Health Network:

Eight Ways to Measure Financial Health

Employer FinHealth ToolKit

Guide to Employee Financial Health Solutions

National Fund for Workforce Solutions:

Advancing Workforce Equity: A Guide for Stakeholders

Guide to Employee Financial Wellness

Job Design Framework

\* The Importance of Financial Wellness to Workers and Employers

Prosperity Now:

\* Interested in Workplace Financial Wellness Programs? Start here.

\* Workforce Financial Wellness Services: A Primer for Employers

National Center on Employee Ownership:

What is Employee Ownership?

Social Policy Institute - Washington University in St. Louis:

Workforce Financial Stability Initiative

U.S. Chamber of Commerce Foundation:

[\*Financial Inclusion\*](#) and Financial Wellness

\* Financial Wellness [\*in the Workplace: The Business Imperative\*](#)

# WHAT EMPLOYERS CAN DO TO PROMOTE EMPLOYEE FINANCIAL WELL-BEING

## ENDNOTES

For a summary of EITC research see the Urban Institute and Brookings Institution Tax Policy Center Briefing Book updated May 2020 <https://www.taxpolicycenter.org/briefing-book/how-does-earned-income-tax-credit-affect-poor-families>

1. Resources noted with (\*) in Appendix A are introductory guides.
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