

# Benefits Insights

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## Reducing Employees' Stress Through Voluntary Benefits

Financial stress is a significant, ever-present burden for many Americans. Money gets tight for everyone once in a while—especially amid crises like the coronavirus pandemic—but for some, it never goes away.

In fact, [according to an economic report from the Federal Reserve](#), nearly 4 in 10 American adults wouldn't be able to come up with \$400 in an emergency. Startlingly, that report was conducted during an unprecedented economic boom. Imagine that figure now, when nearly 1 in 4 Americans have [filed for unemployment](#).

### The Real-world Costs of Financial Stress

Financial stress takes a toll on employers and employees alike. According to a recent [Salary Finance survey](#), lost productivity due to financial stress costs the country around \$500 billion each year. What's more, employees under such stress are more than twice as likely to seek other employers, according to the same survey.

These are only some of the economic tolls, but they're not the only stressors at play—the health effects caused by financial stress can be just as significant. For example, financially stressed employees are several times more likely to suffer anxiety attacks, experience depression, miss deadlines and produce lower-quality work than their non-financially stressed counterparts, according to the Salary Finance survey.

### How Employers Can Help

Financial stress can come from a variety of factors, many of which are outside the workplace. However, regardless of its cause, employers should do what they can to help reduce

their employees' financial stress—both for the health of the employees and that of the business itself.

A common theme in financially stressful situations is needing something now and having to borrow money to pay for it, creating a cycle of debt. This immediate need forces employees to make financial decisions that may be outside their best interests but necessary for a given situation, such as borrowing from a 401(k) or taking out a payday loan to afford car repairs.

Employers can step in by covering some expenses in these situations. Here are some examples of employer-sponsored initiatives:

- **Employee Purchasing Programs**  
An employee purchasing program is a voluntary benefit that gives employees the ability to purchase items and then responsibly pay for them. The program distributes the cost of the item, plus any fees or interest, over a specified number of months of repayment, allowing participants to easily budget for the purchase.

Monthly payments are made via automatic payroll deductions so employees never run the risk of forgetting to make a payment. An employee purchase program is not a layaway plan—rather, it enables employees to purchase an item and use it right away, without dealing with credit card debt.



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To offer an employee purchase program, employers can contract with one of several employee purchase organizations. These programs usually cost the employer little or nothing in order to participate. Plus, employees make purchases directly through the program, so there is little employers need to do besides send on the payroll-deduction payments.

- **Low-interest Installment Loans**

Employees can quickly fall into debt by taking out high-interest payday loans. Without careful consideration and budgeting, the price of these loans can end up costing way more than the borrowed amount. That's where employers can help.

Employers can provide low-interest installment loans to their employees or, more likely, work with a third-party vendor to do so. Such vendors partner with employers and negotiate more favorable loan rates for their employees. The loans are repaid through payroll deductions, meaning employers don't need to manage the program themselves.

Likewise, employers aren't liable for repayments, so these programs can help give employees much-needed cash without any financial risk for the employer.

- **Payroll Advances**

This type of financial assistance program is fairly straightforward—If an employee needs money now, they can request their paycheck earlier. This can be a trivial thing and may not even seem like a “program,” depending on the size of an organization.

However, it's important to have a fully detailed policy before allowing employees to receive a payroll advance. Considerations regarding what happens if the employee quits before making up that time, how frequently requests can be made and how far in advance payments can be received are all important aspects to outline in your policy.

At the end of the day, any effort to help employees avoid financially stressful situations can improve their health and the health of your business. Speak with Wallace Welch & Willingham to discuss more workplace strategies.