

Benefits Insights

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Supporting Employees' Financial Well-being During the COVID-19 Pandemic

The COVID-19 pandemic is not only challenging the way Americans live on a daily basis, but also posing significant economic threats that could have a lasting effect on their financial well-being. Financial well-being is the state in which a person is able to meet their current and ongoing financial obligations, feel secure in their financial future and make choices that allow them to thrive.

Many find the road to financial well-being to be tough, and the pandemic is likely creating additional obstacles on that path. This article explores the importance of financial well-being and how employers can help employees, especially during the COVID-19 pandemic.

Why It Matters

Why should employees' personal financial well-being be a concern for employers? To start, financial matters are a leading cause of stress for employees and a major distraction at work. A recent PwC survey revealed that 58% of employees admit that they're stressed about their finances. Employers can alleviate some of that stress to help employees focus better at work. As a result, the workforce could experience higher engagement, increased productivity, fewer absences, and improved health and well-being.

Additionally, many employees are unprepared for an extended economic downturn or recession and may not have enough money saved to cover emergency expenses. As a result, employees are apt to use money held in their retirement plans to pay for those unexpected expenses—or make short-term financial decisions that may have a negative long-term impact.

Oftentimes, employees need general guidance on how to prioritize spending, pay bills and handle creditors. Especially during the pandemic, employers have a unique opportunity to help employees avoid making poor financial decisions at the expense of their overall financial well-being.

How to Help Employees

An employer's role is to support employees—including their overall well-being. Notably, well-being has risen to the surface during the pandemic as employees may be struggling to cope with the uncertainty. In fact, more employers than before feel responsible for helping improve employees' financial well-being and reduce stress from the COVID-19 pandemic. According to a recent Bank of America survey, 62% of employers feel "extremely" responsible for their employees' financial well-being, compared with 13% in 2013.

Employers can play a key role in supporting the financial well-being of their employees, and should consider the following ways to improve employees' financial literacy:

- **Promote financial resources, including employee assistance programs (EAPs)**—If the organization has access to a financial expert, promote those resources and remind employees to take advantage of those opportunities. Financial guidance and assistance are often components of an EAP. These services can connect employees with help to improve their financial well-being—including advice on budgeting, achieving healthy spending habits, loan consolidation, debt repayment, setting up an emergency fund and more.



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- **Educate employees about financial well-being**—Employers can share relevant financial literacy content and consider initiatives to help educate employees about financial well-being. For example, employers could offer workshops to educate employees and reiterate employer-provided financial resources. Topic examples include student loans, debt, credit, financial goals, emergency funds and retirement.
- **Reiterate benefits**—Similar to employee education, employers should remind employees about all available benefits and highlight perks that can offer financial relief or savings. This is important whether benefits have changed or not. Since employees may consider dipping into their 401(k) savings to cover unexpected expenses, reinforce that a retirement plan is a long-term investment strategy and withdrawals today could negatively impact retirement plan savings for when they need it.
- **Be transparent**—Now is the time for employers to remain patient with employees' personal situations and be flexible as needed. Leadership should be transparent and honest about the organization and how it's performing. Financial support efforts should be incorporated into an organization's internal communication initiatives to ensure employees are aware of the efforts and know how to participate or learn more information.

In general, employers should continue their due diligence in reviewing and adjusting benefits offerings so they align with employees' evolving needs. Benefits that may impact the current financial challenges employees face include options such as student loan payback programs, discount programs, life or disability insurance, and retirement plans.

Summary

While employers can have an impact on the financial well-being of their employees, it's also important for employers to acknowledge employees' stress, which is often amplified by the pandemic. Keep in mind that financial stress also impacts mental and physical well-being. Beyond the critical financial decisions needed to get through the immediate impact of the COVID-19 pandemic, many employees may be eager to utilize guidance and resources as they recover financially and prepare themselves for future financial matters.

Understandably, just as personal financial situations may be strained, organizations may be experiencing financial challenges as well during the pandemic. For additional financial well-being resources, contact Wallace Welch & Willingham today.