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Plan sponsors seek proof that ‘financial wellness’ pays off: Cerulli

By Editorial Staff *Thu, Aug 8, 2019*

'Improving financial literacy, increasing workplace productivity, and decreasing employee stress are hard to attribute directly to a financial wellness initiative,' the consulting firm said this week.

Retirement plan providers who offer financial wellness programs struggle to measure the return on investment for plan sponsors, and measurement of success and ROI are a frequent impediment to adoption and implementation of such programs, according to Cerulli Associates, the global research firm.

“While improved education on these topics offers employees a better understanding of how to budget and plan for life expenses, plan sponsors are challenged by the costs associated with the programs and proving the benefits,” Cerulli said in a release this week.

Financial wellness programs emphasize holistic advice beyond an individual’s workplace retirement savings account and address topics such as budgeting, debt management, and healthcare expenses.

Some plan sponsors are flexible and want to feel comfortable that the financial wellness program is helping employees at a reasonable price, the release said. Others, however, maintain strict budget policies that require achieving a specific return on investment to secure program funding.

Cerulli recommends that providers operate under the assumption that plan sponsors want hard facts rather than “a feeling of comfort.”

To measure the success of a financial wellness program, providers must identify specific goals for the program and a reasonable timeframe in which to achieve them. “Financial wellness programs should be grounded in metrics that impact a company’s bottom line,” Cerulli said.

Some goals, such as improving employees’ retirement readiness are straightforward to measure. Others, such as improving financial literacy, increasing workplace productivity, and decreasing employee stress, are harder to directly attribute to a financial wellness initiative.

To benchmark success, providers should consider leveraging recordkeepers’ digital platforms to track participant behavior (e.g., click rates, interactions per website visit) and engage with advisors/consultants to consolidate data from each of a plan sponsor’s financial wellness vendors.

These findings and more are from the August 2019 issue of The Cerulli Edge—U.S. Asset and Wealth Management Edition.