

Financial Literacy - Why It Matters to You and Your Employees

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It may come as no surprise to you that your employees are anxious about financial issues such as spiraling healthcare costs, the rising price of energy, high-interest credit cards, and the current mortgage and credit crisis. You have good reason to be concerned.

Consider these stunning statistics: 74% of American workers have difficulty affording gasoline, 65% are experiencing problems affording heat and electricity, 50% are unsuccessfully grappling with increased grocery bills, 32% have no retirement plan other than Social Security, and finally 62% of the self-described "working class" portray their incomes as falling behind the cost of living. Pew Research Center 2007 and 2008.

Remember the unsettling 1968 horror movie, "Night of the Living Dead? Despite the grainy black and white low-budget production, the film was then and continues to be, desolately disturbing because it taps into the uncertainty and anxiety that we all feel when faced with unaccountable terrors. Recent research confirms that today's workers are experiencing plenty of terrors, not those of George Romero's classic film perhaps, but the ghouls of financial stress which keep them awake at night and distracted during the day.

What's the impact on you, the Plan Sponsor, and what can you do about it?

If many of your workers are struggling to concentrate on the job at hand and functioning at less than optimum capacity, the damage to personal lives and business productivity is a serious one. But you as Plan Sponsor are in the unique position of being able to address these issues for your employees. Consider offering a series of Financial Literacy workshops in which employees are given the tools to budget and plan in a more disciplined manner, figure out their credit scores, understand the principle of compounding and how interest rates work.

Financial Literacy means being educated in matters of money, and American workers are proving to be seriously financially illiterate. Workers are not taught how to budget by their families or their high schools or colleges, leaving most (with the exception of those few with the resources and determination to teach themselves) absolutely 'at sea' when it comes to even the most basic economic concepts. And these concepts have the power to shape and determine the quality of the rest of their lives. Moreover, studies show that financial illiteracy is tied to economic behavior; in other words, individuals who do not have a handle on money matters will be less inclined to participate in their company's 401(K) or 403(b) plan. Lusardi, Annamarie and Olivia Mitchell (2008) "How Much Do People Know About Economics and Finance?"

Financial Literacy

Here are ten components which comprise a Financial Literacy series of workshops:

1. How to Create a Budget/Strategies of Saving
2. Debt Consolidation
3. How to Read, Monitor, and Improve Your Credit Report
4. Understanding Your Company's Retirement Plan
5. College Planning
6. The Role of Insurance in Financial Planning
7. Types of Mortgages/How to Qualify
8. Tax Issues – Homeowners, Retirement Savings, Estate Planning
9. Financial Issues of Divorce
10. Pre-Retirement Issues/When Can I Afford to Retire?

Think these are only Boomer issues? Think again. According to Thrivent Financial Survey, 66% of Generation-Xers (those born between 1960 and 1984) admit to thinking about their finances on a daily basis and nearly half, 46%, also worry about the finances of their parents and siblings. All employees, regardless of age, can benefit from one or more of these topics.

Face-to-face education

Seminars offered by professional educators have been proven most effective as long as the educator is well-versed in the details and able to de-mystify and simplify the topic. Employees deserve the opportunity to ask questions, receive answers in "English", and engage in hands-on exercises, quizzes, tips, and step by step guides that give them the tools to planning their financial lives more effectively.

What's the benefit to you?

Happier employees, greater company loyalty, increased productivity, perhaps even an increase in revenues. As the Plan Sponsor, you also have the opportunity to assist your employees in defeating their personal financial terrors and in doing so, contributing real lasting value to the quality of their lives.

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