

Washington, DC, April 27, 2016



Employees' Financial Wellness: New Strategies

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Financial Literacy is Essential to Achieve Financial Security

It is not possible to promote financial security without empowering people to make the best financial decisions for themselves



Promoting Financial Security

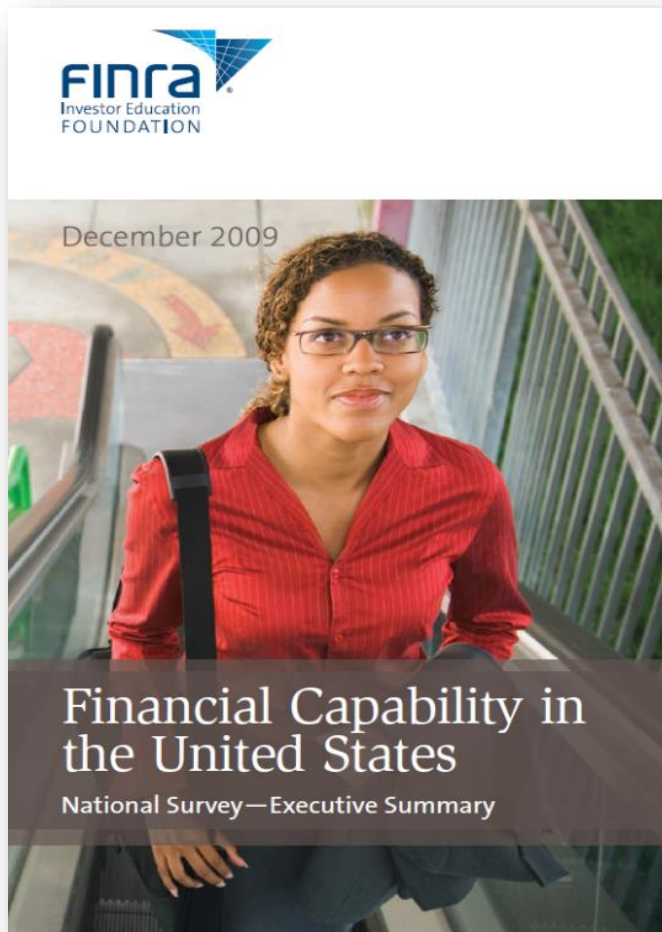
Changes in the retirement landscape

- **Individuals today have to make many decisions about retirement savings**
 - How much to save, how to invest, how to manage funds after retirement, while still saving for other needs
- **Cannot solve a long-term problem with a short-term solution**
 - Need life cycle perspective
- **Need to address challenges to saving**
 - Dealing with debt



Household Finances: Evidence from the NFCS

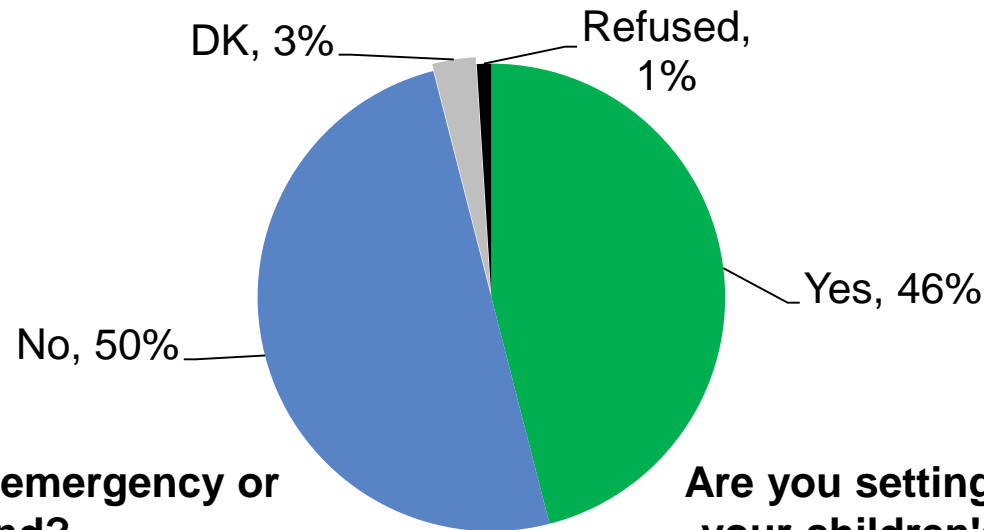
The 2009 & 2012 National Financial Capability Study (NFCS) - 2015 data will be released in summer 2016



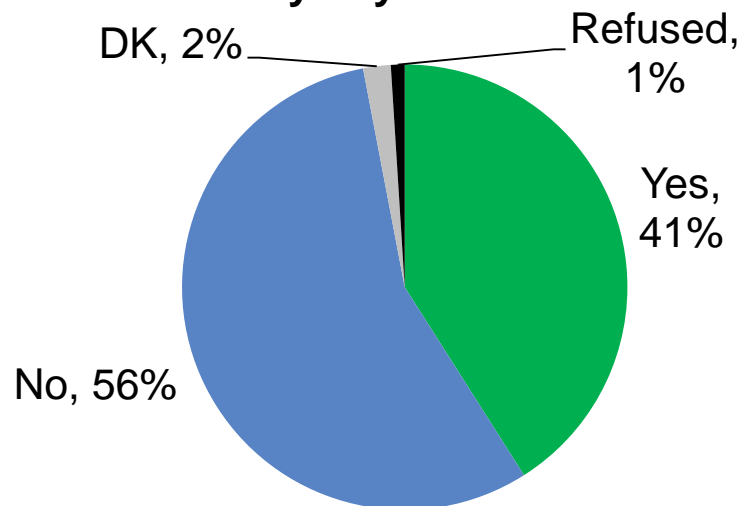
- **Very low levels of financial literacy**
- **Some groups are particularly vulnerable: Millennials, women**
- **Very limited use of financial advice**

Planning Ahead: Most Workers Don't

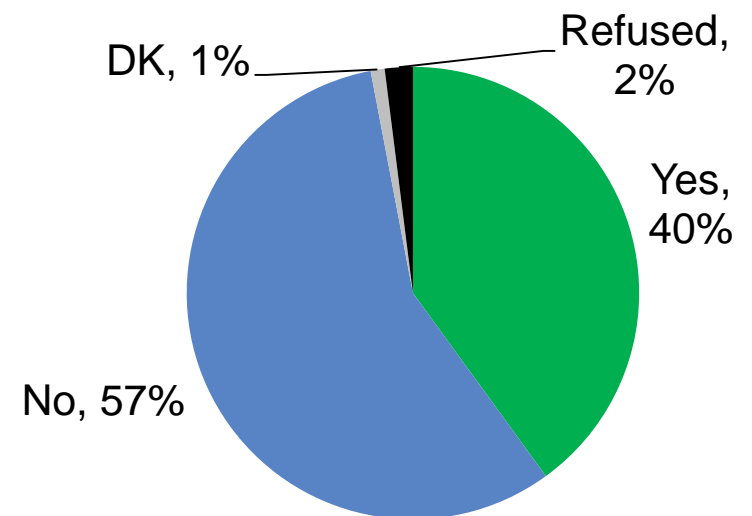
Have you ever tried to figure out how much you need to save for retirement?



Have you set aside an emergency or rainy day fund?



Are you setting aside any money for your children's college education?



Note: Respondents age 23 to 61 and employed at the time of the survey. 2012 NFCS

How to Help Employees Make Financial Decisions

The Dartmouth Project

- Simplify financial decisions
- Provide information when needed by individuals
- Target specific groups (women)
- Use communication that does not rely on figures and numeracy

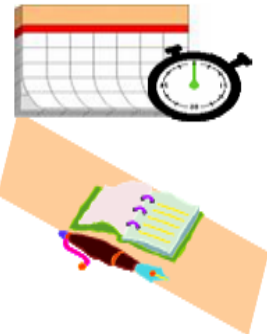


A Planning Aid

Together with a marketing professor, I designed a planning aid intended to help Dartmouth College employees enroll in supplementary retirement accounts (SRA)

We have outlined 7 simple steps to help you complete the application.

1. **Select a 30 minute time slot** right now to complete the online contribution to your Supplemental Retirement Account (SRA) during the next week.
2. 3 minutes. **Check to see if you have the following materials:** a) worksheet in your benefits packet ☒, and b) the name and social security number of a beneficiary ☒.
3. **Select the amount you want to invest for 2006** (minimum: \$16/month, maximum: \$1,666.67/ month), even if you don't know your take-home pay in your first month. If you want, you can change this amount at a later date. This voluntary contribution is tax-deferred, you will not pay taxes on it until you withdraw the funds.
4. 5 minutes. **Select a carrier**. if you do not select a carrier, Dartmouth will invest the non-voluntary portion of your college funds in a Fidelity Freedom Fund, a fund that automatically changes asset allocation as people age.
5. 5 minutes. Now you are **ready to complete your worksheet**. Complete the worksheet even though you may be unsure of some options. You can change the options in the future.
6. **Take your completed worksheet to a computer** that is available for 20 minutes. If you like, you can use the one in the Human Resources office at 7 Lebanon Street, Suite 203.
7. 15-20 minutes. **Log on to Flex Online and complete your online SRA registration** within the 20 assigned minutes. Be sure to click on the investment company (TIAA-CREF, Fidelity, or Calvert) to complete the application. You need to set up your account – otherwise your savings will not reach the carrier.



A Planning Aid

Don't give up! Contact the Benefits Office (6-3588) if for any reason you could not complete the online application.



It takes no time to prepare for your lifetime!

Most people plan on electing a supplemental retirement account, but feel they don't have the time or information right now. We have outlined 7 simple steps to help you complete the election process. It will take between 15 – 30 minutes, from start to finish. It will take less time for you to start to insure your future than it takes you to unload your dishwasher!

Program Effectiveness

There was a large increase in savings enrollment within 30 and 60 days of hiring among participants who received the brochure

	30 days After Hire	60 days After Hire	Number of Observations
Control Group	7.3%	28.9%	210
Planning aid	21.7%	44.7%	166

Targeting Millennials

Five steps to planning success

- Program targeted to young workers
- Used new methods of communication
- Kept the message free of economic/finance jargon
- Covered concepts that people know the least, such as risk diversification, in a simple story



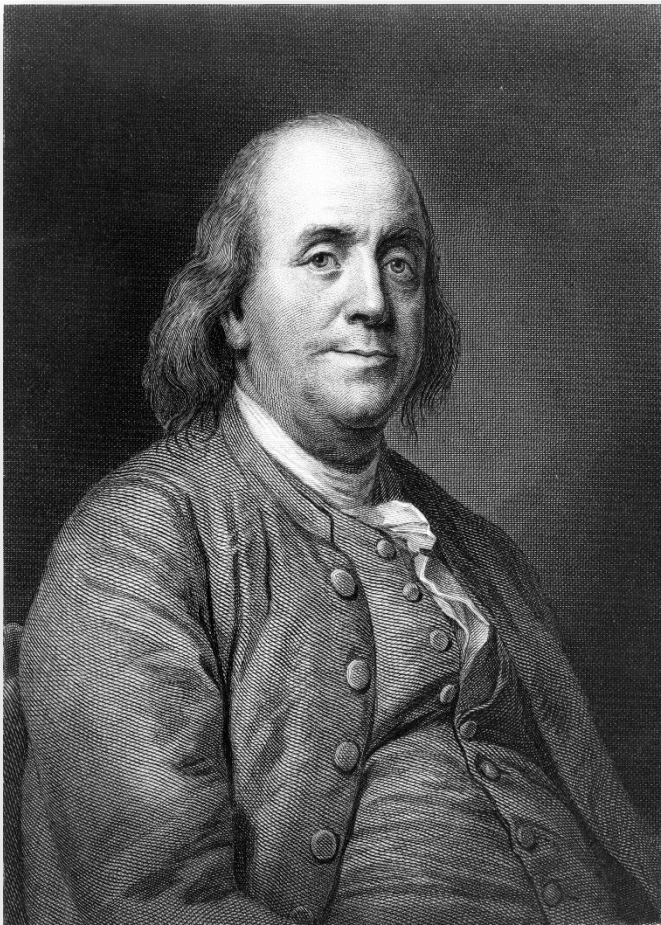
New Communication Tools: Short Videos



- After being exposed to videos, the performance on financial literacy questions improved
- While young were targeted, the videos affected all age groups

An Earlier Thinker on Financial Literacy

“An investment in knowledge pays the best interest.”



Benjamin Franklin, *The Way to Wealth*, 1758

Most Recent Program at the Fed

Financial knowledge & 401(k) investment performance

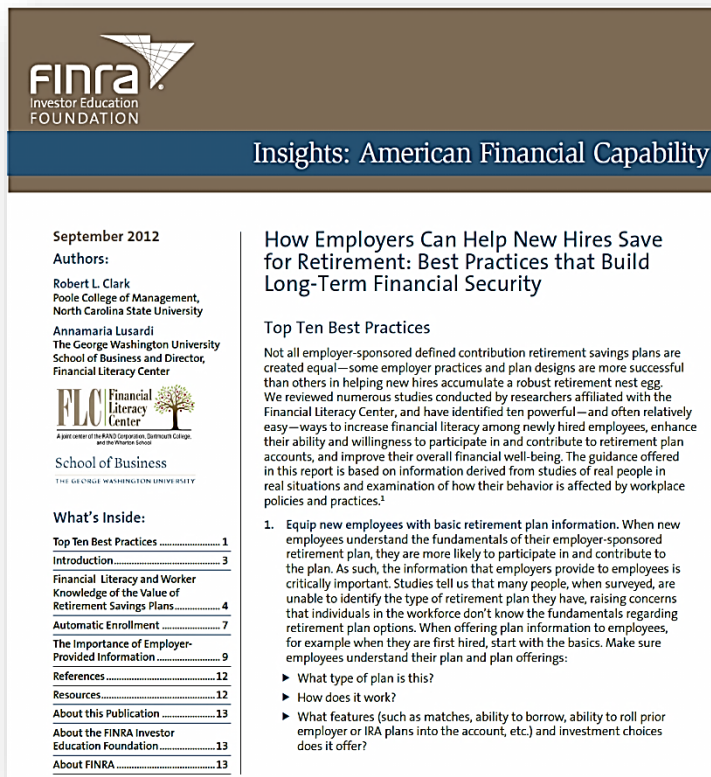
- We worked with Office of Employee Benefits of the Federal Reserve System
- Designed survey that had the 3 financial literacy questions + questions on pension literacy
- Linked financial literacy to return on 401(k) investments
 - Similar evidence in other papers



Building Long-term Financial Security

Best practices

How employers can help new hires save for retirement: *Best practices that build long-term financial security*



Report documenting best practices for improving financial decision making in the workplace.

- Based on studies of many employer-provided financial education programs
- Goal of the report is to help employers improve retirement saving choices of newly hired workers

Building a More Robust Retirement System

Shifting paradigm

- **Equip people to make financial decisions**
 - More financial education programs in the workplace
 - Need financial education programs in school
- **More targeted programs**
 - One size does not fit all
- **Cannot focus on retirement savings only**
 - Precautionary savings in addition to retirement savings
 - Debt and debt management
- **What is the future we want to build?**

Cited Research Work

Research papers posted on www.gflec.org

- Saving for Retirement: The Dartmouth project
- Five steps to planning success. Experimental evidence for US households
- Financial knowledge and 401(k) investment performance: A case study

Contact and Sources of Information

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