UK EDITION

THE EMPLOYER'S GUIDE TO FINANCIAL WELLBEING

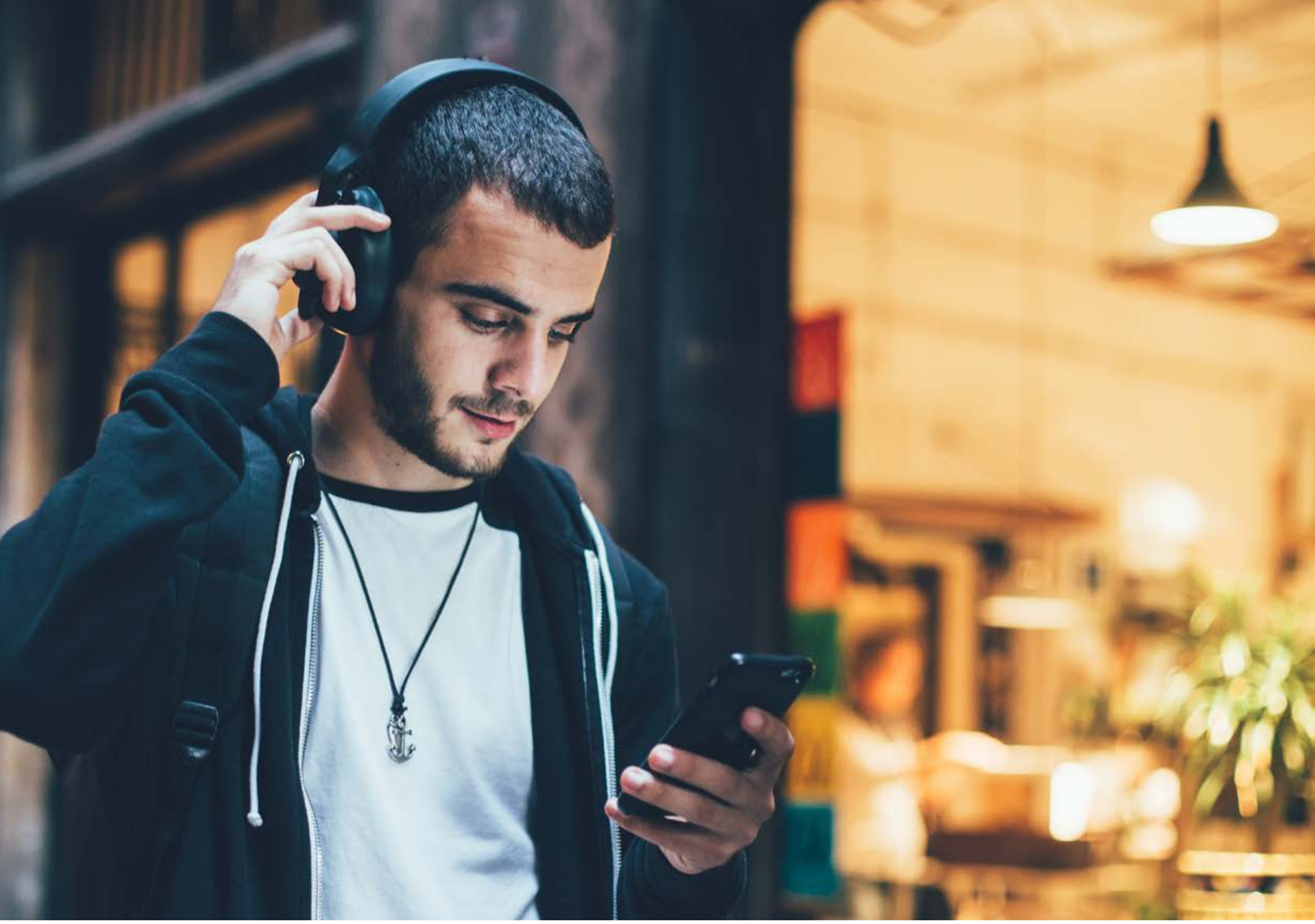
2018-19

SALARY FINANCE

INDEX

1.0 EXECUTIVE SUMMARY

- We commissioned an independent survey of 10,053 UK employees across 25 industry sectors
- 40% of UK employees have money worries
- They are 8.8 times more likely to have sleepless nights, 7.6 times more likely not to finish daily tasks, 5.7 times more likely to have troubled relationships with work colleagues and 2.3 times more likely to be looking for a job
- This same group is more likely to suffer from poor mental health, they are 4.9 times more likely to be depressed and 3.8 times more likely be prone to panic attacks
- The cost of this is 25-34 lost productive days and greater staff turnover equating to 13-17% of total salary cost for the employer
- Surprisingly one of the groups with the highest percentage of money worries (49%) is with those that are earning more than £100,000 pa. It is not the amount of money that you earn but what you do with the money that is the cause of money worries
- This led us to develop a Financial Fitness Score for an individual, based on the answers to 10 behavioural questions concerning their spend, save and borrow habits, resulting in a score of between 1 to 5. Employers also have a corporate Financial Fitness Score based on the average scores of their employees
- 82% of those who had a score of 1 had money worries, versus only 8% of those with a score of 5
- Those who had low scores had a lower level of financial literacy, were more likely to view finances as a scary topic and didn't know who to trust for financial advice
- We also found that 77% of employees trust their employer, suggesting that there is a role for employers to provide financial wellbeing benefits to help their employees
- We have developed a Financial Fitness Improvement Toolkit that can help employers to identify what they need to do to measure and improve financial wellbeing. With this they could improve their corporate Financial Fitness Score, increase productivity, build retention, improve the mental health of their employees and reduce cost



1.1 INTRODUCTION

The concept of 'financial wellbeing' or 'financial wellness' in the workplace has established itself as a recognised term and, for many, a priority on the executive agenda. In the past, it had been difficult to know the specific cost to a business of poor financial wellbeing of its employees, and how to quantify the impact of any actions that were implemented.

To address these two issues, we designed a questionnaire that has been completed by over 10,000 UK employees to support the development of a quantitative analytical model. We have examined 25 sectors, spanning public and private, that allows employers to identify the scale of the problem in their business and benchmark themselves against their peer group.

The findings are dramatic: 40% of employees (that's over 4,000 people in our survey) have financial worries.

Other studies have reported similar findings, so this is not new news. What is new is that we have compared those who have financial worries with those who don't and then assessed the impact on their mental health and performance in the workplace.

Those with financial worries are 8.8 times more likely to have sleepless nights, 7.6 times more likely not to finish their daily tasks, 5.7 times more likely to have troubled relationships with work colleagues, and 2.2 times more likely to be looking for a new job. The impact of this represents 13-17% of an employer's total salary cost.

The cost to UK employers as a whole is £39-51 billion per annum, when applied to the 32.4 million[1] UK employees earning an average of £27,040 pa.[2] This is 1.9 to 2.4% of GDP[3] annually, and half of the total government spend on education at all levels.

We then looked at how we could help employers identify the scale of the problem in their own business and more specifically what they could do about it. One of the most commonly held beliefs is that financial wellbeing is largely a function of how much money you earn: pay more and financial wellbeing is improved. This turns out not to be the case. The two groups that have the highest rate of financial worries are those earning £10,000 - £14,999 pa (perhaps not surprising), but also those who earn more than £100,000 pa. The percentage stating that they had financial worries in both of these groups is 49% vs the national average of 40%. More alarmingly, those earning more than £100,000 pa are more likely to suffer from panic attacks and depression than any other income group. The solution to financial wellbeing isn't pay rises.

We recognised that financial wellbeing is a consequence of employees' financial habits in relation to how they spend, save and borrow. This led us to develop the Financial Fitness Score, based on the responses to 10 behavioural questions. From these 10 questions we derived a score from 1 to 5 for any individual. It is an indicator of current financial health and a lead indicator of future financial health. We found that 82% of those scoring 1 worry about their finances, whilst only 8% of those scoring 5 worry about finances. The higher the Financial Fitness Score the greater the financial wellbeing.

THE FINANCIAL FITNESS SCORE IS INTUITIVE & EASY TO UNDERSTAND:

1: NOT IN CONTROL
Run out of money before payday, very likely to be reliant on payday loans and high-interest credit cards.

2: NO FREEDOM TO ENJOY
Not enough to spend on treats (eg nights out, clothes, holidays), have less than one week's wages in savings, somewhat reliant on payday loans and high-interest credit cards.

3: LIMITED COPING
Limited buffer, and difficulty coping with life's unexpected expenses (eg car repairs, boiler breakdown), have less than one month's wages in savings, reliant on credit cards and loans to deal with exceptional events.

4: PLAN IN PLACE
Sufficient savings to cope with unexpected expenses and a plan to achieve long-term financial goals (at least two month's wages in savings, likely to be paying monthly credit card payments in full).

5: FINANCIAL FREEDOM
Finances are no longer a constraint on living the life they want.

Those who regularly borrow money to make up the difference between their spend and income (scoring 1-3) are more likely to suffer stress resulting in a number of symptoms: loss of sleep, distracted at work, job dissatisfaction, higher absenteeism, and are more likely to leave their job.

The Financial Fitness Score can help both employees and employers identify what can be done to help improve an individual's financial fitness, and thereby increase wellbeing. Employers can tailor their benefits programme to meet the specific needs of their employee base. Those who score 1 would benefit from weekly budgeting and top-10 savings tips, whereas those scoring 4 would benefit from figuring out whether ISAs or pension top-ups are better for them.

Following this methodology, a business can establish its own Financial Fitness Score which is the average score of its employees. This can be set as a KPI for the business to benchmark vis-à-vis its peers, and determine what interventions are available to improve its employees' Financial Fitness Scores.

It can be used to measure the effectiveness of any programme that an employer chooses to implement. More critically, an employer can now determine which financial wellbeing benefits will have the greatest impact on improving the mental health of their workforce, enabling them to quantify the benefits and ROI. An employer can now improve the overall financial wellbeing of their employees helping them improve their individual scores, which will increase the average Financial Fitness Score for the entire organisation.

Those businesses with a higher-than-average Financial Fitness Score will have fewer employees suffering stress due to financial worries.

We have developed a toolkit that can help employers to identify what they need to do to measure and improve financial wellbeing. With this they can improve their corporate Financial Fitness Score, increase productivity, build retention, establish themselves as the employer of choice for new recruits and play a role in addressing one of society's most pressing issues.

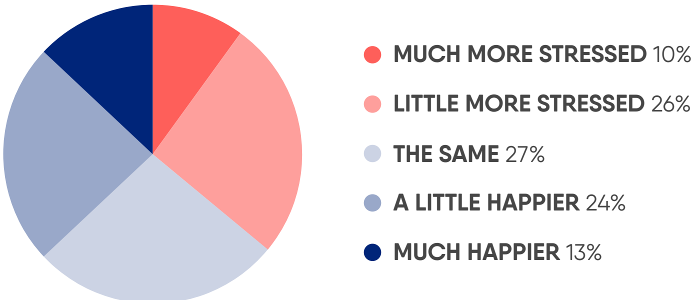
2.0 THE RELATIONSHIP BETWEEN FINANCIAL WELLBEING & MENTAL HEALTH

In this section we look at the overall wellbeing of an employer and then the individual contributors to wellbeing: relationships, career, health and finances. We then focus on money in particular as that is the area that people worry about the most, and examine its affects on mental health. The final element of this section quantifies the impact of financial wellbeing on the employer.

2.1 UK EMPLOYEE WELLBEING

We asked how employees' level of wellbeing had changed over the last couple of years. There was an even balance between those who were happier (37%) versus those who were more stressed (36%).

HOW HAS YOUR OVERALL WELLBEING CHANGED IN THE LAST COUPLE OF YEARS?



"YOU CAN'T HAVE HAPPY AND SATISFIED CUSTOMERS IF YOU DON'T HAVE HAPPY AND SATISFIED EMPLOYEES."

Jason Butler
Head of Financial Education,
Salary Finance

2.2 MONEY WORRIES ARE THE GREATEST CONTRIBUTOR TO OVERALL STRESS

We asked whether or not they were happy or had worries in the following areas of their life: relationships (outside of work), health, career and finances.

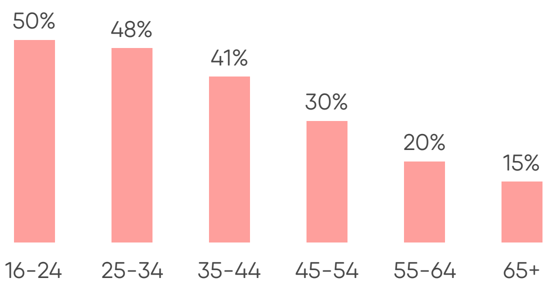
Interestingly money and finance are the largest causes of worry, with women worrying more than men. Both men and women worry equally about the other three areas.

Age is the key defining factor characterising the degree to which people are preoccupied with worries. Those who are younger are the most worried across all areas of life.

The only consistent factor is that financial and money matters are what people worry about the most, irrespective of age and gender.

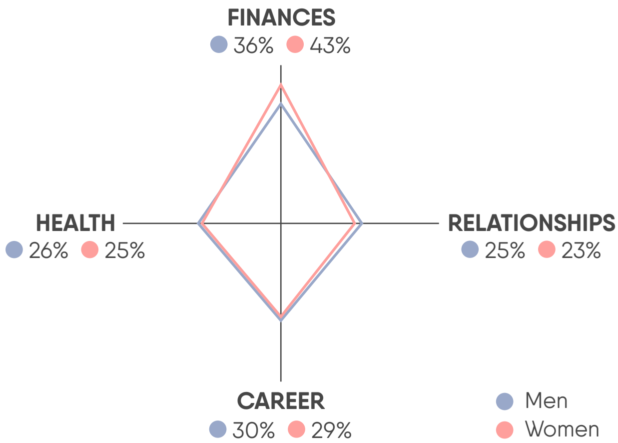
The level of financial worry dramatically drops for the 45+ age group. The 16-34 age group having the greatest level of money worries. This is not surprising as they will probably have student debt and will find housing costs taking up a large proportion of their income.

FINANCIAL WORRIES BY AGE (THOSE IN EMPLOYMENT)

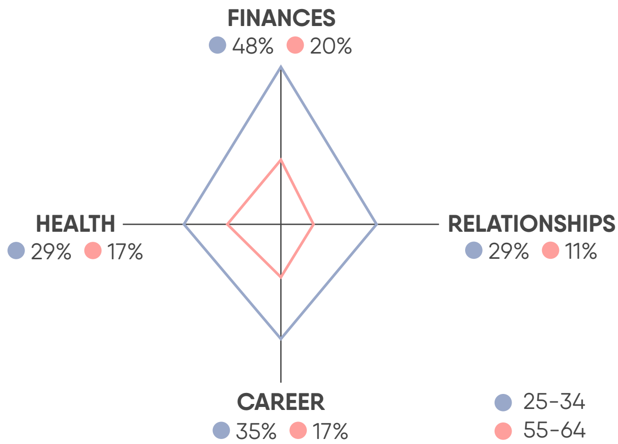


WORRIES BY AREA OF LIFE

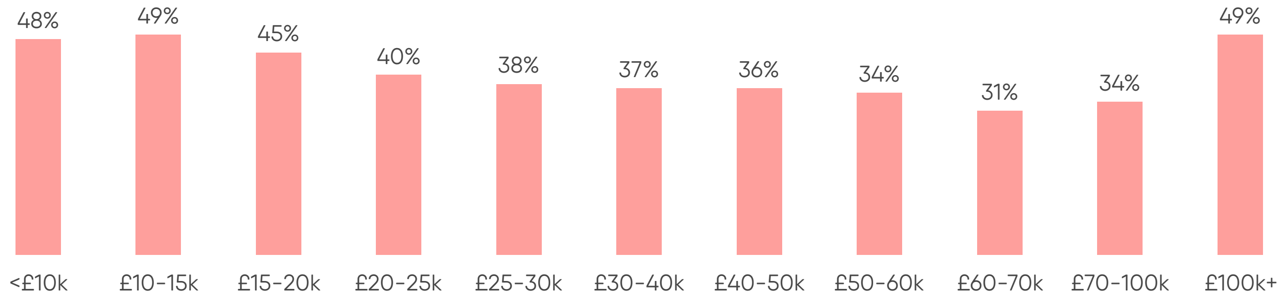
MEN VS WOMEN



AGE 25-34 VS 55-64



FINANCIAL WORRIES BY INCOME



We looked at whether this had anything to do with salary levels. It does not. The two salary brackets that had the greatest amount of money worries at 49% (22% higher than the average) were earning £10-15,000 pa and £100,000 pa.

49%

of both highest earners (£100k+ pa) and lowest earners (£10-15k pa) have financial worries

Those with financial worries are:

3.8x

More likely to feel anxious and be prone to panic attacks

4.9x

More likely to be depressed and find it difficult to carry on with life

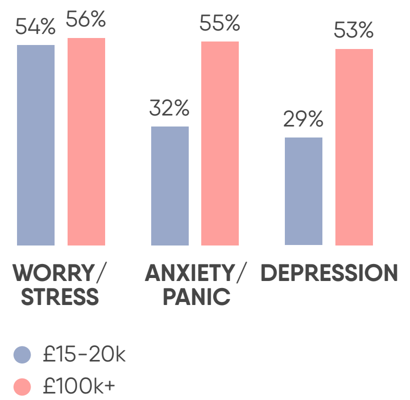
2.3 FINANCIAL WELLBEING & MENTAL HEALTH

We were interested to discover the impact of financial and money worries on mental health. We asked three questions related to mental health, specifically about the past week and the extent to which they strongly disagreed to strongly agreed on a five-point scale:

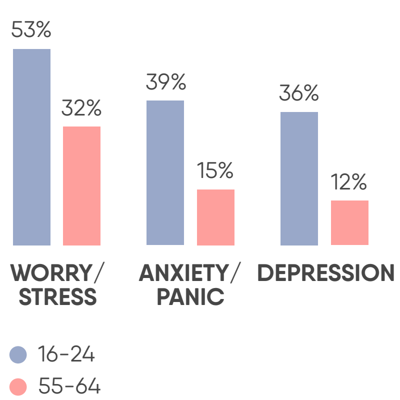
- I feel worried and stressed
- I feel anxious and am prone to panic attacks
- I feel depressed and find it difficult to carry on with life

We compared differences between ages, earnings and level of financial worries. The greatest difference, which indicates that it is likely to be the key driver, is between those that have financial worries and those that do not. The differences are startling and make a compelling case for the relationship between mental health and financial wellbeing.

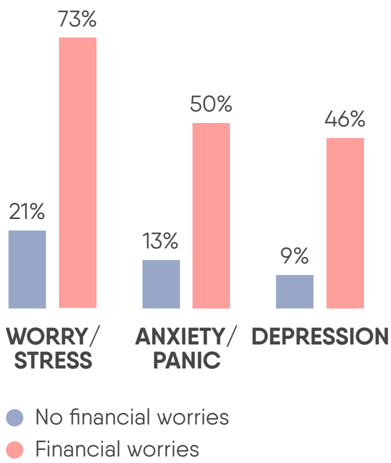
LOW VS HIGH EARNERS



OLD VS YOUNG



FINANCIAL WORRIES



2.4 THE COST OF POOR FINANCIAL WELLBEING

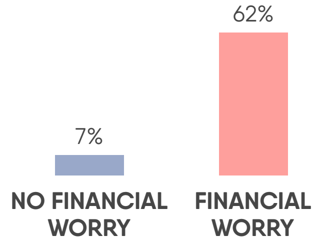
We asked about a number of issues, all on a five-point scale, around sleepless nights and how money worries impact on work:

- I have sleepless nights because of money worries
- My personal money worries make it difficult to do my daily tasks on time
- My personal money worries have affected the quality of my work
- My personal money worries have affected relationships with my colleagues

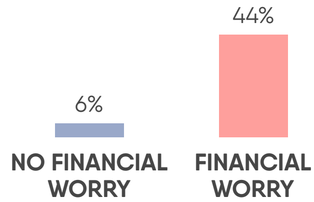
We also asked how they felt about work and whether they were looking to leave in the next 3-12 months.

Those who have financial worries are 8.8 times more likely to have sleepless nights. Due to lack of sleep, they are 7.6 times more likely not to finish their daily tasks on time, 6 times more likely to have seen the quality of their work suffer, and 5.7 times more likely to have troubled relationships at work.

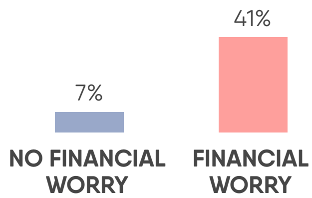
% SLEEPLESS NIGHTS DUE TO MONEY WORRIES*



% NOT FINISHING DAILY TASKS*



AFFECTED QUALITY OF WORK*



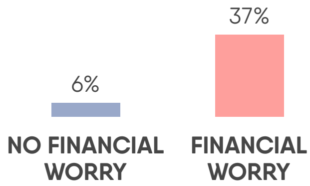
*We wanted to compare the responses to the questions above, between those that have no financial worries (60% of employees, approx 6,000 people in the survey) with those that had financial worries (40% of employees, approx 4,000 people in the survey). The graphs in the next two pages show the comparison between these two groups. We have used this data to calculate the incremental cost of financial worries for the employer, which is summarised in the infographic at the end of this section on page 15.

Continued stress, struggling to complete tasks on time, absenteeism and troubled relationships contributes to increased employee turnover, with financially worried employees 2.2 times more likely to be looking for a new job than those who do not have money worries.

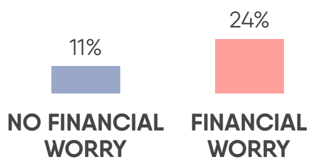
A recent Harvard Kennedy School study[4] reported that the cost of losing an employee is between 16-20% of annual salary[5]. This is the combination of recruitment costs, on-boarding costs, training costs, lost productivity and impact on staff morale. The same study concluded that offering salary-linked loans (which are often used for debt consolidation) reduces employee turnover rate.

Putting all this together, the lack of financial wellbeing is costing the average employer 13-17% of their total payroll cost. The cost to all UK employers with 32.4 million[1] employees, of which 40% have financial worries, is £39-51bn pa, or a staggering 1.9-2.4% of GDP[3].

RELATIONSHIPS AT WORK AFFECTED*



LOOKING FOR NEW JOB*



Those with financial worries are:

5.7x

More likely to have troubled relationships with colleagues

2.2x

More likely to be looking for a new job

IMPACT OF POOR FINANCIAL WELLBEING: THE COST

40%
of people are worried about money

→

8.8x
more likely to have sleepless nights

3.6H
hours lost per week on money worries

1.5
sick days a year for financial stress

6x
more likely to affect quality of work

7.6x
more likely to not be able to finish daily tasks

5.7x
more likely to have troubled relationships with colleagues

2.2x
more likely to be looking for a new job

THE CONSEQUENCE

25-34
Mon Tue Wed Thu Fri
productive days lost annually

additional recruitment costs

additional training costs

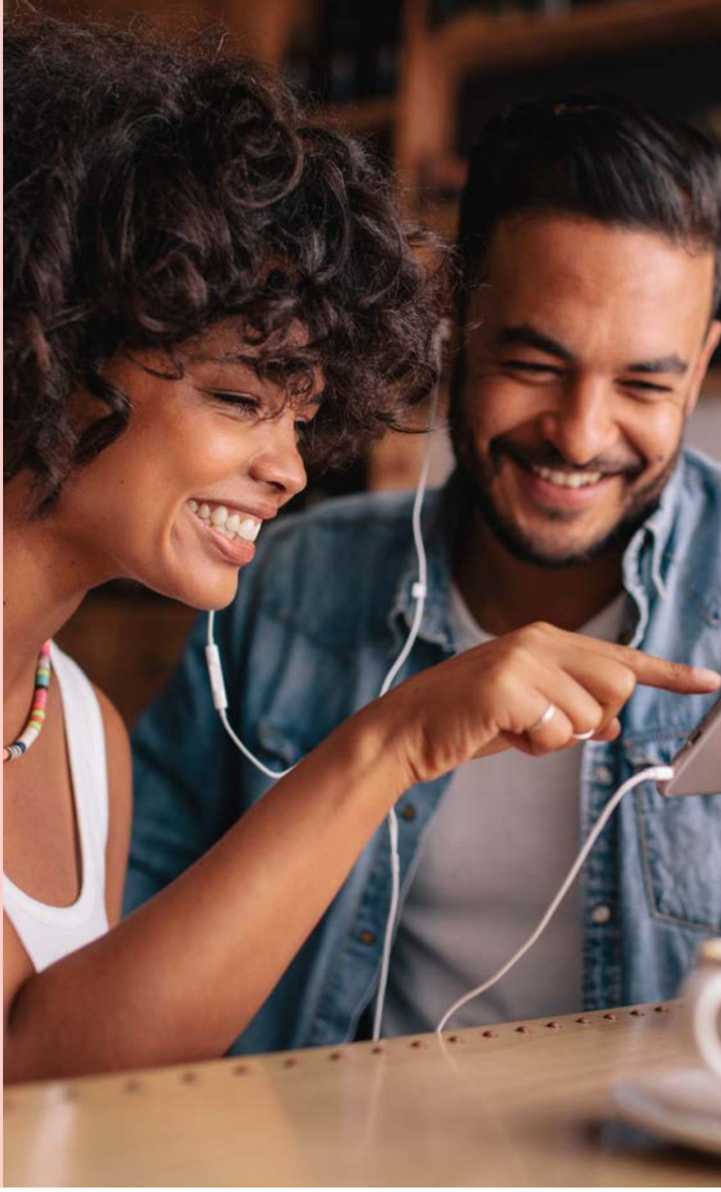
THE IMPACT

13-17%
of salary cost

3.0 THE FINANCIAL FITNESS SCORE IS A WAY TO UNDERSTAND & IMPROVE FINANCIAL WELLBEING

Salary Finance commissioned a survey of 10,053 UK employees, covering 25 different industry sectors, to discover the extent to which they suffer from stress due to their personal financial situation, the impact that has on their work, the cost of this to their employer, and what if anything the employer can do to help employees improve their financial fitness.

In the past it had been difficult to quantify the impact, cost and benefit of actions taken by an employer to improve the wellness of their employees. To address this issue we have developed the Financial Fitness Score, which is based on the response to 10 key questions. This is a single number for any particular employee that determines where they are on the financial fitness spectrum:



% OF EMPLOYEES AT EACH FINANCIAL FITNESS SCORE

UK AVERAGE 3.1

SCORE 1	SCORE 2	SCORE 3	SCORE 4	SCORE 5
NOT IN CONTROL	NO FREEDOM TO ENJOY	LIMITED COPING	PLAN IN PLACE	FINANCIAL FREEDOM
5%	31%	17%	41%	6%

% OF THOSE WORRIED ABOUT FINANCES AT EACH SCORE

82%	69%	29%	22%	8%

Employers will also be able to establish an overall Financial Fitness Score for their business determined by the weighted average of their employees' results.

The Financial Fitness Score is a function of socio-economic factors, financial literacy and attitudes towards money and financial matters. This determines how a particular individual spends, saves and borrows. This in turn leads to financial stress or contentment which has an impact on their ability to work effectively.

This Financial Fitness Score allows the creation of an intuitive quantifiable model. It is a measurable KPI that can be used by the CEO and HR Director to take meaningful action and measure the impact of those actions to improve their employees' financial wellbeing, reduce mental health issues in the workplace and boost productivity.

An individual's Financial Fitness Score can range from 1.0 to 5.0. The average Financial Fitness Score for all employees in the UK is 3.1.

There are differences between old and young, men and women, and overall education levels.

An employer's Financial Fitness Score is the average of the score of each of their employees. The socio-demographic mix of their employee base will be a major determinant of their overall fitness.

This means that a comparison of scores across industries is not meaningful because it doesn't necessarily indicate that a particular industry sector is better at looking after their employees than another.

However, if we were to take the average Financial Fitness Score for a particular socio-demographic (age, gender and education level) and know the mix of their employees for a specific business, then we can predict what their score ought to be. The extent to which their actual score is above or below that prediction determines how well a particular employer is managing the financial wellbeing of their employees.

The rest of this guide looks at the factors that impact an individual's Financial Fitness Score and what in particular an employer can do to help their employees improve their level of financial fitness.

"Financial wellbeing is a key influence on individuals' personal health and productivity. Having happy, confident colleagues in a business is key to excellent customer service. However, where individuals have low financial wellbeing and feel unsupported, this can lead to anxiety and depression – affecting attrition, absence and productivity. The cost of to employers of low employee financial wellbeing is staggeringly high - estimated to be between 13-17% of salary costs.

It's acknowledged that employee financial wellbeing is difficult to measure accurately. The development of a framework and the concept of a 'Financial Fitness Score' is a measurable way to assess the employee financial wellbeing in an organisation and, by developing a benchmark, helps to assess the impact that different initiatives can make for employers and employees.

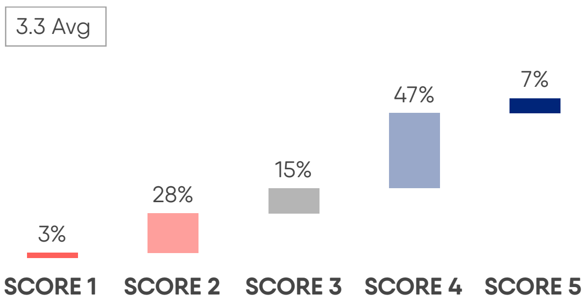
It helps employers to help understand both the scale and type of challenges that employees face – and to help develop effective initiatives to improve their financial wellbeing. The case studies also provide useful and pragmatic solutions of what employers and employees can do to improve their Financial Fitness Score and mental health.

Salary Finance's financial wellbeing guide, framework and Financial Fitness Score provide employers with an excellent opportunity to improve their employees' financial wellbeing by using a structured, objective and evidence-based approach."

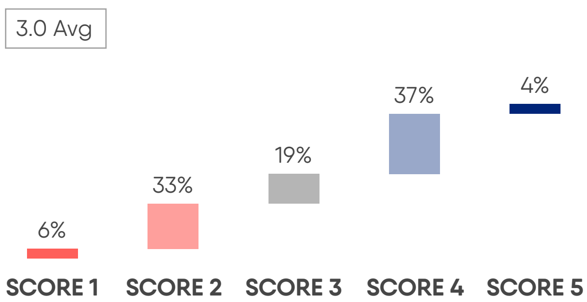
Ruston Smith

Chair of the Workplace Steering Group, delivering MAS's Financial Capability Strategy for the UK

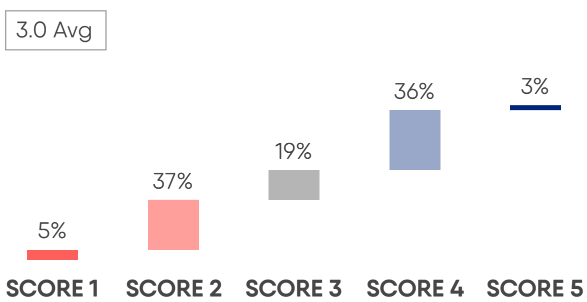
MEN



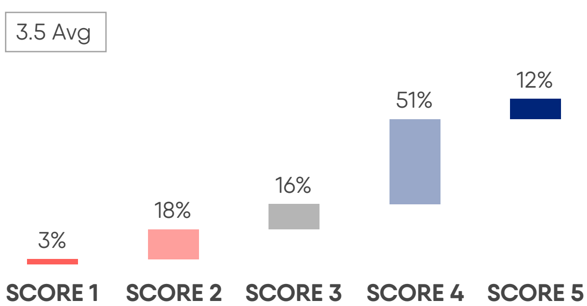
WOMEN



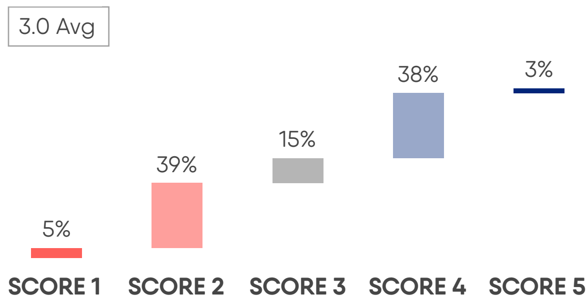
AGE 25-34



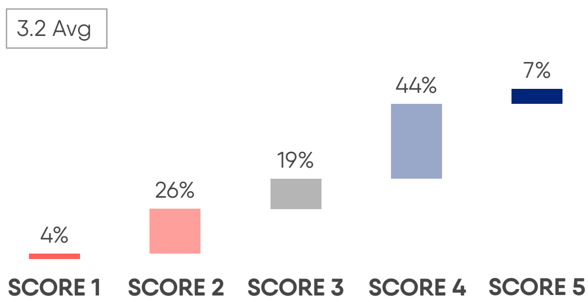
AGE 55-64



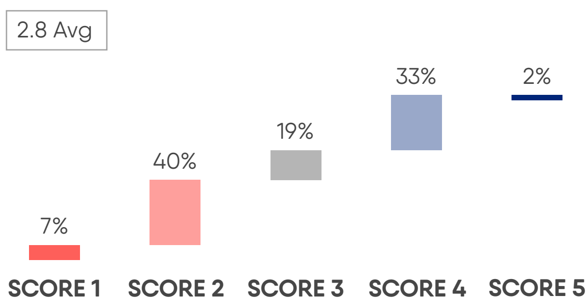
LESS THAN 5 GCSES



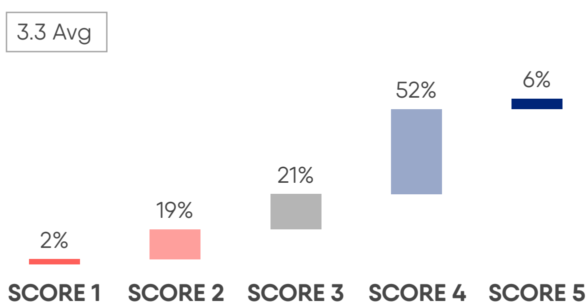
DEGREE EDUCATED



LOW EARNERS (15-20K)



HIGH EARNERS (100K+)



3.1 BORROWING HABITS

We wanted to understand the relationship between an individual's Financial Fitness Score and their borrowing habits (excluding mortgages). The lower the score the more they are borrowing on short term credit, from more sources, and are more likely to be refused a loan and miss payments. All of which is exacerbating their poor financial position, credit score and leading to worsening mental health.

We asked how much was outstanding on their credit card after paying the monthly bill and how much they had borrowed on payday loans. Both of these are likely to be high-interest credit which could be substituted with more manageable credit tools if alternative debt consolidation arrangements were available.

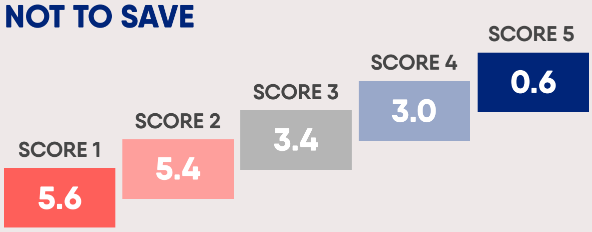
A recent report by independent think tank ResPublica[6] determined that for every £1 billion of high-interest debt switched out to lower-cost salary-finance loans could result in a £180 million increase in GDP and the creation of 6,000 full-time equivalent jobs.

60%

with a Financial Fitness Score of 1 have been refused a loan

AVERAGES BY FINANCIAL FITNESS SCORE	1	2	3	4	5
NO. OF BORROWING SOURCES	2.2	1.9	1.4	1.5	1.1
AMOUNT ON CREDIT CARDS CARRIED FORWARD	£2,989	£2,123	£638	£834	£291
% WITH OUTSTANDING PAYDAY LOANS	21%	14%	4%	6%	<1%
FAMILY AND FRIENDS	£1,247	£1,466	£512	£661	£185
ACROSS ALL 3	£4,842	£4,149	£1,269	£1,732	£549
% REFUSED LOAN	60%	43%	14%	15%	3%
EVER MISSED A PAYMENT	51%	36%	12%	12%	3%
MISSED PAYMENT IN LAST 12 MTHS	42%	30%	7%	10%	1%
% OF EMPLOYEE POPULATION	5%	31%	17%	41%	6%
VALUE OF CREDIT CARD DEBT AFTER PAYING MONTHLY BILL & PAYDAY LOAN DEBT	£116bn	£86.6bn	£24.6bn	£34.6bn	£11.7bn
SAMPLE SIZE	455	3,145	1,734	4,164	554

AVG NUMBER OF REASONS NOT TO SAVE



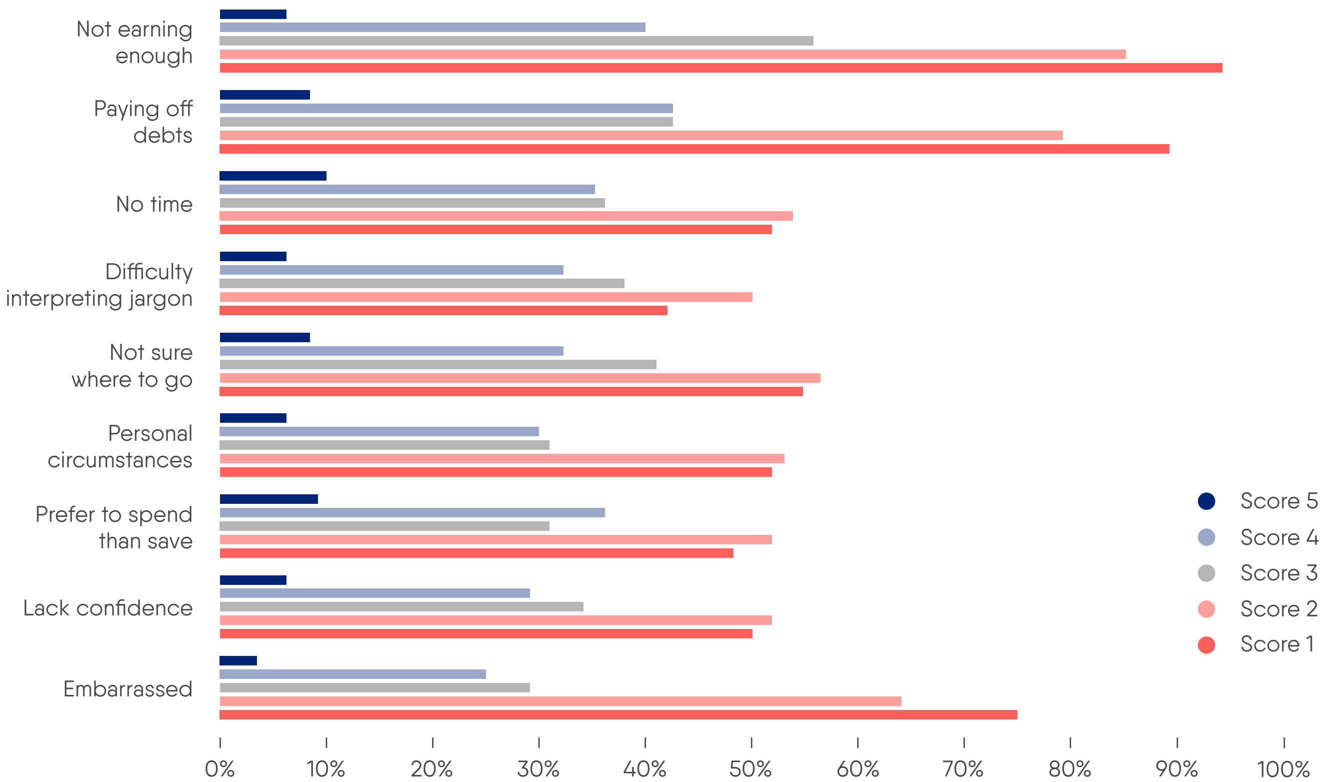
3.2 SAVING HABITS

Unsurprisingly, those with low Financial Fitness Scores say that they are not saving because they don't earn enough or are paying off their debts. However, they also gave many more reasons not to save than those with a higher score.

This suggests that it is not just a case of how much money they have. Preferring to spend rather than save and being embarrassed about their personal financial situation are high on the list.

These issues are related to financial literacy and confidence in dealing with financial matters.

WHAT STOPS YOU SAVING MORE MONEY?



4.0 IMPROVING FINANCIAL FITNESS BY INCREASING FINANCIAL LITERACY

In this next session we try to discover whether there is a way to help employees improve their Financial Fitness Score and become more financially resilient by having more savings. We demonstrate that there is a strong correlation between an individual's Financial Fitness Score and their level of financial literacy. We then examine the barriers that stop people from improving their financial literacy, and what they do when they are unsure about what financial decisions to make.

"Not having a savings habit is bad for people's health and wellbeing and bad for UK businesses.

This research underlines the importance of regular saving among all income groups. Having a financial buffer provides a sense of resilience and peace of mind that is fundamental to good mental health, and good for improving productivity at work.

Employers have a big role to play in helping people get their finances in order. That's why we have introduced extensive help to support our colleagues' financial wellbeing, and why we are proud to be working together with Salary Finance to offer people in businesses across the country a simple and easy way to save what they want and when they want.

We have also developed an education programme, Money Minds, to plug the gap in financial literacy among our children and young people. The findings in this report compound our belief that the UK must take action to avoid a new generation growing up with the anxiety caused by a lack of financial resilience."

Mike Regnier

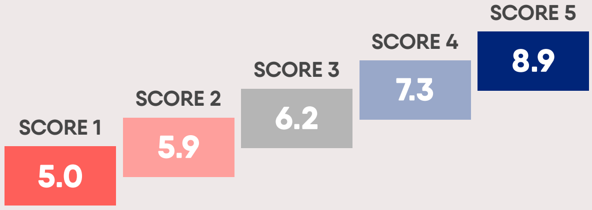
Chief Executive of Yorkshire Building Society

4.1 THE FINANCIAL FITNESS SCORE & FINANCIAL LITERACY

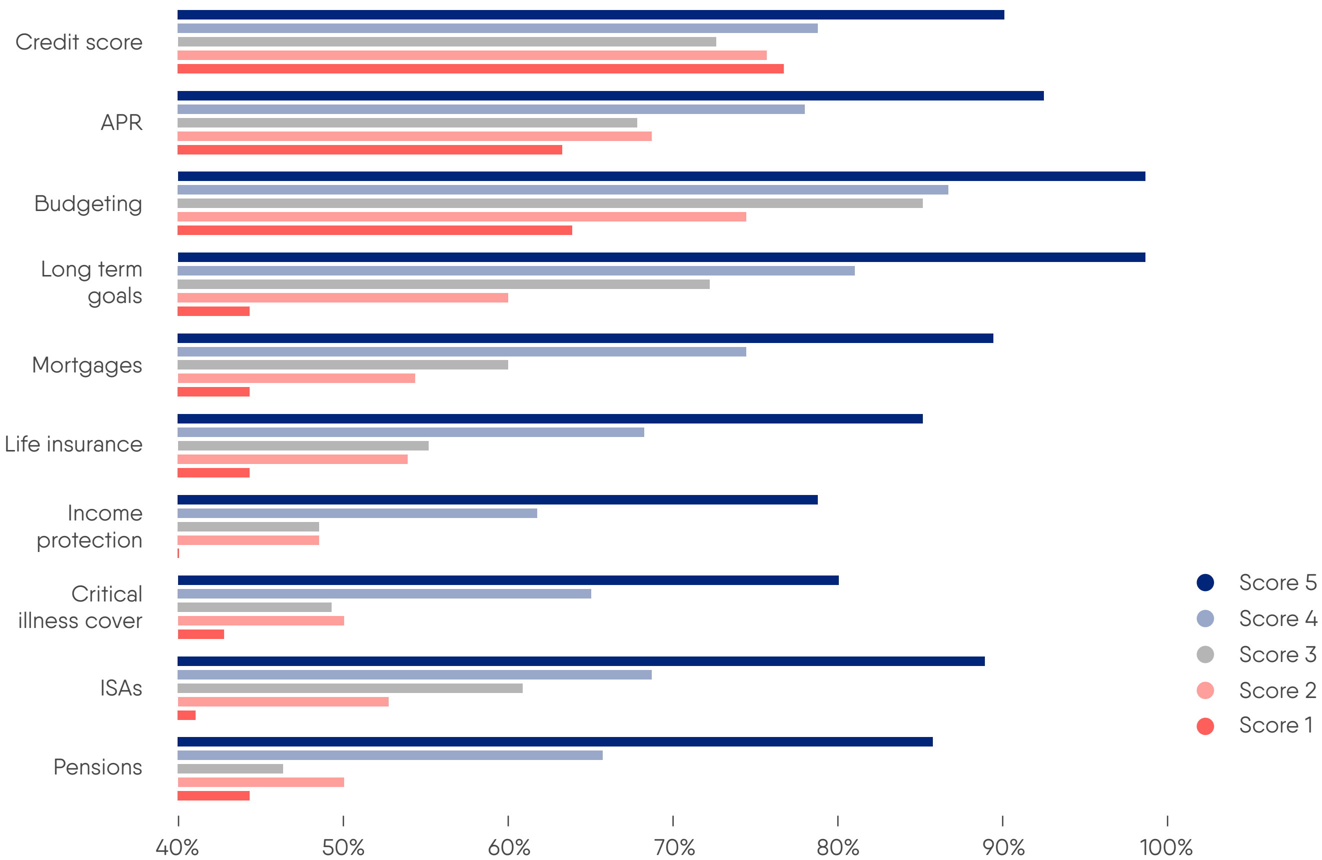
Financial literacy is a key determinant of an individual's Financial Fitness Score. We asked employees the extent to which they agreed or disagreed with statements around financial literacy. They could score a maximum of 10 points.

The greater the level of financial literacy the greater their score. This is good news for employers because it means that if an employer were to provide tools and training to develop financial literacy then their employees' Financial Fitness Scores could improve. They would make better financial decisions, improve their mental health, and be more present at work.

AVG NUMBER OF FINANCIAL PRODUCTS THAT THEY KNEW & UNDERSTOOD



I UNDERSTAND:



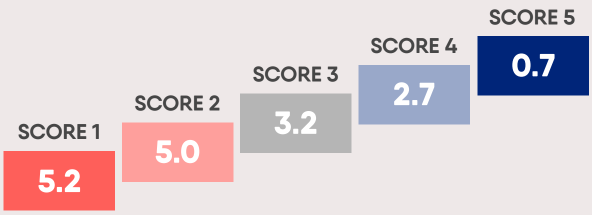
4.2 FINANCIAL LITERACY BARRIERS

Similarly, attitudes towards the entire topic of financial matters is also related to an employee's Financial Fitness Score.

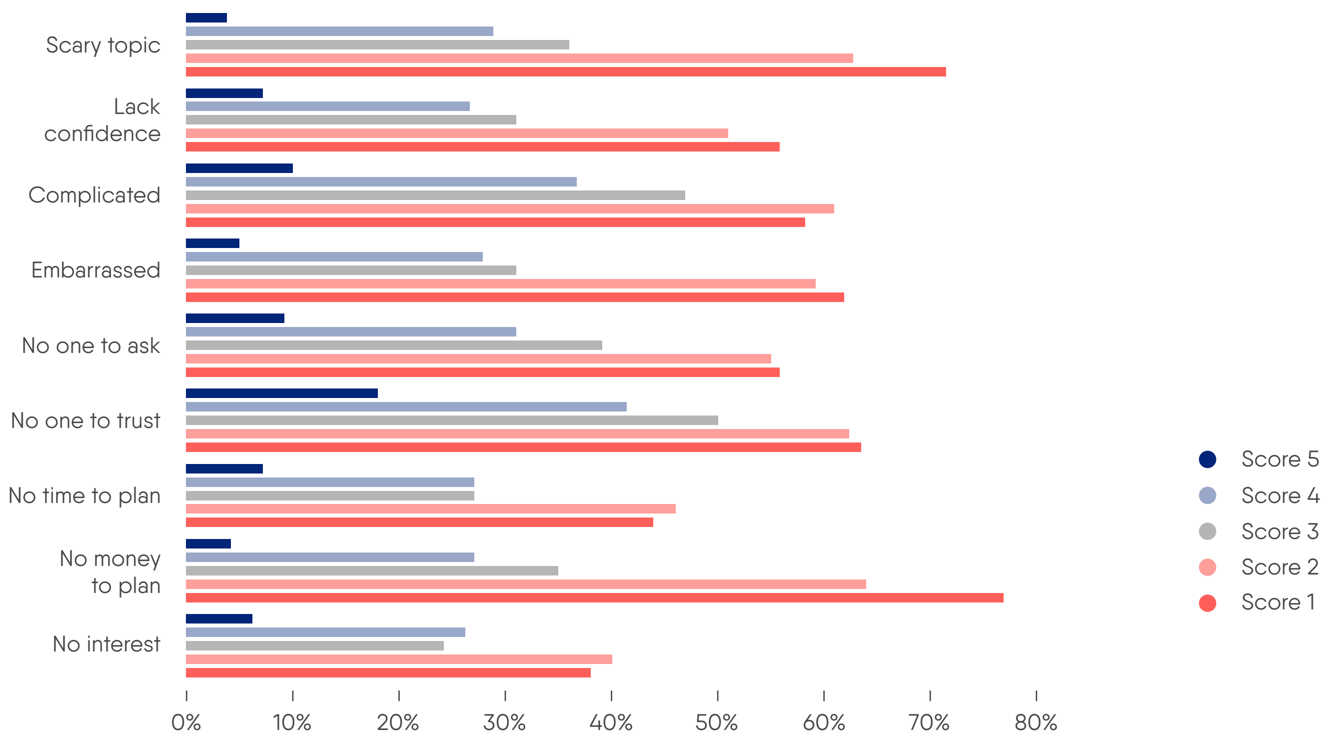
We asked "Now thinking about some of the things that may be stopping you from making better money and financial decisions, do you agree or disagree that...?" and asked respondents to choose from nine possible reasons preventing them from being more financially literate.

Those with lower scores are much less likely to engage in finding out more about financial or money issues as they feel intimidated or not sure where to go for good advice. This is more good news for employers, because their employees are more likely to see them as a reliable trusted source of good advice. This assumes that there is no taboo within the organisation talking about and discussing personal financial matters.

AVG NUMBER OF REASONS STOPPING THEM FROM BEING FINANCIALLY LITERATE



WHAT IS STOPPING PEOPLE FROM IMPROVING FINANCIAL LITERACY?

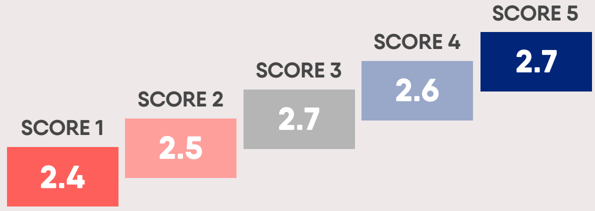


4.3 FINANCIAL DECISION MAKING

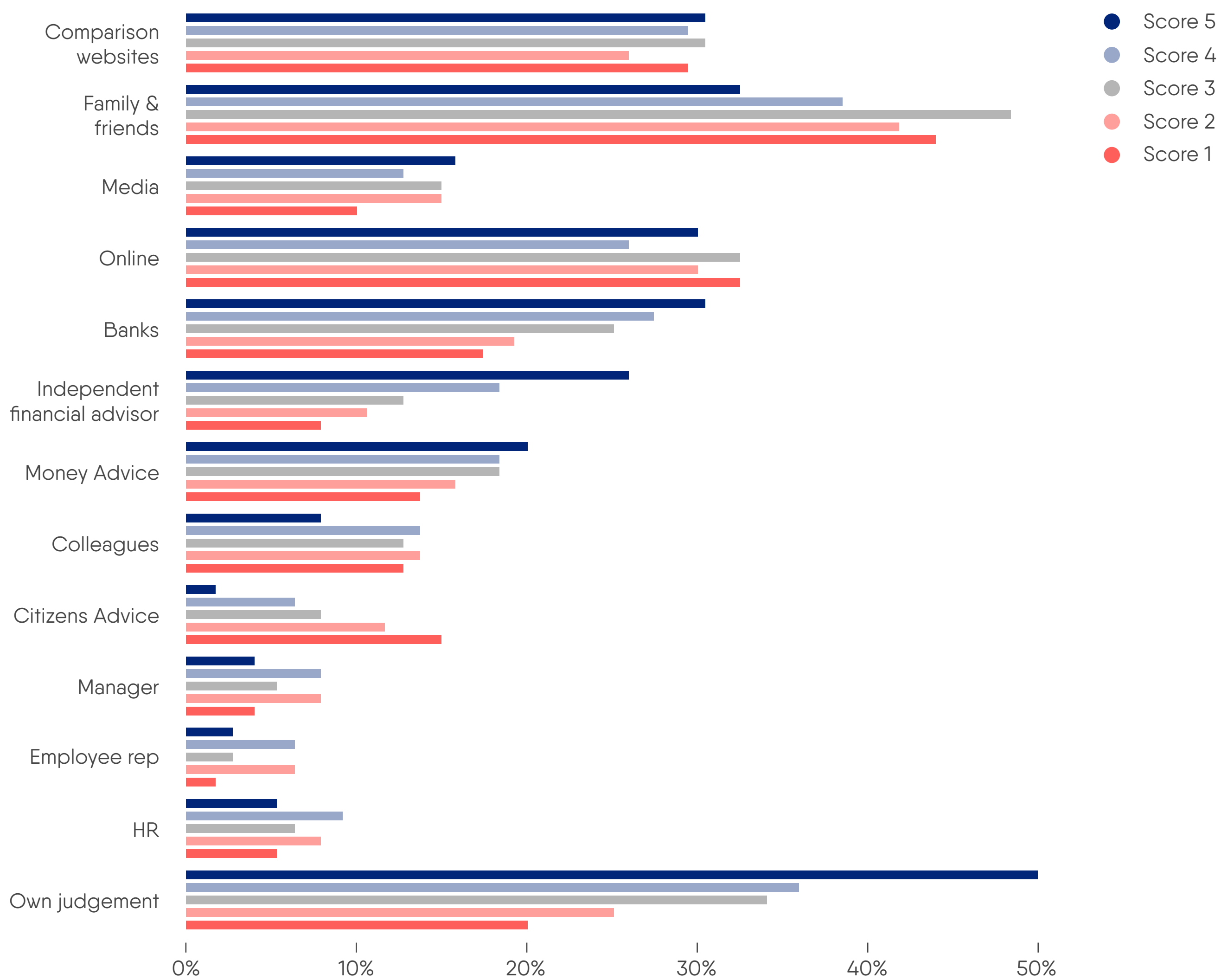
The number of sources employees use for financial advice does not vary significantly by Financial Fitness Score. They rely on a relatively small number of choices.

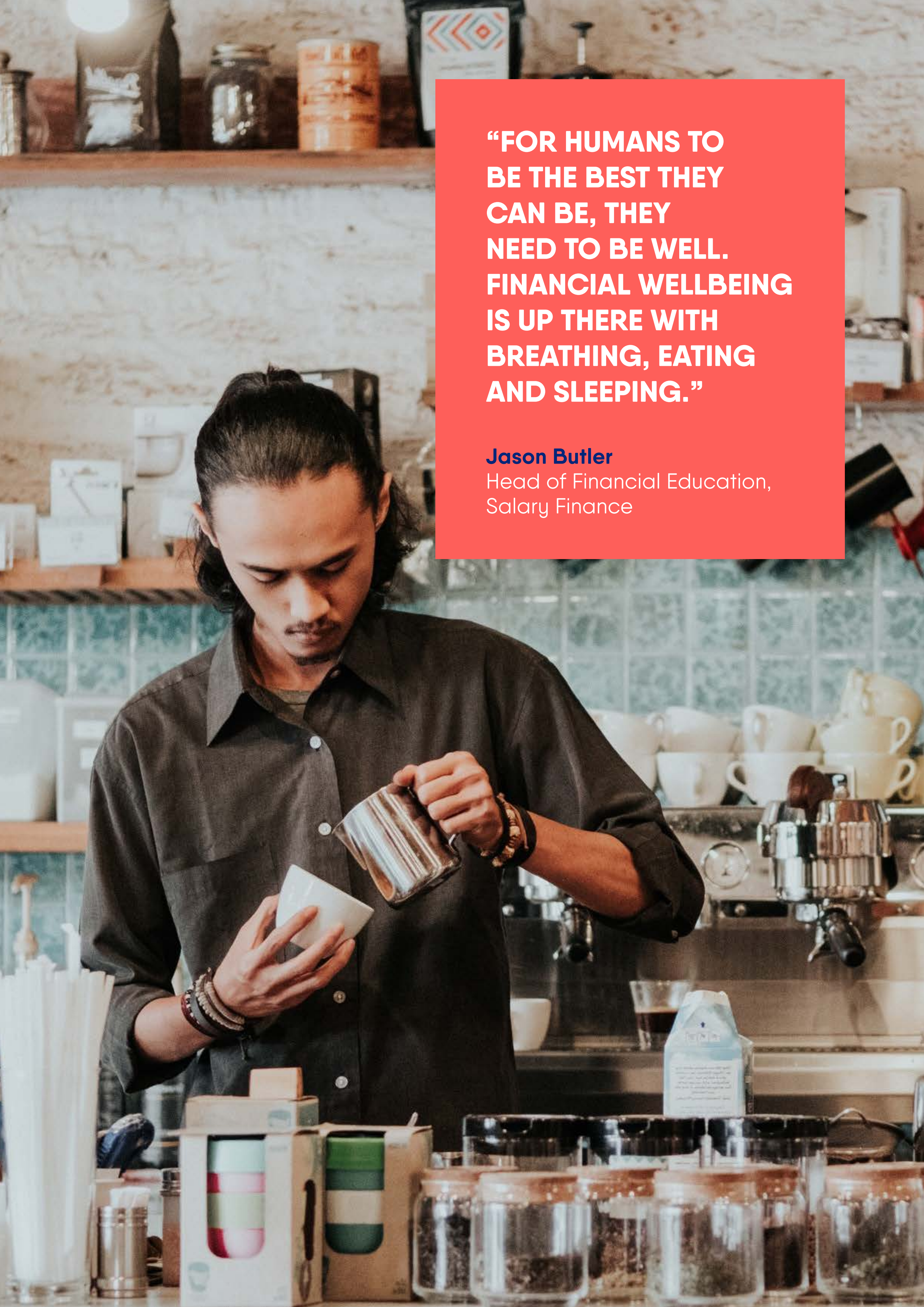
However, those with higher scores are more likely to go to banks and independent financial advisors. This is likely related to their degree of financial literacy and their level of comfort with each of the options. Those with lower financial literacy are less likely to go to banks and financial advisors. Online sources are equally popular with all levels of financial fitness.

AVG NUMBER OF SOURCES USED FOR FINANCIAL ADVICE



WHERE HAVE YOU GONE FOR FINANCIAL ADVICE?





“FOR HUMANS TO BE THE BEST THEY CAN BE, THEY NEED TO BE WELL. FINANCIAL WELLBEING IS UP THERE WITH BREATHING, EATING AND SLEEPING.”

Jason Butler
Head of Financial Education, Salary Finance

5.0 EMPLOYERS HAVE A ROLE TO PLAY IN THE FINANCIAL EDUCATION OF THEIR EMPLOYEES

45% of employees feel that their employer cares about them and their wellbeing, and 77% trust their employer to keep their personal financial situation private from their colleagues and manager.

This is good news because it suggests employees are open to employers helping them improve their Financial Fitness Score and make better money decisions. By providing various financial wellbeing benefits, employers can limit stress, decrease absenteeism and reduce staff turnover.

"Helping people become more financially aware and recognise the importance of saving for their future is an issue I have focussed on throughout my career. This comprehensive and detailed survey illustrates that we have come a long way in improving awareness of the importance of pensions. But much more needs to be done to improve financial literacy and understanding of the need to save.

It is welcome news that 47% of employees believe they either have a plan in place or have achieved some degree of financial freedom. Nevertheless, it is also clear that employees irrespective of their level of financial fitness, employees would like more help from their employers to better understand what options are available to them to save for the future and improve their financial wellbeing.

The concept of the Financial Fitness Score and Financial Fitness Improvement Toolkit can help employers assess the scale of concern among staff in their business and indicates how to take pragmatic action to improve the financial wellbeing of their employees. Financially fit employees should have lower money worries. This can reduce mental health problems, and lower costs for their employers. So there is something to gain for everyone. The case studies in this report speak for themselves and are a great first step to help identify what employers and employees can do to move up to the next level of financial fitness."

Baroness Ros Altmann

CBE, Former Pensions Minister

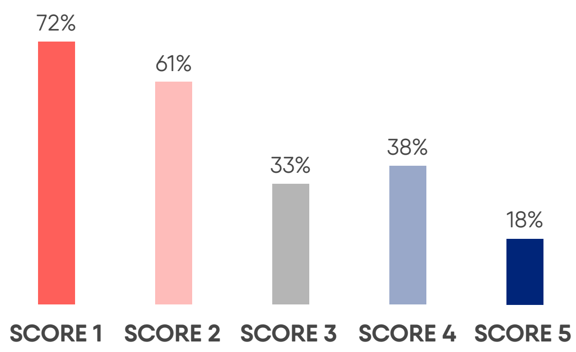
5.1 FINANCIAL WELLBEING BENEFITS THAT EMPLOYEES WOULD LIKE FROM THEIR EMPLOYERS

It is critical for employers to understand the detailed mix of Financial Fitness Scores within their organisation because there is significant variation in which are the most relevant benefits to roll out to colleagues depending on their current state of financial health and knowledge.

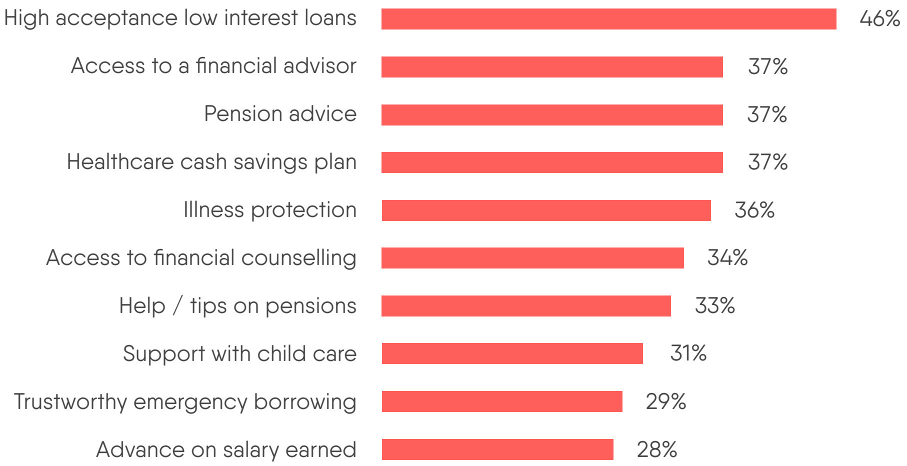
Understandably, a low cost loan from their employer is very valuable for those with lower Financial Fitness Scores but is still of value to those with higher scores.

The top 10 benefits required varies considerably by score.

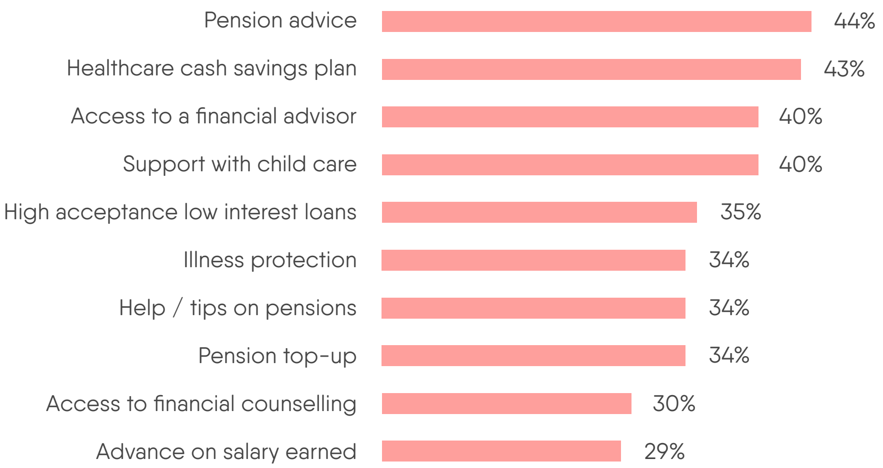
WHO WOULD VALUE A LOW-COST LOAN FROM THEIR EMPLOYER?



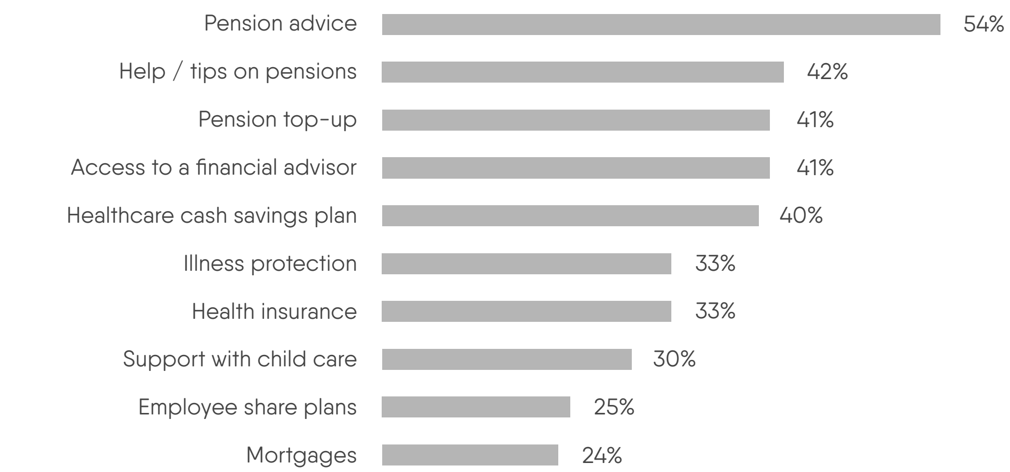
TOP 10 DESIRED BENEFITS FROM EMPLOYER – SCORE 1



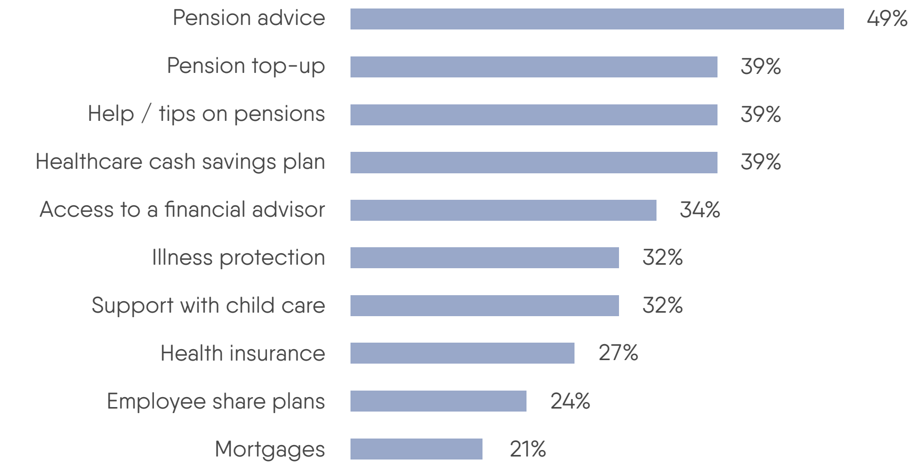
TOP 10 DESIRED BENEFITS FROM EMPLOYER – SCORE 2



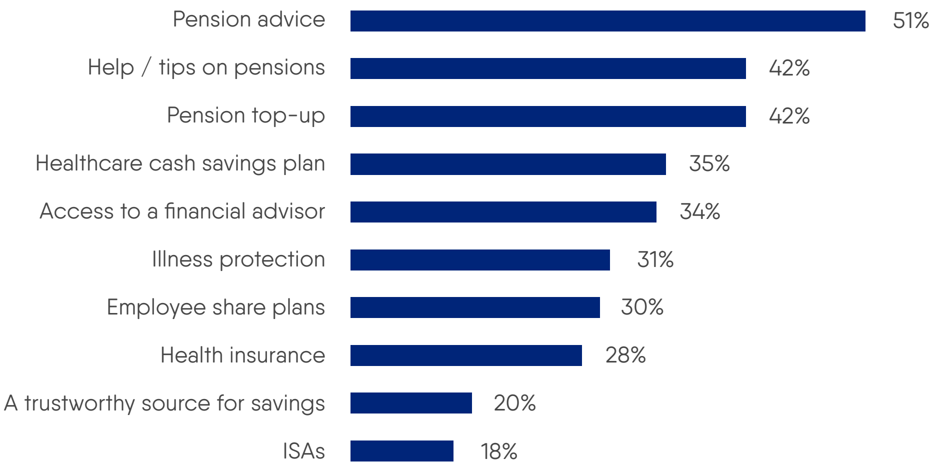
TOP 10 DESIRED BENEFITS FROM EMPLOYER – SCORE 3



TOP 10 DESIRED BENEFITS FROM EMPLOYER - SCORE 4



TOP 10 DESIRED BENEFITS FROM EMPLOYER - SCORE 5

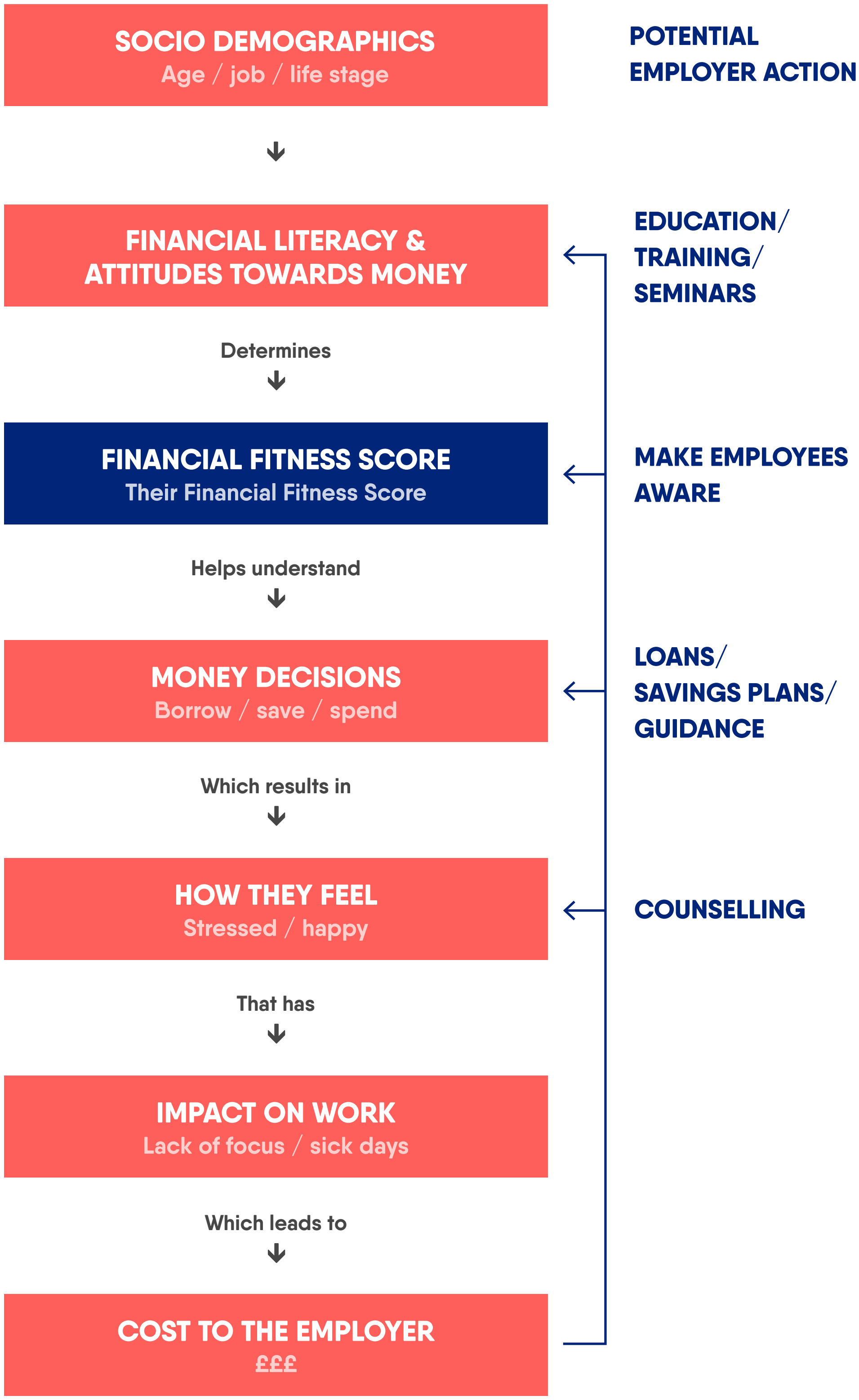


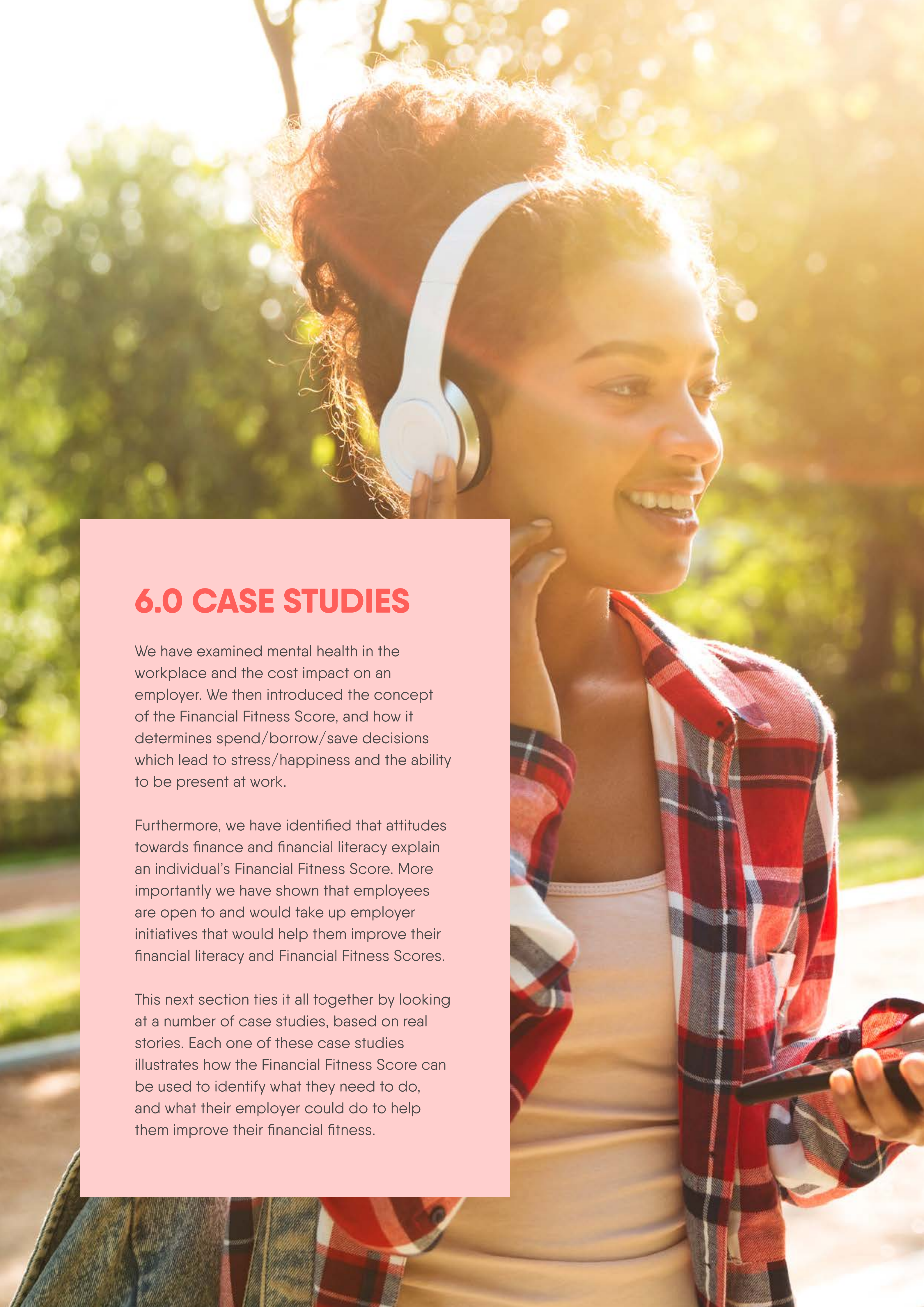
5.2 THE FINANCIAL FITNESS IMPROVEMENT TOOLKIT

Salary Finance has used this research to develop a 'Financial Fitness Improvement Toolkit' to help employers. The toolkit contains a series of questions that the business will ask their employees. Salary Finance will then analyse the responses and produce a report that will provide the following:

- A Financial Fitness Score KPI for their business
- How they benchmark vs other companies in their sector, and across the UK as a whole
- The impact of their current Financial Fitness Score on their business, lost hours, loss in productivity, increased absenteeism, increased staff turnover rate
- The distribution of Financial Fitness across their employee base (how many people are at each of the five scores of Financial Fitness)
- Specific actions that they can take to improve their Financial Fitness Score
- The likely effect, based on a worst/best case basis, of those actions on the Financial Fitness Score
- The bottom line impact (worst/best case basis) of those actions
- A mechanism for employers to prioritise actions, based on ROI, and set realistic achievable targets for their business

THE FINANCIAL FITNESS IMPROVEMENT TOOLKIT INTERVENTION MODEL



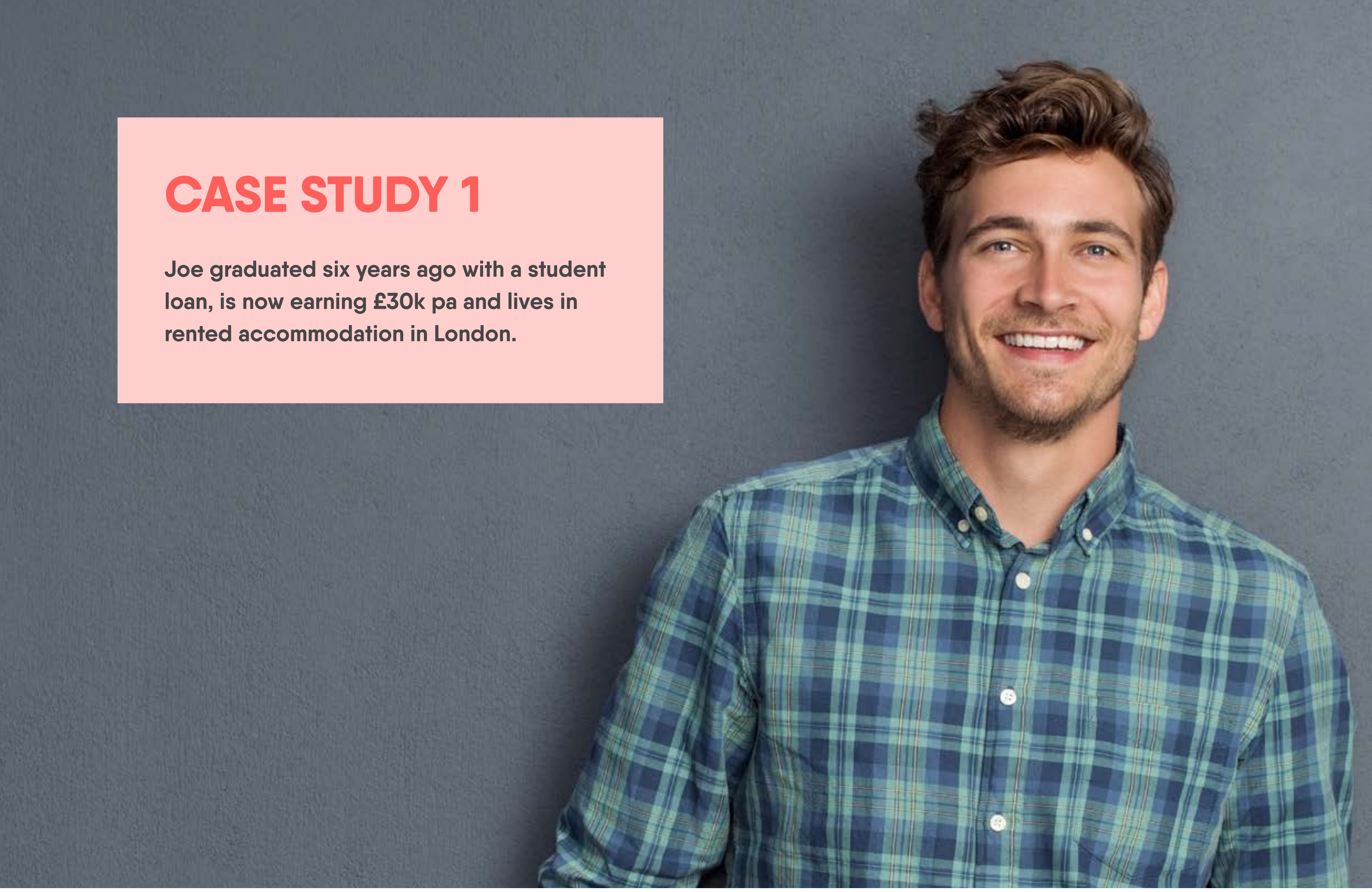


6.0 CASE STUDIES

We have examined mental health in the workplace and the cost impact on an employer. We then introduced the concept of the Financial Fitness Score, and how it determines spend/borrow/save decisions which lead to stress/happiness and the ability to be present at work.

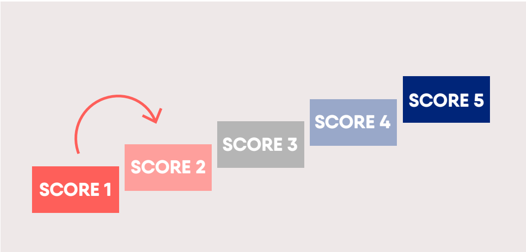
Furthermore, we have identified that attitudes towards finance and financial literacy explain an individual's Financial Fitness Score. More importantly we have shown that employees are open to and would take up employer initiatives that would help them improve their financial literacy and Financial Fitness Scores.

This next section ties it all together by looking at a number of case studies, based on real stories. Each one of these case studies illustrates how the Financial Fitness Score can be used to identify what they need to do, and what their employer could do to help them improve their financial fitness.



CASE STUDY 1

Joe graduated six years ago with a student loan, is now earning £30k pa and lives in rented accommodation in London.



Joe graduated six years ago with a student loan, is now earning £30k pa and lives in rented accommodation in London.

Joe frequently runs out of money before payday. He is paying cash to his landlord, and goes out to eat most nights, often meeting up with friends.

He has taken out a number of payday loans to ‘manage his cashflow’, but unfortunately he is finding that he has less and less cash at the end of the month. He has a Financial Fitness Score of 1.4.

WHAT JOE SHOULD DO

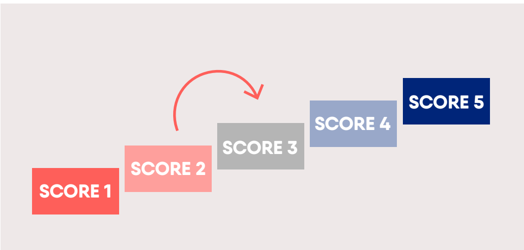
- **Learn how to budget**
- **Build an emergency fund through automating regular savings**
- **Check his credit score and identify how to improve it**
- **Focus on improving his human capital (income earning capability) through skills training**

WHAT HIS EMPLOYER COULD DO TO HELP

- **Let Joe attend a short financial wellbeing presentation or webinar that explains money basics**
- **Provide access to engaging online financial education material and tools**
- **Offer salary-deducted low-cost loans, as an alternative to payday loans**
- **Provide the facility to save in a deposit account via payroll deduction**
- **Support his training and development, possibly leveraging government financial assistance**

CASE STUDY 2

Elizabeth is a single parent with two children at school. She is working part-time on benefits and lives in social housing.



Elizabeth is a single parent, with two children at school. She is working part-time and lives in social housing.

She would say that '"I am barely managing". She never has more than a week's worth of expenditure as savings. It is difficult for her to treat the children, because everything, including going to the cinema, seems so expensive. She hasn't had a holiday since becoming a parent.

She has a credit card charging 41% APR and has borrowed to the limit. She doesn't know how she will repay the credit card debt. She has a Financial Fitness Score of 2.6

WHAT ELIZABETH SHOULD DO

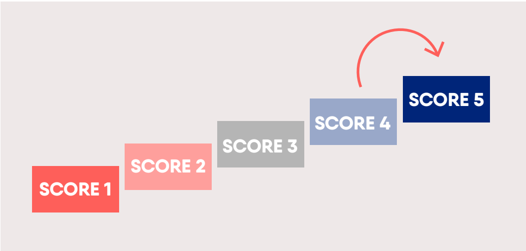
- Ensure she is spending within her means, understands budgeting and is getting all the state benefits to which she is entitled
- Check her credit score to see if it needs improving and review existing debt
- Make sure she has a will that states who would be guardian of her children in event of her death
- Ensure her death-in-service nomination is up to date and life cover is sufficient
- Open a Help to Save account to get a 50% uplift on any short term regular or ad hoc savings

WHAT HER EMPLOYER COULD DO TO HELP

- Make available money education insights and tools, including state benefits checker
- Send yearly reminders regarding death benefit nomination
- Offer a facility to increase death-in-service provision
- Offer salary-deducted low-cost loans, to pay off credit card debt
- Offer salary-deducted savings
- Offer access to a low-cost online will writing service

CASE STUDY 3

Rani has been working for a local authority since leaving school 15 years ago. She has a mortgage and three children at school. Her husband works as a delivery driver.



Rani has been working for a local authority since leaving school 15 years ago. She has a mortgage and three children at school. Her husband works as a delivery driver.

Rani and her husband are very good at planning. They look for the best holiday deals 6-9 months in advance. Rani starts her Christmas shopping in September and has also been known to go to Boxing Day sales for stocking fillers for next year.

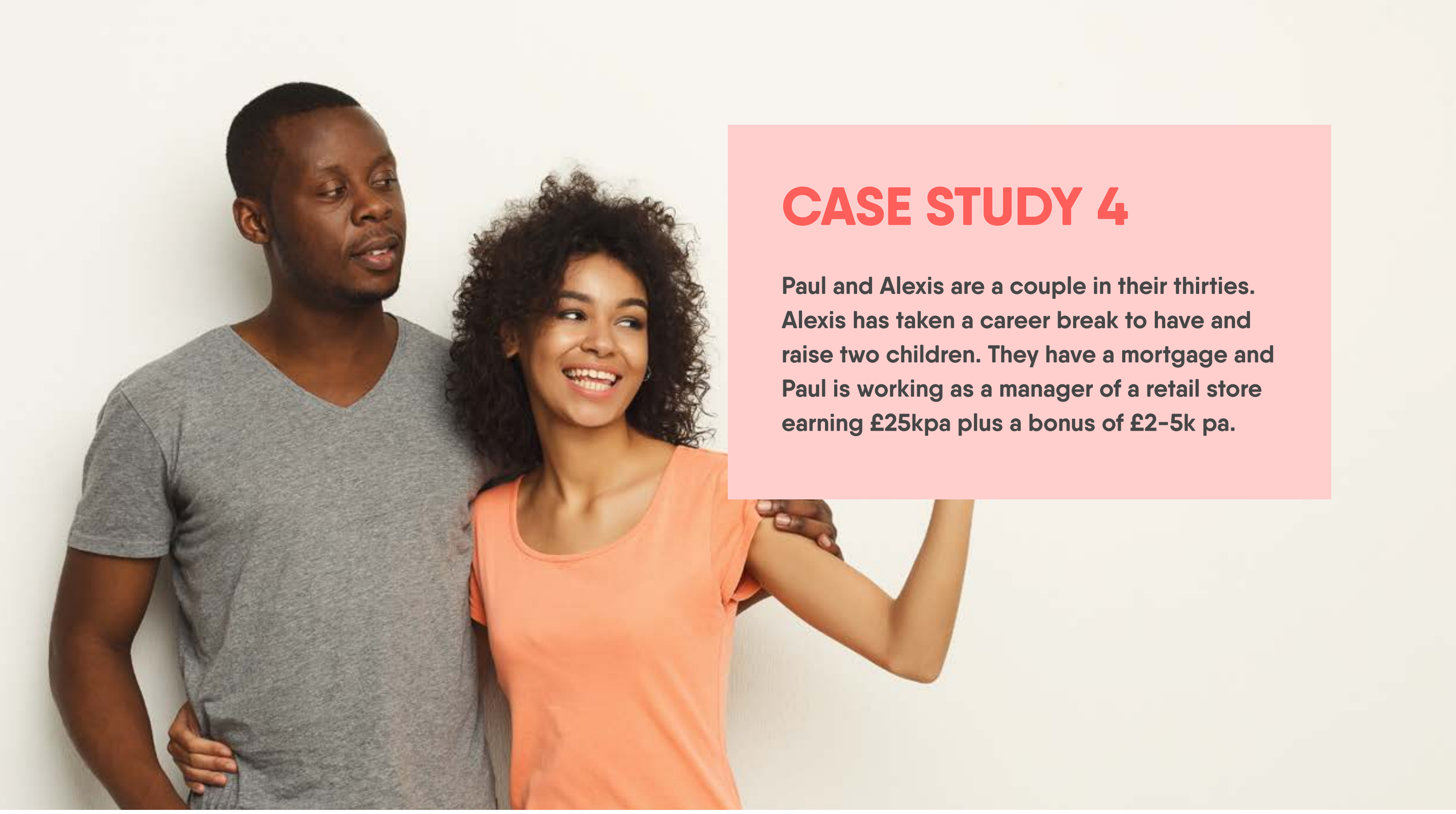
They use price comparison websites to make sure that they are always on the lowest cost utility, phone and cable TV plans and paying the lowest costs for insurance. They have a Financial Fitness Score of 4.2

WHAT RANI SHOULD DO

- Check her and husband's credit scores to see if either needs improving
- Review existing mortgage against the market
- Make sure she and her husband have a will
- Ensure her death-in-service nomination is up to date and life cover and income protection is sufficient
- Investigate cost of making up for any gaps in service (from maternity leave) for defined benefit pension entitlement

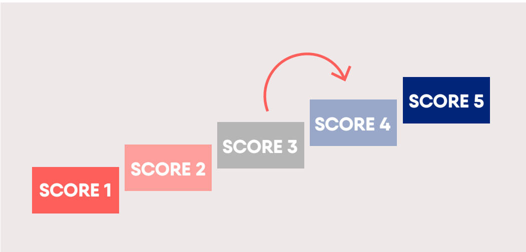
WHAT HER EMPLOYER COULD DO TO HELP

- Make available money education insights and tools, including state benefits checker
- Send yearly reminders for death benefit nomination
- Offer a facility to increase death in service and income protection provision
- Remind her of the potential to increase pension benefits
- Offer access to a low-cost online will writing service and a panel of mortgage brokers/advisers
- Offer salary-deducted savings



CASE STUDY 4

Paul and Alexis are a couple in their thirties. Alexis has taken a career break to have and raise two children. They have a mortgage and Paul is working as a manager of a retail store earning £25kpa plus a bonus of £2-5k pa.



Paul and Alexis are a couple in their thirties. Alexis has taken a career break to have and raise two children. They have a mortgage and Paul is working as a manager of a retail store earning £25kpa plus a bonus of £2-5k pa.

They are finding it very tough with the drop in income. They have now maxed out their credit cards and have less than a month's spending in savings. They have a Financial Fitness Score of 3.2

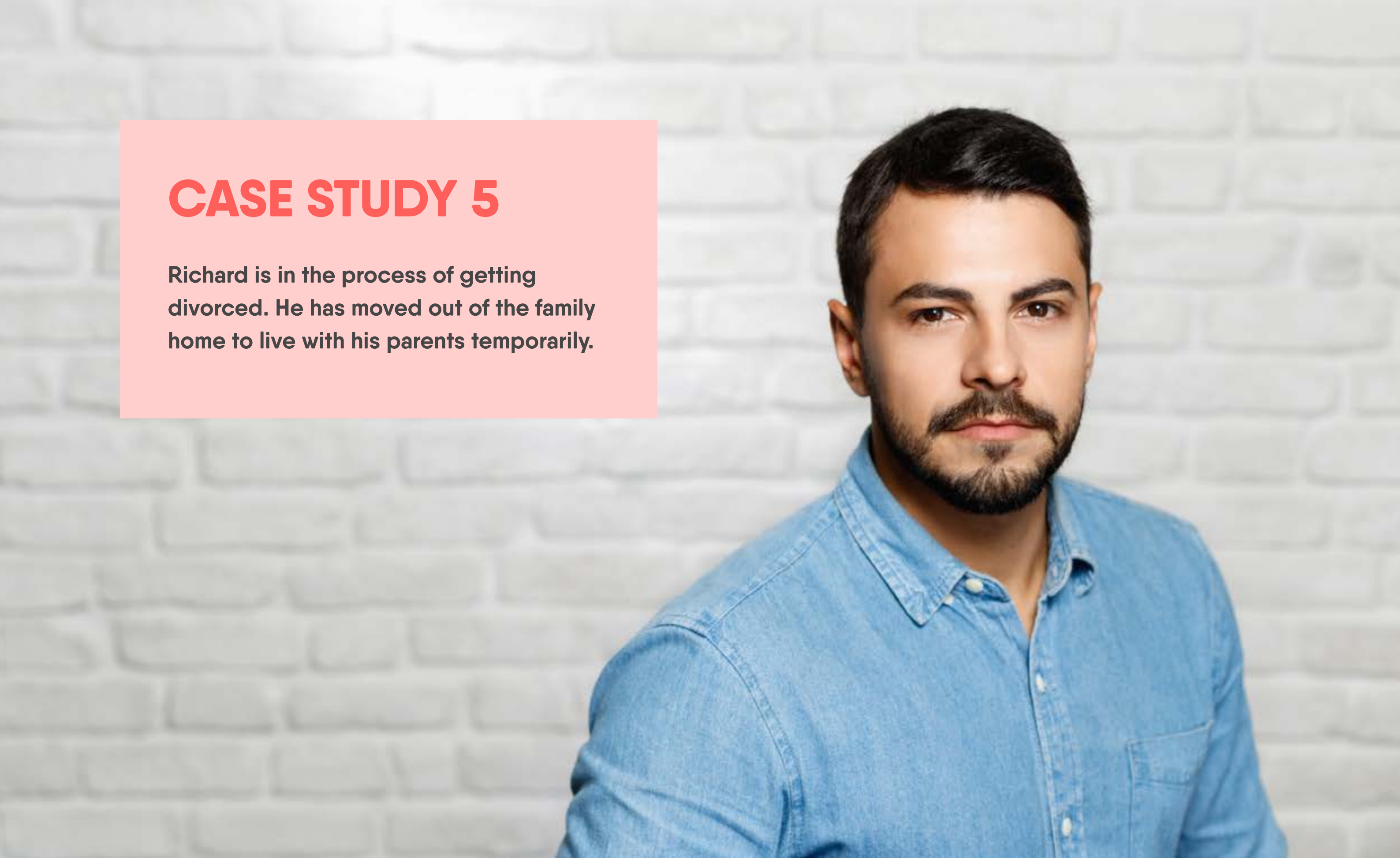
They will need to adjust their lifestyle, have fewer nights out and less expensive holidays. Otherwise they are in danger of decreasing their Financial Fitness Score.

PAUL & ALEXIS SHOULD DO

- **Ensure they are spending within their means, understand budgeting and are getting all the state benefits to which they are entitled**
- **Replace existing credit card debt with a salary-deducted low-cost loan**
- **Check their credit score to see if it needs improving and review existing mortgage debt**
- **Ensure Paul's death-in-service nomination is up to date and life cover and income protection is sufficient**
- **Check entitlement to free childcare and whether tax free childcare scheme is appropriate**
- **Check if they qualify to open a Help to Save account**

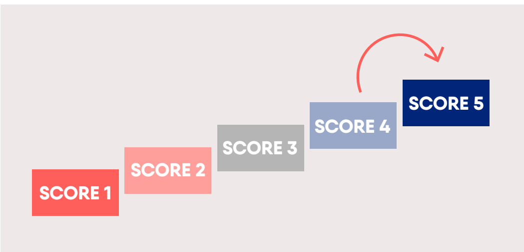
WHAT THEIR EMPLOYER COULD DO TO HELP

- **Make available money education insights and tools, including a state benefits checker**
- **Offer free personal money coaching and/or group workshops**
- **Send yearly reminders regarding death benefit nomination**
- **Offer a facility to increase death-in-service and income protection provision**
- **Offer salary-deducted low-cost loans and savings**
- **Offer access to a low-cost online will writing service**



CASE STUDY 5

Richard is in the process of getting divorced. He has moved out of the family home to live with his parents temporarily.



Richard is in the process of getting divorced. He has moved out of the family home to live with his parents temporarily.

In the process of seeking rented accommodation he found out that his credit history has been negatively affected by his estranged wife's financial behaviour since the breakup. He has always held a job and never missed a single payment on anything.

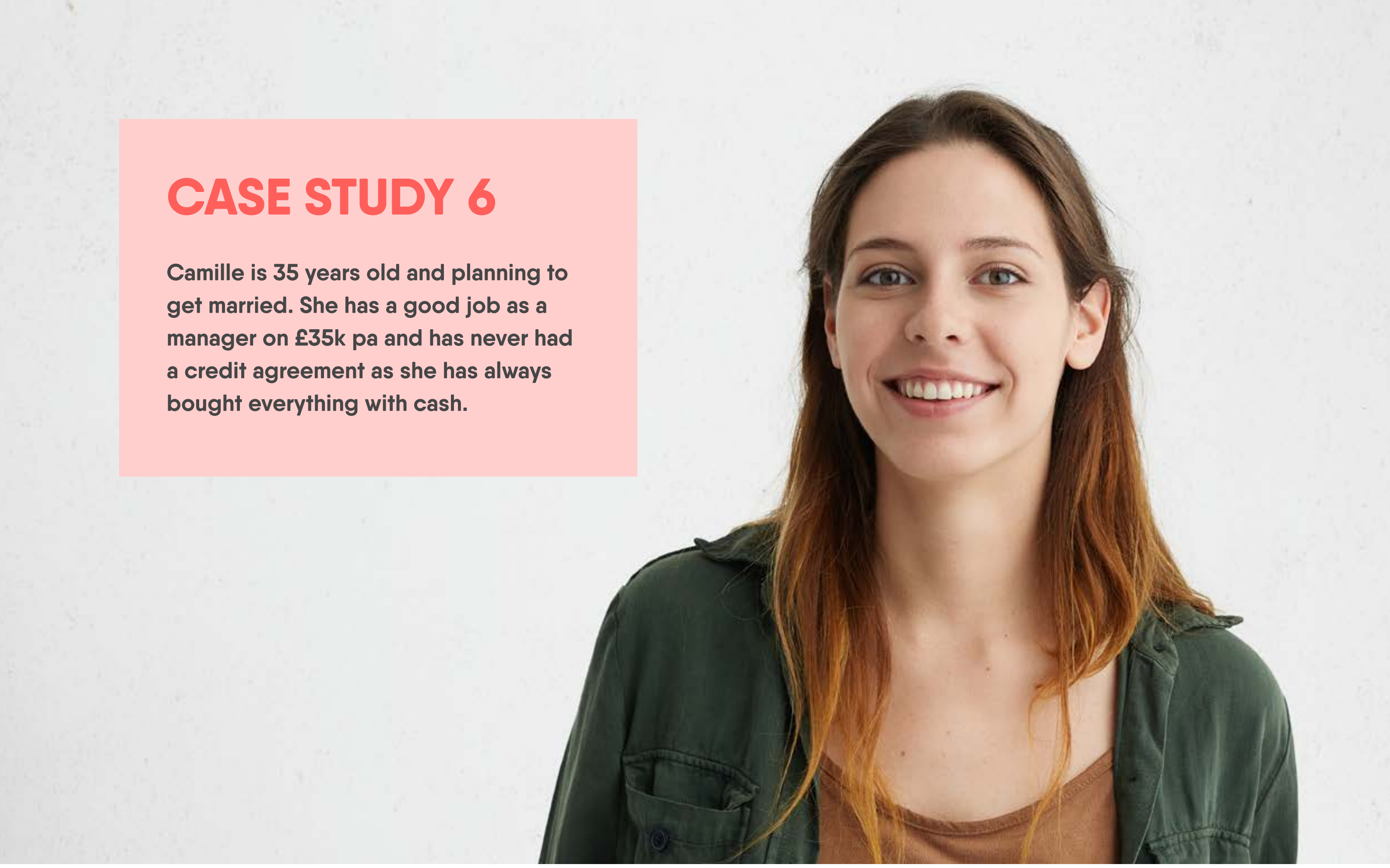
His Financial Fitness Score is 4.1. There is a danger that, if he doesn't resolve his credit score issue and start a fresh financial plan, he will see a drop in his Financial Fitness Score.

WHAT RICHARD SHOULD DO

- Contact credit reference agencies to advise the date he left the family home, so they can update his record
- Build cash savings towards possible home purchase deposit
- Create a new will to reflect post-divorce status
- Review financial position in light of divorce financial settlement
- Check tax code is correct
- Ensure his pension death in service nomination reflects his post-divorce status

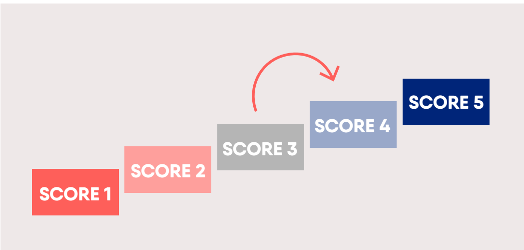
WHAT HIS EMPLOYER COULD DO TO HELP

- Make available money education insights and tools
- Offer the facility for him to pay for personal financial advice fees of up to £500 per annum through salary sacrifice
- Offer salary-deducted savings
- Offer access to virtual money coaching or counselling service
- Offer access to a low-cost online will writing service



CASE STUDY 6

Camille is 35 years old and planning to get married. She has a good job as a manager on £35k pa and has never had a credit agreement as she has always bought everything with cash.



Camille is 35 years old and planning to get married. She has a good job as a manager on £35k pa and has never had a credit agreement as she has always bought everything with cash.

She's realised that she has no credit history but needs to fund her wedding and home purchase.

Her Financial Fitness Score is 3.9 but could be higher had she started to plan earlier.

WHAT CAMILLE SHOULD DO

- Understand how to budget
- Build cash savings for short-term goals through automating regular savings
- Check her credit score
- Take out a credit card with a low limit and transfer some regular spending to it, which is repaid each month, to build a credit history
- Consider saving into a Lifetime ISA to get a free bonus towards home purchase
- Investigate options for short-term borrowing to bridge any funding gap for short-term goals

WHAT HER EMPLOYER COULD DO TO HELP

- Let her attend a short financial wellbeing presentation or webinar that explains money basics
- Provide access to online financial education
- Offer the facility for her to pay for personal financial advice fees of up to £500 per annum through salary sacrifice
- Offer salary-deducted low-cost loans and savings
- Provide access to a panel of mortgage brokers

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