US EDITION

THE EMPLOYER'S GUIDE TO FINANCIAL WELLNESS

2019

SALARY FINANCE

INDEX

1.0 EXECUTIVE SUMMARY

- We commissioned an independent survey of 10,484 US employees across 26 industry sectors, the survey found that 48% of employees have money worries
- Employees with money worries are 8.1 times more likely to have sleepless nights, 5.8 times more likely not to finish daily tasks, 4.3 times more likely to have troubled relationships with work colleagues and 2.2 times more likely to be looking for a new job
- Those with money worries are more likely to suffer from poor mental health. They are 4.0 times more likely say that they feel depressed and 3.4 times more likely to say they suffer from panic attacks
- The cost of this in terms of lost productivity and greater staff turnover equates to 11-14% of total salary cost for the employer, or almost $500 billion[1] annually for corporate America as a whole
- An analysis of the data led us to develop the Financial Fitness Score, which is an objective measure of financial wellness based on responses to 10 behavioral questions concerning one's spending, saving and borrowing habits
- The Financial Fitness Score spectrum ranges from 1 to 5. An individual with a score of 1 is broadly defined as "Struggling," 2 as "Coping," 3 as "Building," 4 as "Planning" and 5 as "Prospering"
- An employer's Financial Fitness Score is defined as the average score of their employees
- One might expect that the individual Financial Fitness Score would be a normal (or skewed normal) distribution – just like it is for salary income distribution – but that is not the case. The Financial Fitness Score exhibits a bi-modal distribution with two distinct peaks: One for the Coping cohort (34% of US employees) and another for the Planning cohort (38% of US employees). This indicates that we do not have a single population, but rather two unique ones: A population of natural Copers and a population of natural Planners
- 71% of Copers have financial worries, compared to only 22% of Planners. Copers are much more likely to suffer from mental health issues related to financial stress than Planners. More specifically, anxiety and panic attacks affect 50% of Copers, but only 22% of Planners. The trend is the same with depression (39% for Copers; 16% for Planners) and sleepless nights (58% for Copers; 18% for Planners)
- Financial wellness has a very different meaning for a Coper than a Planner. This has profound implications for employers when it comes to their financial wellness strategy formulation and implementation
- The findings from the research in this guide can help employers develop a robust business case and financial wellness strategy that takes into consideration the Financial Fitness Scores of their employees

2.0 INTRODUCTION

Two of the most pressing HR issues for employers are productivity and retention, which are critical to growth and profitability. Similarly, companies are more successful when their employees are engaged, energized and feel a sense of alignment to the purpose of their employer. But in order for employees to achieve the motivation necessary for an organization to grow, they must feel emotionally, mentally and physically well, and believe that their employer genuinely cares about their wellness.

Recently, employers' roles in improving the "financial wellness" of their employees has made it on to the management priority list. Despite the interest in helping employees improve financial wellness, it has been difficult for employers to create a robust business case that quantifies the effect that employees' poor financial wellness has on an organization and create a financial wellness strategy that creates measurable impact. Our questionnaire, report and model aims to address this. Our questionnaire supports the development of a quantitative analytical model that allows employers to identify the scale of the financial wellness problem in their organizations and benchmark themselves against their peer group.

The independent survey and report were developed in consultation with Dr. Annie Harper, a Yale University researcher who focuses her research on behavioral health and household finance, particularly in regard to how people cope with financial difficulties.

Salary Finance partners with employers to develop and implement financial wellness strategies, and provide salary linked financial products, that reflect the needs of their diverse workforces.

2.1 THE FINANCIAL FITNESS SCORE

The study yielded some unexpected findings. It is unsurprising that a lack of financial wellness and money worries, and the likelihood of running out of money are highly correlated. In fact, an average of 34% of US employees regularly run out of money before payday. However, an astonishing 26% of US employees who earn more than $160,000 annually regularly run out of money before payday. This tells us that income isn't enough to stave off financial stress and pay rises aren't necessarily the solution to financial wellness.

Our conclusion is that financial wellness 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 behavioral questions. From these 10 questions, we derive a Financial Fitness Score from 1 to 5 for any individual. One's Financial Fitness Score is not necessarily correlated to salary; 40% of people with an annual income of $100,000 or more have a Financial Fitness Score of 3 or lower.

We found that 91% of US employees scoring a 1 worry about their finances, while only 12% of US employees scoring 5 worry about finances. The higher the Financial Fitness Score, the greater the financial wellness.

THE FINANCIAL FITNESS SCORE IS INTUITIVE & EASY TO UNDERSTAND:

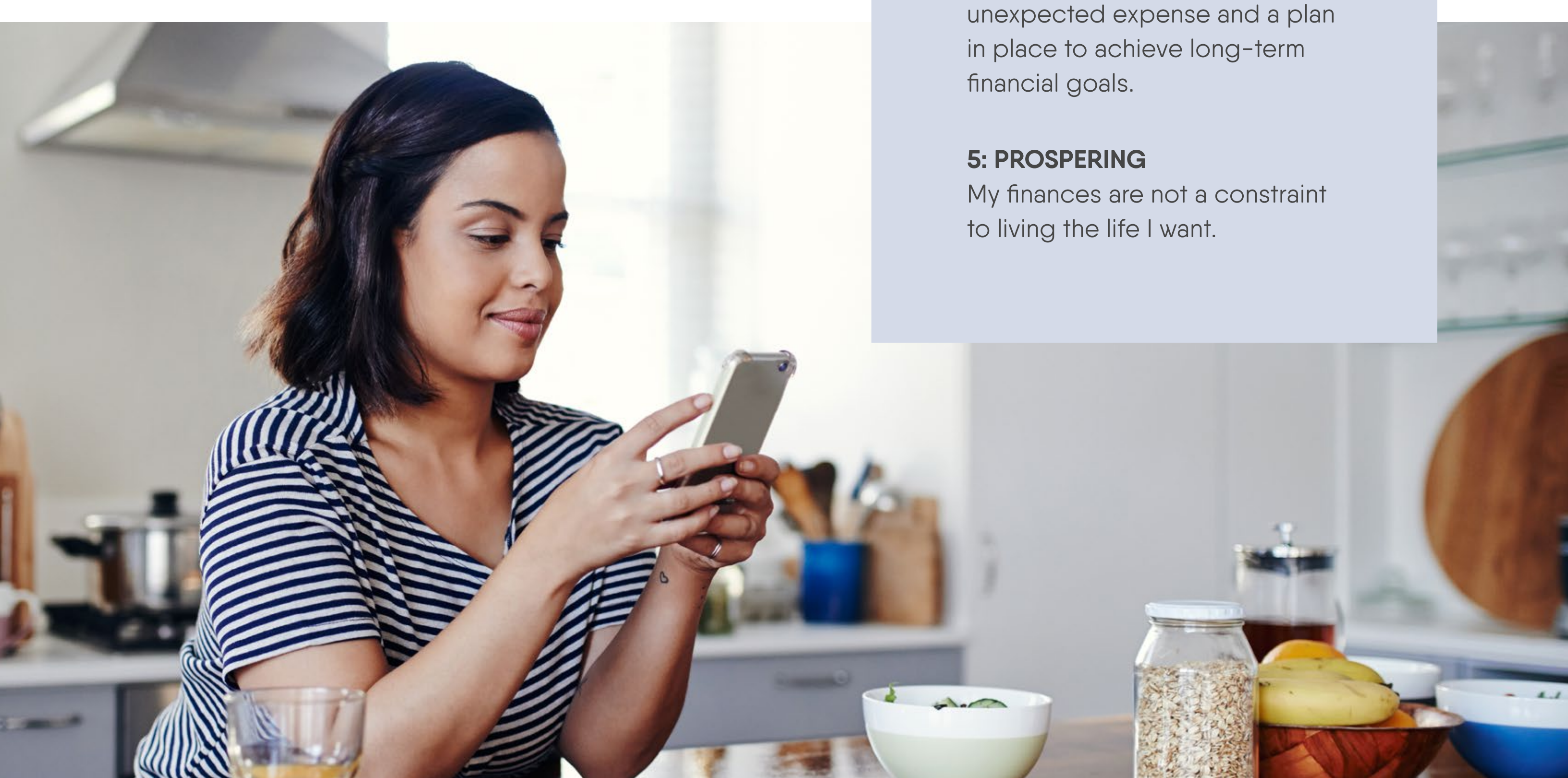
1: STRUGGLING
I often run out of money before payday.

2: (JUST) COPING
I have virtually no savings and don't have enough to spend on life's little luxuries (e.g. new pair of sneakers, taking the kids to an amusement park, an evening out etc.) that I enjoy doing without feeling guilty.

3: BUILDING (RESILIENCE)
I have some savings, but less than three months, so don't have sufficient resilience to deal with life's unexpected expenses (e.g. new transmission on a car, a medical bill, etc.)

4: PLANNING
I have more than 3 months of savings to cope with an unexpected expense and a plan in place to achieve long-term financial goals.

5: PROSPERING
My finances are not a constraint to living the life I 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 and higher absenteeism. They are also more likely to leave their job.

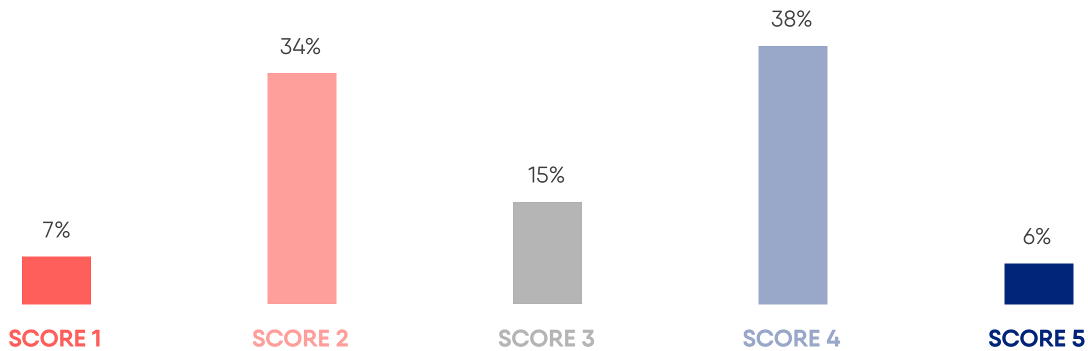
One would expect that the Financial Fitness Score would follow a normal distribution, as is the case of salary and income level. However, what we see in the survey results is a bi-modal distribution where there are two peaks, one at 2 (34% of US employees) and one at 4 (38% of US employees).

To illustrate how a bi-modal distribution works, think about book prices on Amazon.com; there is a peak at $25 and another at $10. The $25 peak is the average price for hardcovers and that at $10 is for paperbacks. A paperback is not a hardback and vice-a-versa. So, when we encounter a bi-modal distribution, we are not looking at a single population, but two distinct populations super-imposed.

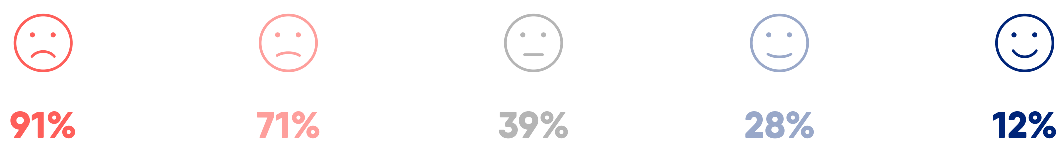
The Financial Fitness Score is similar. When it comes to dealing with personal finances, there are natural 2s who are "Coping" and there are natural 4s who are "Planning."

A "4" is an individual that understands and embraces the concept of capital accumulation and deferred gratification, whereas a "2" would prefer to spend rather than save.

% OF EMPLOYEES AT EACH FINANCIAL FITNESS SCORE



% OF THOSE WORRIED ABOUT FINANCES AT EACH SCORE



In general, financial worries for US employees become less the more they earn. On average 40% of those that earn $160-200k annually have financial worries, compared to 58% of those that earn $25-40k. However, 30% of those that earn $160-200k have a Financial Fitness Score of 2, and 71% of those have financial worries. So, if you are a 2 it doesn't matter how much you earn, you will still have financial worries. It's not income level that is keeping those 2s that earn $160-200k a 2, rather it is their spending, borrowing and saving habits. More money for a 2 means that a 2 will spend more; they don't suddenly start saving more. Conversely, a 4 saves more as he or she earns more; their spending levels may not increase. Helping 2s become 4s is the real issue.

A Financial Fitness Score can help both employees and employers identify what can be done to help improve an individual's financial fitness. Employers can tailor their benefits programs to meet the specific needs of their employee base. Those who score 1 or 2 may benefit from weekly budgeting, tips to save a little extra and in some cases from salary increases. Whereas those scoring 4 want help on figuring out how to maximize their retirement savings.

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' scores. It can be used to measure the effectiveness of any programs that an employer chooses to implement.

More critically, an employer can now determine which financial wellness 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 improve the overall financial wellness of their employees, helping them improve their individual scores and, consequently, increasing the average Financial Fitness Score for the entire organization.

Those businesses with a higher-than-average Financial Fitness Score will have fewer employees suffering stress due to financial worries and be better positioned to succeed in tomorrow's economy.

71% OF THOSE WHO HAVE A FINANCIAL FITNESS SCORE OF 2 "COPERS" HAVE FINANCIAL WORRIES.

3.0 THE RELATIONSHIP BETWEEN FINANCIAL WELLNESS & MENTAL HEALTH

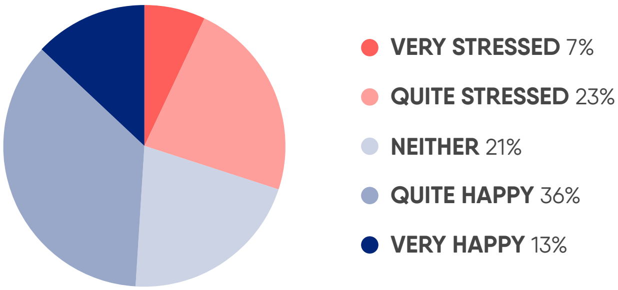
In this section, we look at the overall wellness of an employee and then the individual contributors to wellness: Relationships, career, health and money/finance. We then focus on money worries and financial wellness, and examine their effects on mental health. The final element of this section quantifies the impact of financial wellness on the employer.

3.1 US EMPLOYEES OVERALL WELLNESS

We asked: How would you describe your overall sense of wellness? Respondents could answer in one of five ways:

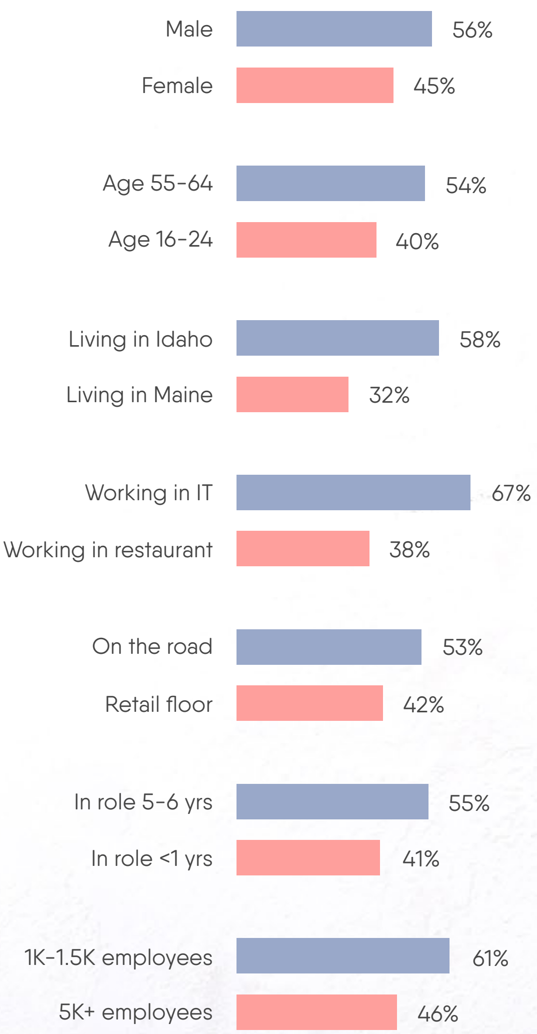
- Very stressed
- Quite stressed
- Neither stressed nor happy
- Quite happy
- Very happy

% OF EMPLOYEES WHO ARE HAPPY/STRESSED



Overall, US employees are happy. 49% of the 10,484 employees state that they are "quite happy" or "very happy," with only 30% stating that they were quite or very stressed.

% OF EMPLOYEES WHO WERE QUITE OR VERY HAPPY



3.2 MONEY WORRIES ARE THE GREATEST CONTRIBUTOR TO STRESS

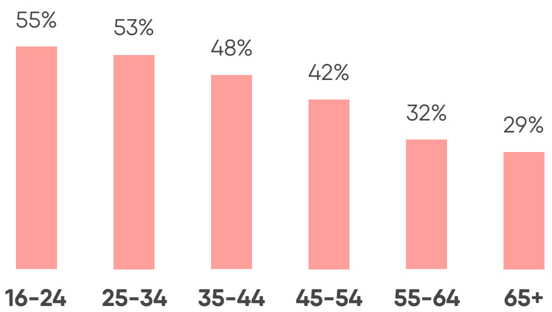
We asked whether or not they were happy or had worries in the following areas of their lives: Relationships (outside of work), health, career and finances.

Interestingly, money and finance are the largest causes of worry, with women worrying more about these than men. Both men and women worry equally about relationships, careers and health.

Age is the key defining factor characterizing 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.

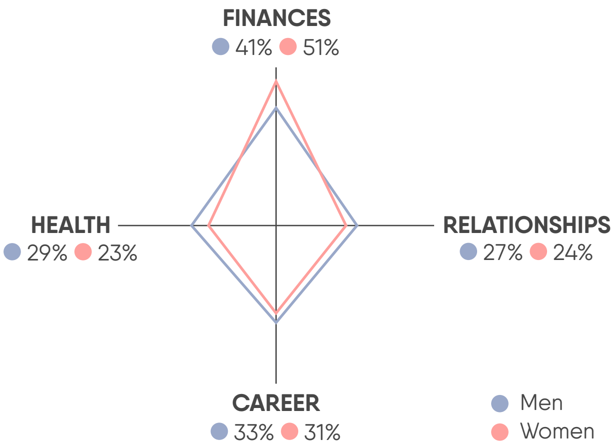
The level of financial worry drops dramatically for the 55+ age group. The 16-34 age group has the greatest level of money worries. Not surprisingly, this sector is more likely to have student debt and use a large proportion of their income for housing costs.

% OF EMPLOYEES WHO HAVE MONEY WORRIES BY AGE

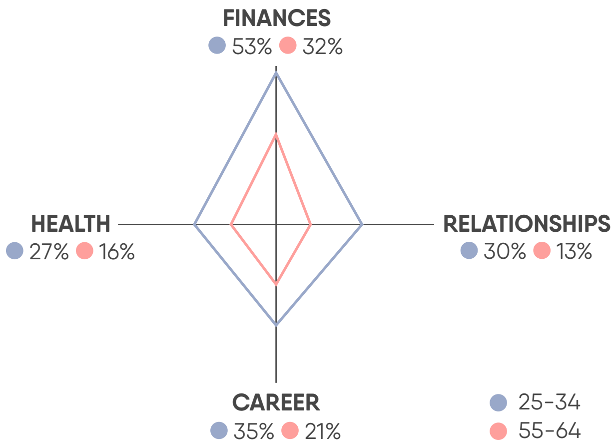


WORRIES BY AREA OF LIFE

MEN VS WOMEN

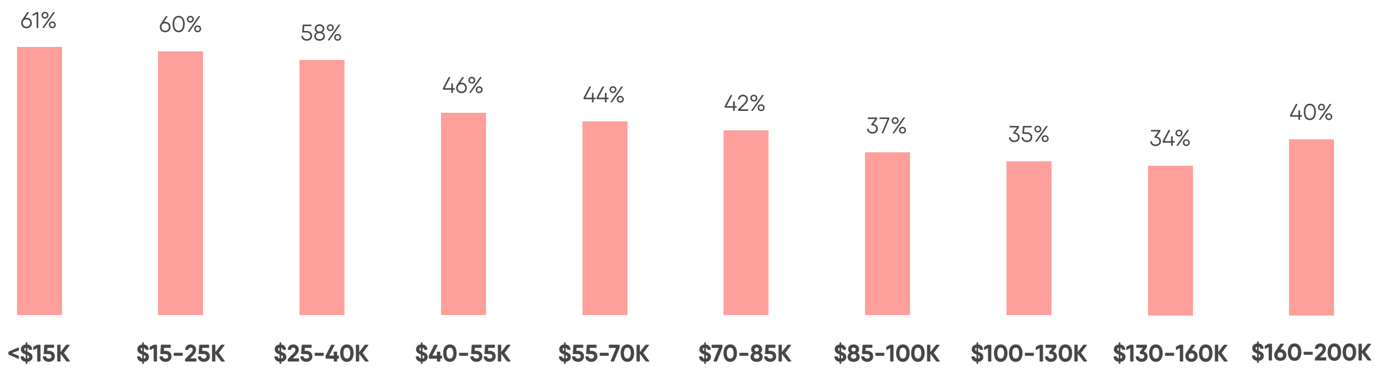


AGE 25-34 VS 55-64



We looked at whether financial worries are correlated with salary levels. There is a relationship, but it is not linear. There is a big drop in money worries once one earns above $40k. Interestingly, the median salary level in the US is $37,960. This suggests a need for employers who have lower paid workers to consider whether the lower salaries are contributing to employees' poor financial wellness, and potentially to drops in productivity and retention levels. We explore worry, income levels, debt levels and attitudes towards spending later in this report.

FINANCIAL WORRIES BY INCOME

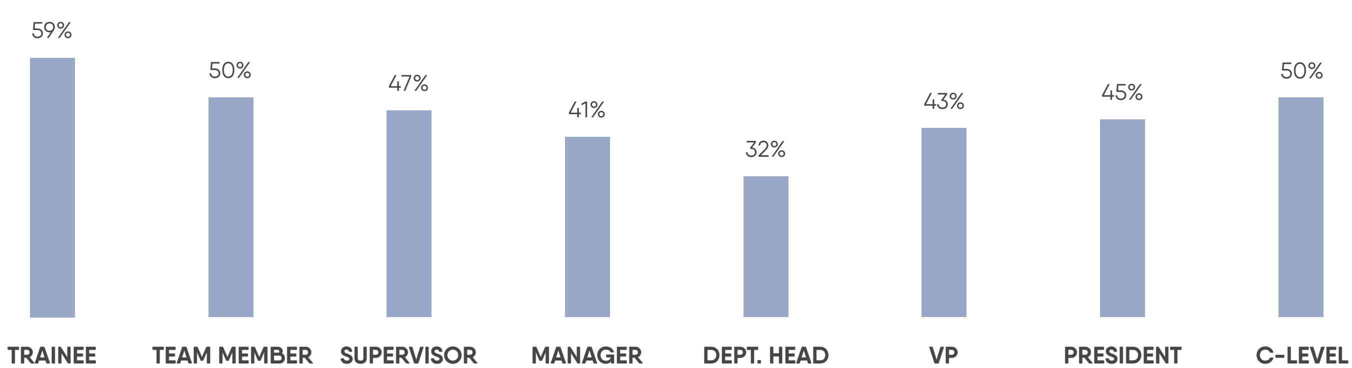


We also looked at money worries and job titles. The relationship was surprising. Trainees have the highest percentage of money worries, presumably because they have low wages and a high level of job uncertainty.

These worries drop as workers become senior, with heads of departments having the lowest level of money worries. But as one climbs the rank to vice president, money worries begin to rise and those at the C-level experience more money worries than the average of all US employees.

One possible explanation is that at the VP level and up, one may become more reliant on the annual performance bonus, and their lifestyle and expense levels may be anticipating a level of bonus that may or may not come. More of this when we come to attitudes towards spending.

FINANCIAL WORRIES BY JOB TITLE



Those with financial worries are:

3.4x

More likely to feel anxious and be prone to panic attacks

4.0x

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

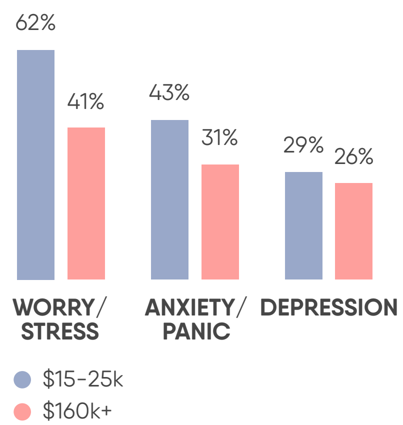
3.3 FINANCIAL WELLNESS & MENTAL HEALTH

We were interested to discover the impact of financial and money worries on mental health. We asked employees the extent to which they strongly disagreed to strongly agreed on a five-point scale to the following three statements related to mental health:

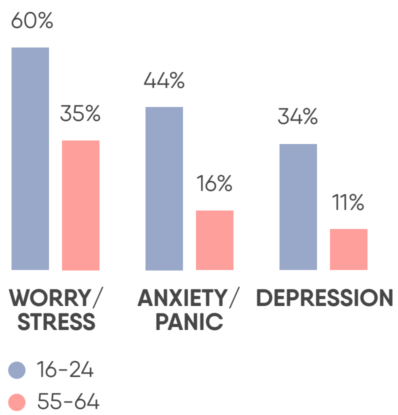
- I feel worried and stressed
- I feel anxious and am prone to panic attacks
- I feel depressed and find it difficult to carry on with life

We compared differences between ages, earnings and levels 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 wellness.

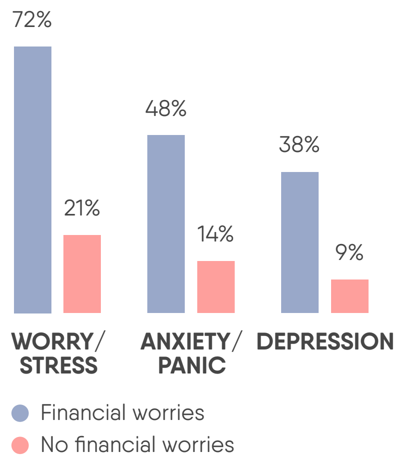
LOW VS HIGH EARNERS



OLD VS YOUNG



FINANCIAL WORRIES



3.4 THE COST TO EMPLOYERS OF POOR FINANCIAL WELLNESS

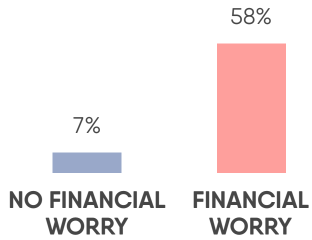
We asked a number of questions regarding the effect money worries have on sleep and work productivity, including:

- I have sleepless nights because of money worries
- My personal money worries make it difficult to complete 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

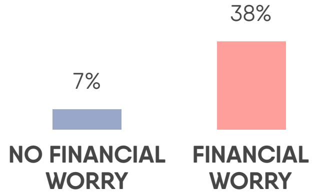
We also asked how they felt about work and whether they are planning to leave in the next 3-12 months.

Those who have financial worries are 8.1 times more likely to have sleepless nights. These same individuals are 5.8 times more likely not to finish daily tasks on time, 4.9 times more likely to experience diminished work quality and 4.3 times more likely to have troubled relationships at work.

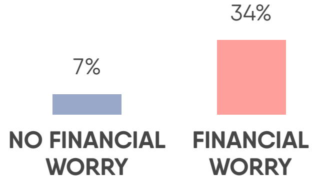
% SLEEPLESS NIGHTS DUE TO MONEY WORRIES



% NOT FINISHING DAILY TASKS



AFFECTED QUALITY OF WORK

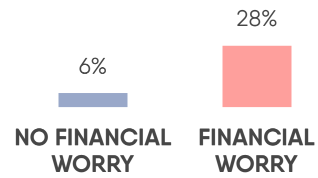


We also asked respondents whether they are satisfied with their jobs and if they plan to leave in the next 3-12 months. Continued stress, struggling to complete tasks on time, absenteeism and troubled relationships contribute to increased employee turnover, with financially worried employees 2.2 times more likely to seek a new job opportunity than those who do not have money worries.

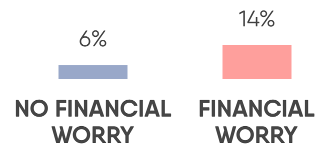
A recent Harvard Kennedy School study[2] reported that the cost of losing an employee is 16-20% of annual salary[3]. This includes the combination of recruitment, on-boarding and training costs, lost productivity, and impact on staff morale. The same study concluded that offering salary-linked loans used for debt consolidation reduces employee turnover rate (70-75% of those who take out a loan with Salary Finance state that the loan will be for debt consolidation).

Putting all this together, the lack of financial wellness costs the average employer 11-14% of their total payroll expense. The cost to all US employers with 143 million[1] employees (of which 48% have financial worries) is $500b annually or a staggering 2.5%[4] of GDP.

RELATIONSHIPS AT WORK AFFECTED



LOOKING FOR NEW JOB



Those with financial worries are:

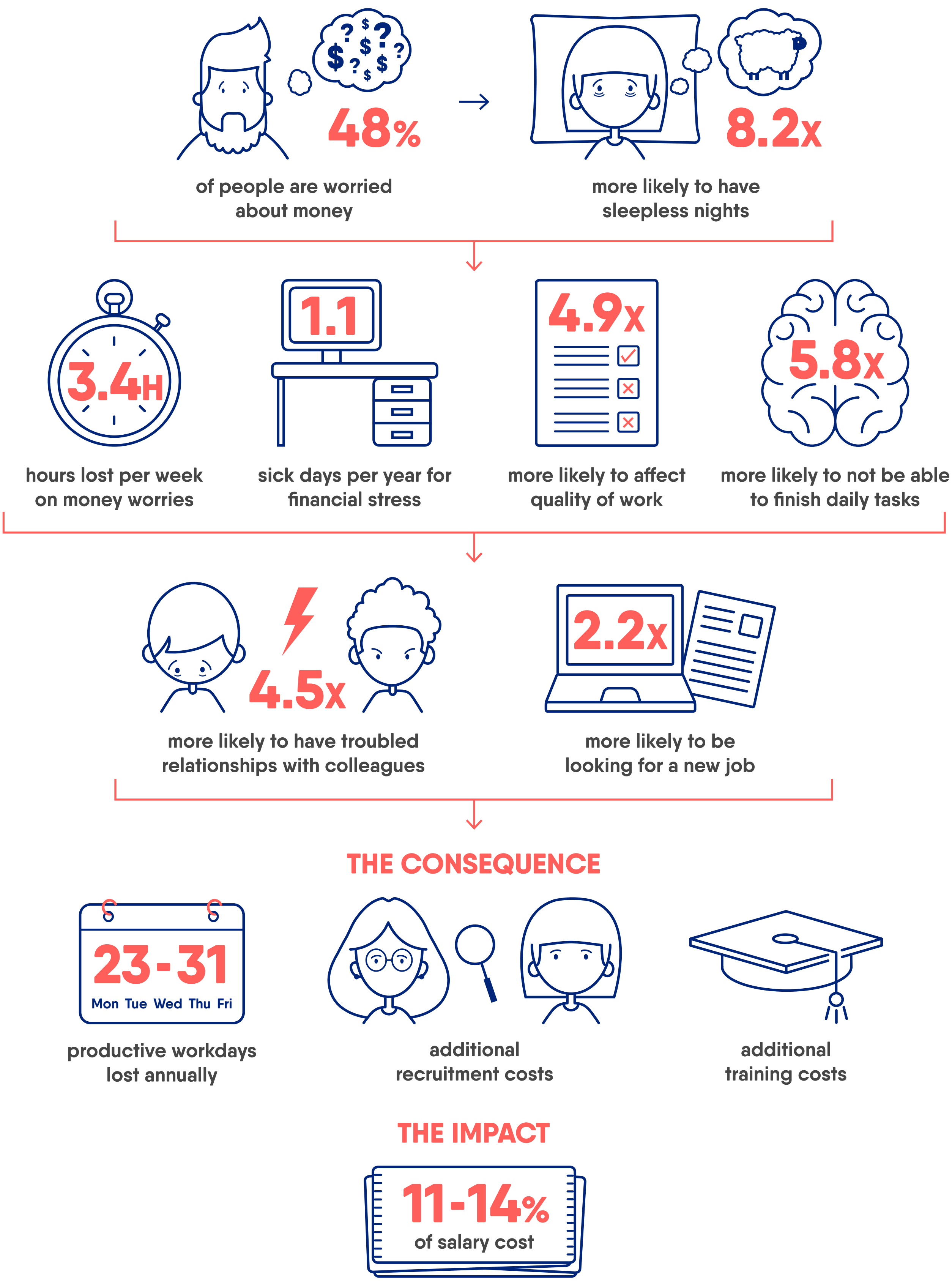
4.3x

More likely to have troubled relationships with colleagues

2.2x

More likely to be looking for a new job

THE COST TO EMPLOYERS OF POOR FINANCIAL WELLNESS

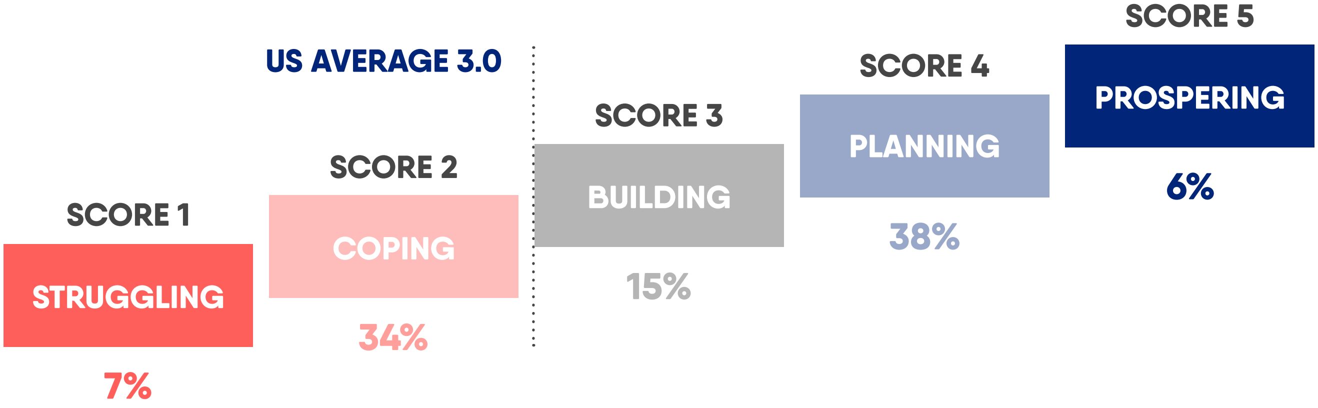


4.0 THE FINANCIAL FITNESS SCORE IS A WAY TO UNDERSTAND & IMPROVE FINANCIAL WELLNESS

In the past, it has been difficult to create a robust business case for financial wellness, scientifically figure out which wellness benefits have the biggest impact on employees and measure the ROI of those initiatives.

To address this issue, we developed the Financial Fitness Score, a quantifiable way for individuals to measure their financial wellness based on their responses to 10 questions. Employees are assigned a number that correlates to where they fall on the financial fitness spectrum. An individual's Financial Fitness Score can range from 1.0 to 5.0. The average fitness score for all employees in the US is 3.0.

% OF EMPLOYEES AT EACH FINANCIAL FITNESS SCORE



% OF THOSE WORRIED ABOUT FINANCES AT EACH SCORE

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

By calculating the average of all employees' scores, employers can establish an overall fitness score for their employee base. Whether based on individual employees or the entire staff, the Financial Fitness Score provides a measurable KPI.

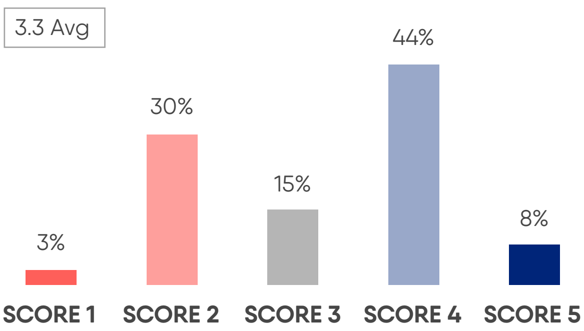
This can be used by a company's executives to take meaningful action and measure the impact of those actions to improve their employees' financial wellness, reduce mental health issues in the workplace, and boost productivity.

There are differences between old and young, men and women, and overall education levels. The socio-demographic mix of a company's employee base will be a major determinant of the organization's overall financial fitness.

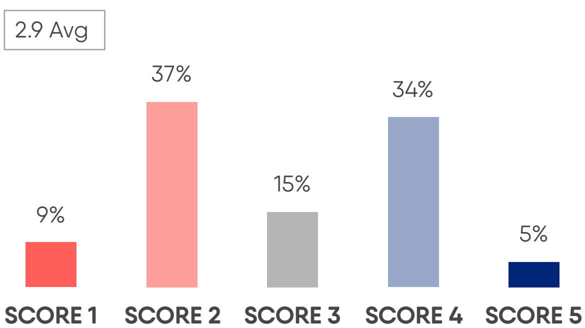
We can predict what the Financial Fitness Score for a specific business sector should be if we break down the socio-demographic mix of an employer and calculate the average Financial Fitness Score for this sector. The extent to which a company's actual fitness score is above or below that prediction indicates how well that employer is managing the financial wellness of its employees.

The rest of this guide examines the factors that impact an individual's Financial Fitness Score and the steps that an employer can take to help employees improve their financial fitness.

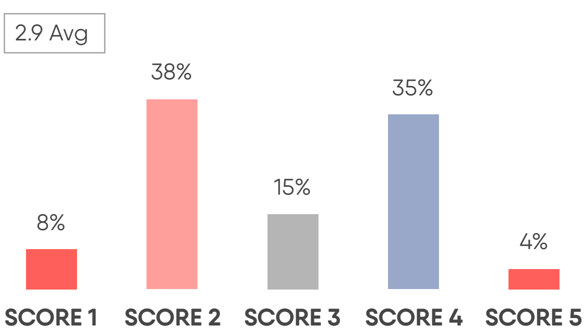
MEN



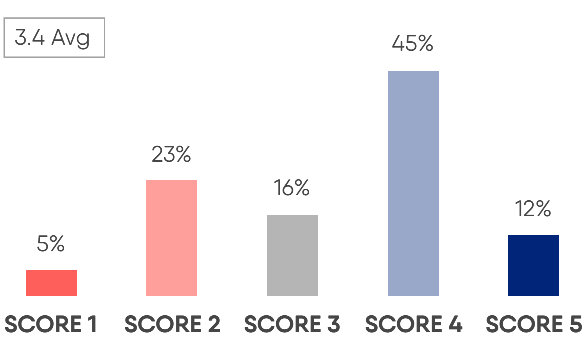
WOMEN



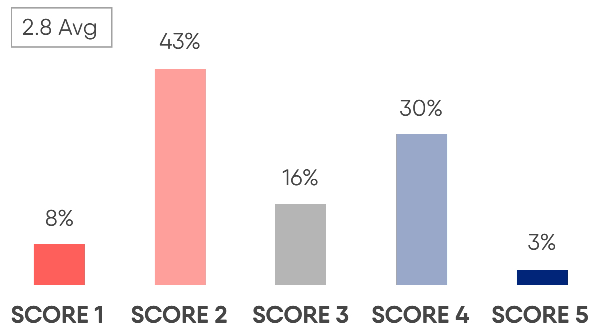
AGE 25-34



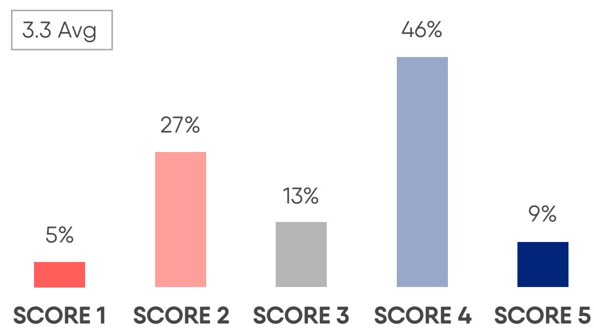
AGE 55-64



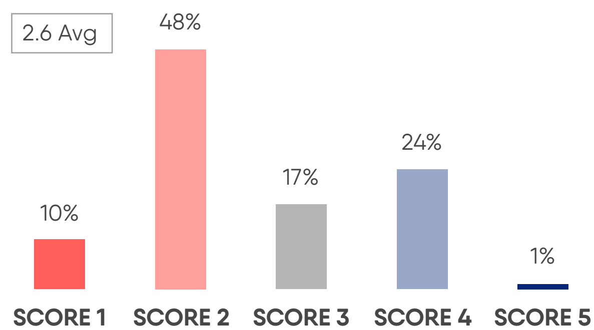
HIGH SCHOOL DIPLOMA



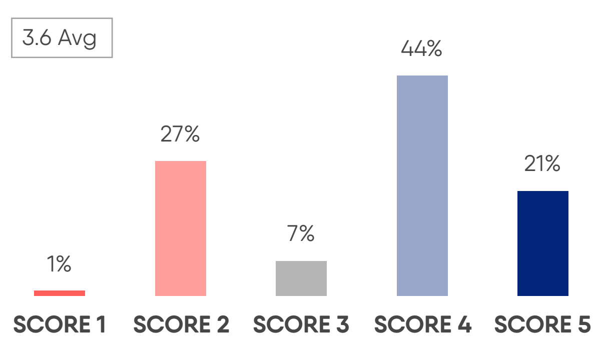
GRADUATE DEGREE



LOW EARNERS (<$25K)



HIGH EARNERS ($160K+)



4.1 BORROWING HABITS

We sought to understand the relationship between an individual's Financial Fitness Score and their borrowing habits (excluding mortgages). Our study found that the lower the fitness score, the more a person borrows on short-term credit. They also tend to borrow money from more sources, are more likely to be refused a loan and more frequently miss payments. These findings are supported by other studies.[5,6]

A number of these lending options are likely to be high-interest credit, which could be substituted with more manageable credit tools if alternative debt consolidation arrangements are available. Combined, this exacerbates their poor financial position and leading to worsening mental health.

70%

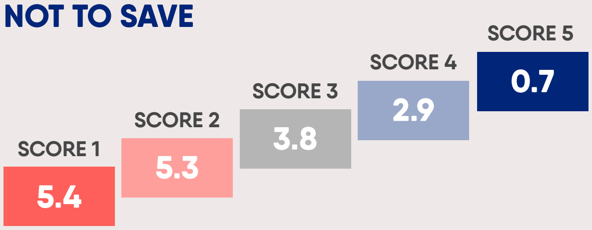
with a Financial Fitness Score of 1 have been refused a loan

AVERAGES BY FINANCIAL FITNESS SCORE	1	2	3	4	5
NO OF BORROWING SOURCES	2.4	1.7	1.0	0.9	0.3
AMOUNT ON CREDIT CARDS CARRIED FORWARD	$1,079	$472	$280	$304	$101
OUTSTANDING PAYDAY LOANS	$579	$473	$239	$205	$42
BORROWED FROM FAMILY & FRIENDS	$280	$176	$43	$64	$22
AMOUNT ON RETAIL STORE CARDS CARRIED FORWARD	$226	$115	$40	$64	$19
ACROSS ALL FOUR	$2,164	$1,236	$602	$637	$184
REFUSED A LOAN %	70%	56%	32%	19%	4%
EVER MISSED A PAYMENT	58%	46%	24%	17%	1%
MISSED UTILITY OR RENT PAYMENT	42%	37%	15%	11%	1%
FILED FOR BANKRUPTCY	18%	21%	13%	10%	1%
SAMPLE SIZE	732	3601	1594	3942	612
% OF POPULATION	7%	34%	15%	38%	6%

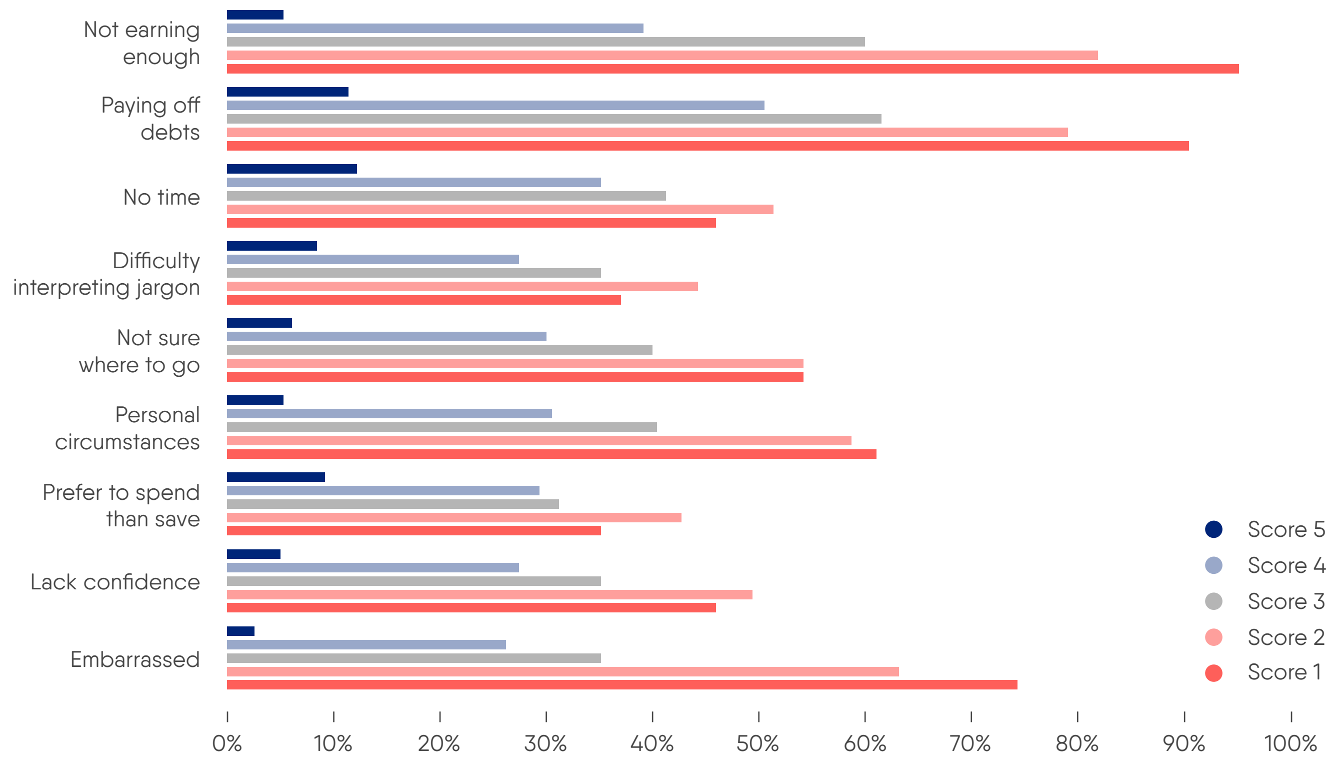
4.2 SAVING HABITS

Unsurprisingly, those with low fitness scores say that they're not saving because either they don't earn enough or they're using any funds that might be earmarked for savings to pay off their debts. However, they also gave many more reasons not to save than those with a higher fitness score.

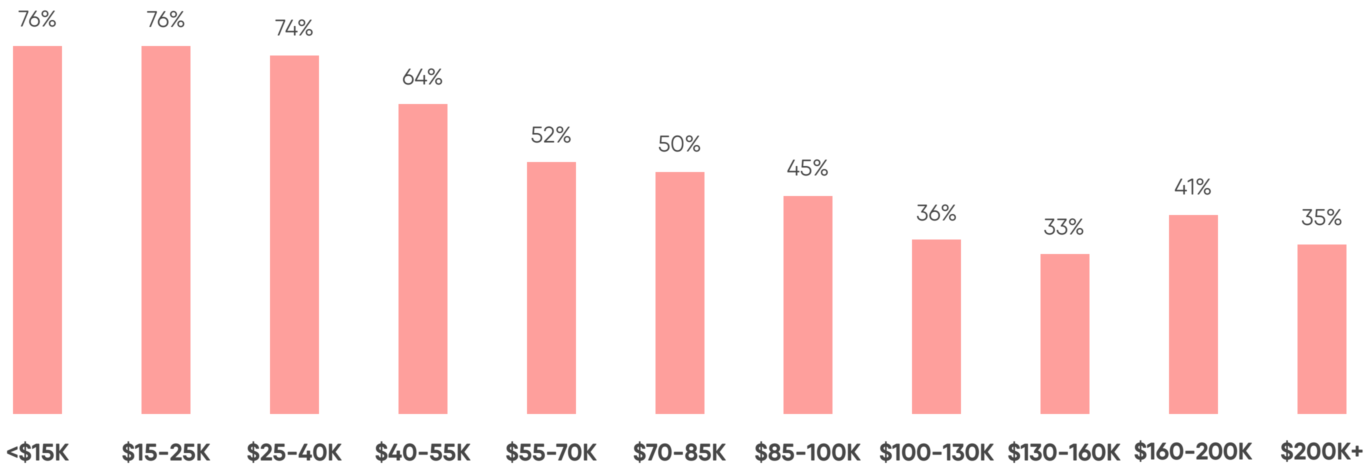
AVG NUMBER OF REASONS NOT TO SAVE



WHAT STOPS YOU FROM SAVING MORE MONEY?

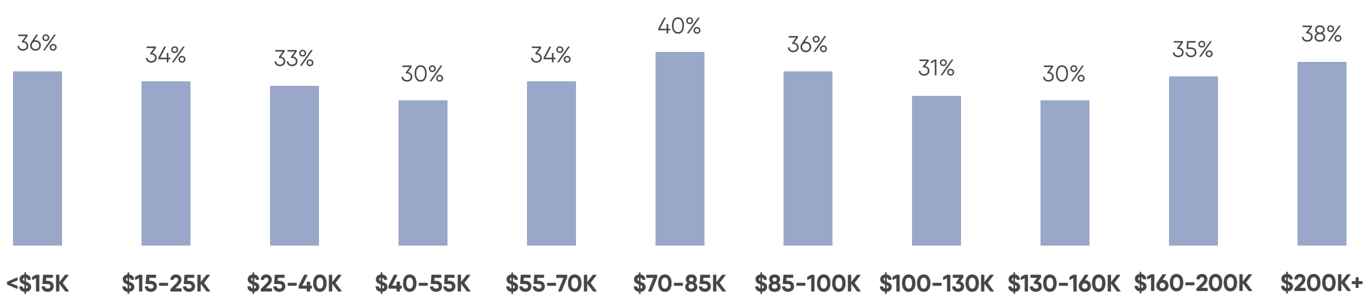


FEEL THEY DON'T EARN ENOUGH TO SAVE BY INCOME

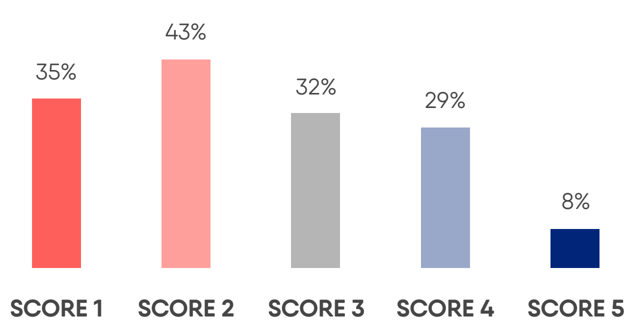


It's reasonable to assume that one of the primary reasons for not saving is that people simply don't earn enough to save. This appears to be true, with 74-76% of those earning less than $40k stating that "not earning enough" is a key reason why they don't save. It is also true that the percentage of those that cite insufficient salary goes down as salary increases up to a $160k annual salary. After this point, the percentage of those that cite lack of income as a reason why they don't save increases, with greater salary resulting in an increase in those feeling that they don't earn enough.

PREFER TO SPEND RATHER THAN SAVE BY INCOME



PREFER TO SPEND BY FITNESS SCORE



There is a similar pattern of responses to citing "I prefer to spend rather than save," which might explain why those that are earning significantly above the national average state "not earning enough" as a reason why they aren't able to save. There doesn't appear to be a clear link between income levels and attitudes towards savings. However, when we examine savings attitudes and Financial Fitness Scores, a pattern emerges: Those that are struggling and coping have a strong preference to spend.

4.3 DEBT & 401(K)S

We also asked employees about student debt and medical debt, and how they felt about their 401(k)s and retirement. Those with lower Financial Fitness Scores already have high levels of financial worry and have the highest levels of unsecured debt. 40-49% of those who are struggling and coping also have student and/or medical debt, which adds to their worry.

Approximately half of those that who have a lower Financial Fitness Score (struggling, coping and building) do not have a 401(k) and for those who do, many feel that they will not have enough for retirement.

	AVERAGES BY FINANCIAL FITNESS SCORE	1	2	3	4	5
STUDENT LOAN DEBT	WITH STUDENT LOAN DEBT	46%	40%	28%	24%	7%
	OUTSTANDING AMOUNT	$62,388	$62,912	$52,955	$56,519	$44,545
	DEFAULTED ON STUDENT DEBT	39%	46%	30%	26%	2%
	WORRY ABOUT STUDENT DEBT	74%	67%	52%	45%	16%
MEDICAL DEBT	WITH MEDICAL DEBT	49%	45%	28%	20%	4%
	OUTSTANDING AMOUNT	$4,389	$6,416	$3,954	$4,305	$8,571
	DEFAULTED ON MEDICAL DEBT	56%	55%	39%	37%	14%
	WORRY ABOUT MEDICAL DEBT	65%	60%	44%	41%	21%
401(K)	WHO HAVE A 401(K)	52%	48%	54%	65%	87%
	NOT MAKING SUFFICIENT CONTRIBUTIONS	60%	53%	45%	24%	9%
	DON'T FEEL WILL BE ENOUGH TO RETIRE ON	72%	65%	61%	33%	13%
	HAVE TAKEN A LOAN OUT OF 401(K)	37%	41%	20%	21%	5%
	WORRY ABOUT THEIR 401(K)	34%	38%	26%	15%	6%
	% OF EMPLOYEES	7%	34%	15%	38%	6%

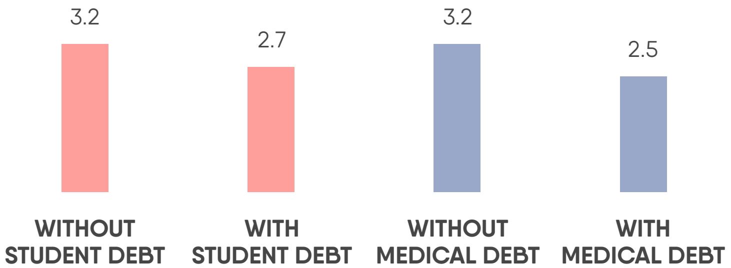
46%

of score 2s have defaulted on their student debt

55%

of score 2s have defaulted on their medical debt

AVERAGE IMPACT ON FINANCIAL FITNESS SCORE



We compared the average Financial Fitness Scores of those that have medical and student debt against those who do not.

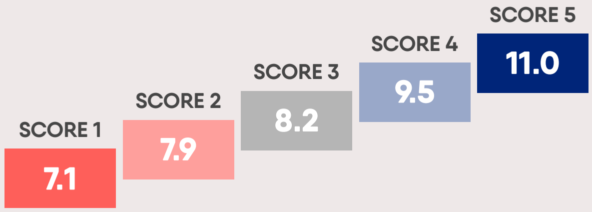
Perhaps not surprisingly, having medical debt has the biggest impact on one's Financial Fitness Score, with a -0.7 impact. On average, student debt has a -0.5 impact on one's Financial Fitness Score.

5.0 THE FINANCIAL FITNESS SCORE & FINANCIAL LITERACY

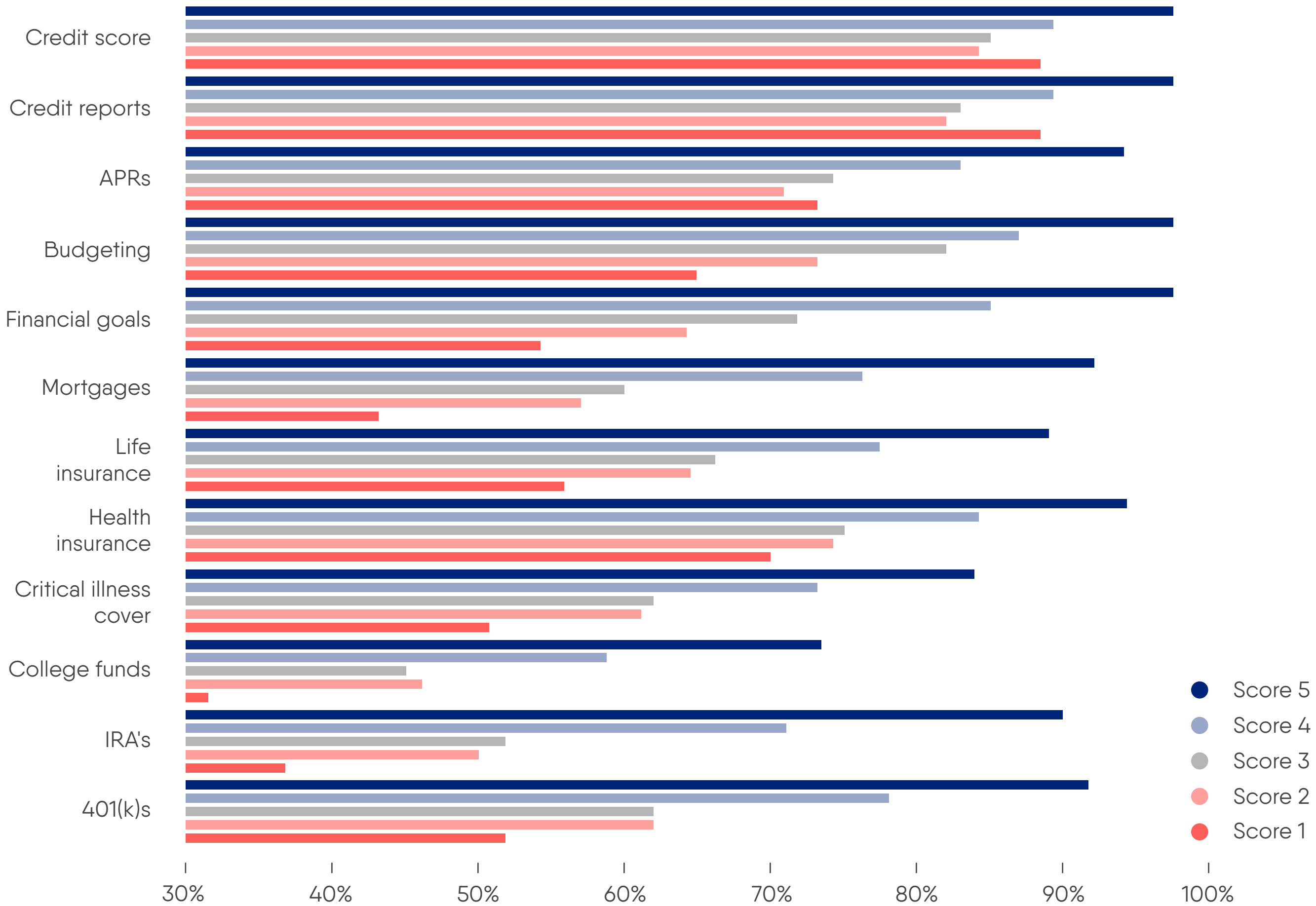
In this section, we examine whether there is a way to help employees improve their Financial Fitness Score. There is a strong correlation between an individual's Financial Fitness Score and their level of financial literacy. We asked employees the extent to which they agreed or disagreed with statements around financial literacy. They could score a maximum of 12 points.

Financial literacy is a key determinant of an individual's fitness score; the greater the level of financial literacy, the higher the Financial Fitness Score.

AVG NUMBER OF FINANCIAL PRODUCTS THAT THEY KNEW & UNDERSTOOD



I UNDERSTAND:



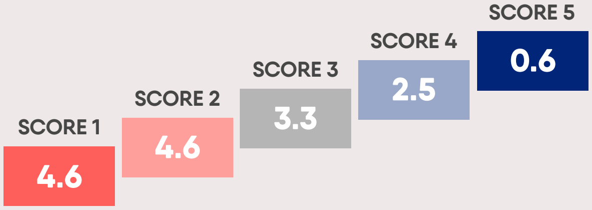
ONLY 52% OF THOSE WHO HAVE A FINANCIAL FITNESS SCORE OF 1 UNDERSTAND 401(K)S COMPARED WITH 92% OF THOSE WHO SCORE 5.

5.1 FINANCIAL LITERACY BARRIERS

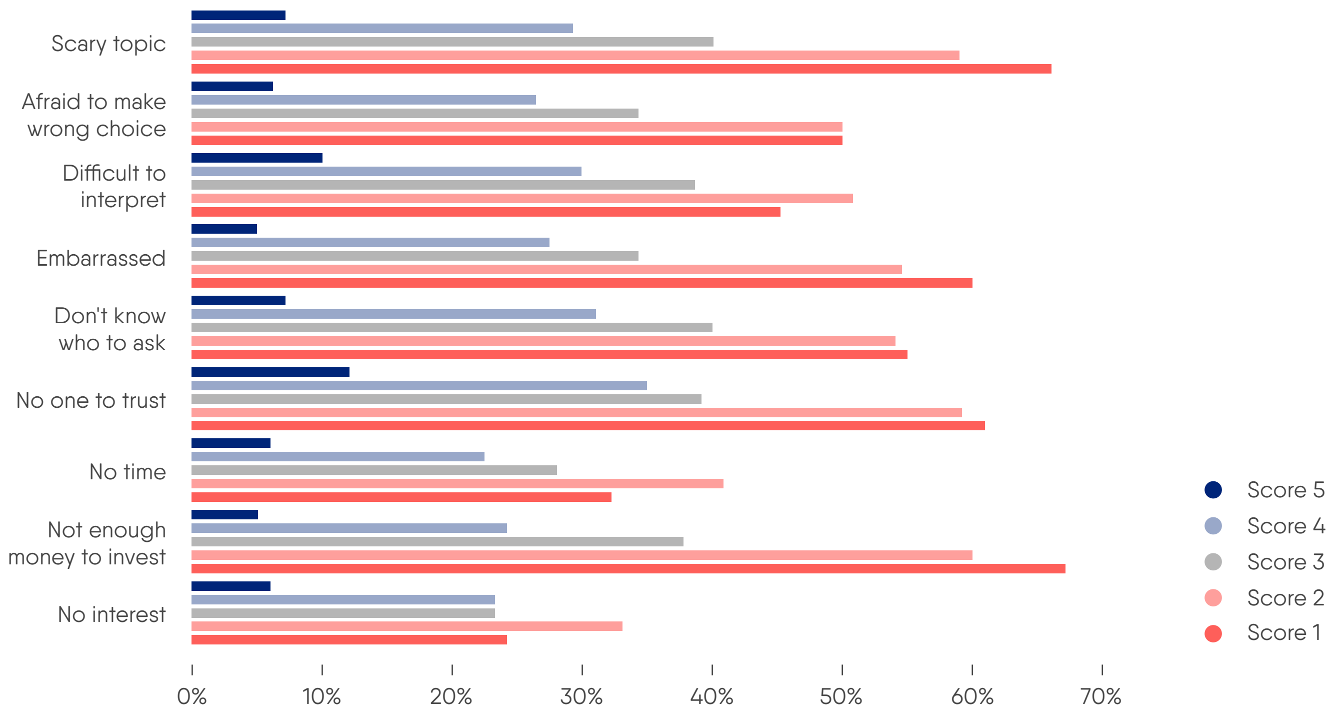
Similarly, attitudes towards the entire topic of financial matters is also related to an employee's Financial Fitness Score. We asked, "Now, thinking about some of the things that may be stopping you from making better money and financial decisions, do you agree or disagree that…" and asked respondents to choose from nine possible factors preventing them from improving financial literacy.

Those with lower fitness 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 good news for employers because their employees are likely to see them as a reliable, trusted source of good advice regarding financial issues and tools.

AVG NUMBER OF REASONS STOPPING THEM FROM BEING FINANCIALLY LITERATE



WHAT IS STOPPING PEOPLE FROM IMPROVING FINANCIAL LITERACY?

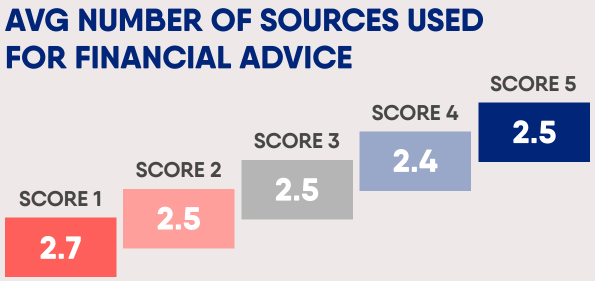


5.2 FINANCIAL DECISION MAKING

The number of sources that employees use for financial advice does not vary significantly by score. Individuals rely on a relatively small number of choices.

Those with higher fitness scores are more likely to go to banks and financial advisors. This is likely related to their degree of financial literacy, the amount of money they have available to invest and their level of comfort with each of the options.

Online sources are equally popular with all levels of financial fitness.



*Religious organizations, non-profit financial counsellors, labour unions and other were less than 5% across all Financial Fitness Scores.

68%

of employees feel that their employer cares about them and their wellness

79%

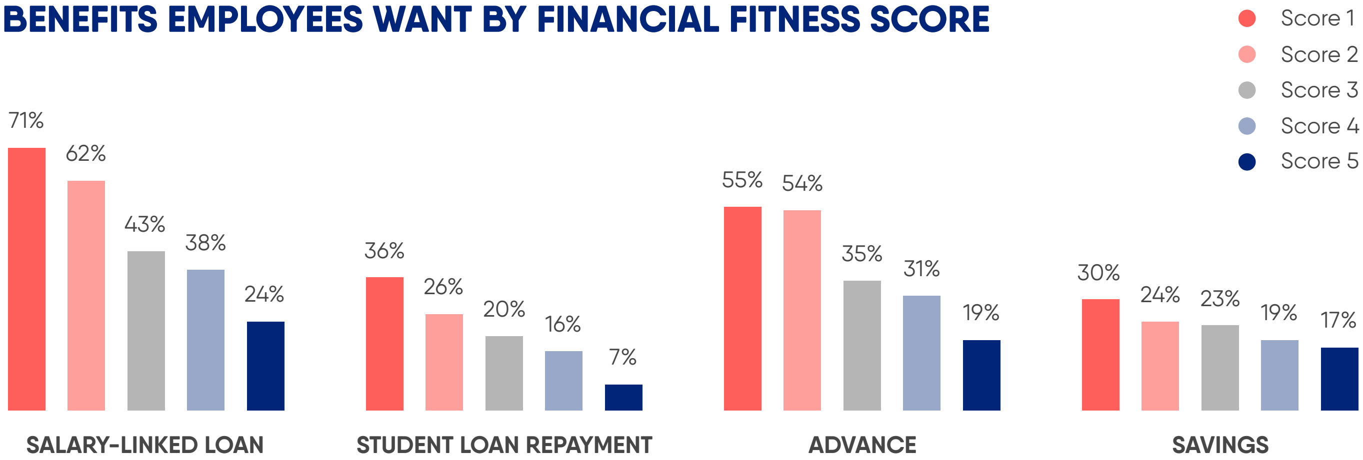
of employees trust their employer to keep their personal financial information private

6.0 EMPLOYERS HAVE A ROLE TO PLAY IN THE FINANCIAL WELLNESS OF THEIR EMPLOYEES

Sixty-eight percent of employees feel that their employers care about them and their wellness, and 79% trust their employers to keep their personal financial information private from their colleagues and managers.

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

BENEFITS EMPLOYEES WANT BY FINANCIAL FITNESS SCORE



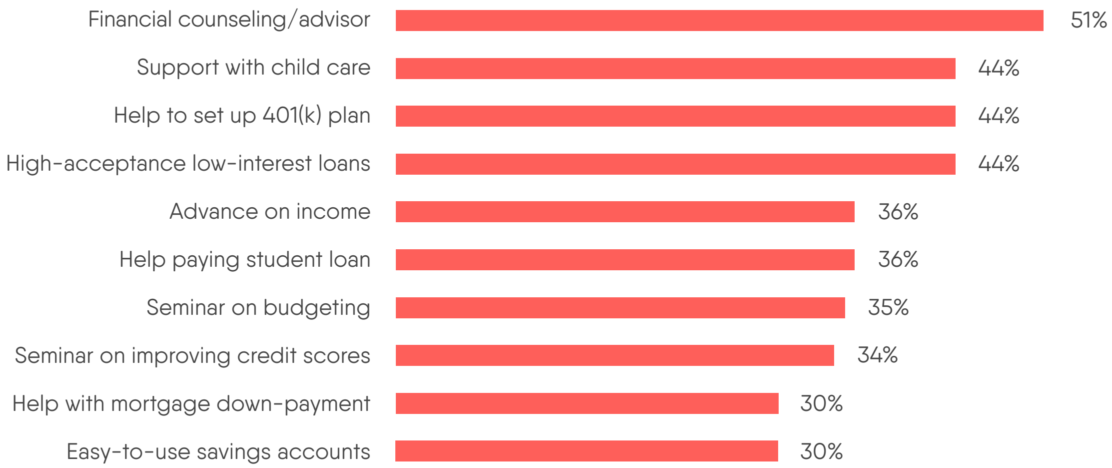
We specifically asked employees about their willingness to take up lending and savings products if offered by their employer. We also asked whether they would like to have the ability to get an advance on their salary before payday. People who are struggling and coping have the strongest demand for all products. These groups also have the greatest level of financial worry. Employees are also interested in pay advance products that would enable them to be paid before their next scheduled payday.

6.1 FINANCIAL WELLNESS BENEFITS THAT EMPLOYEES WOULD LIKE

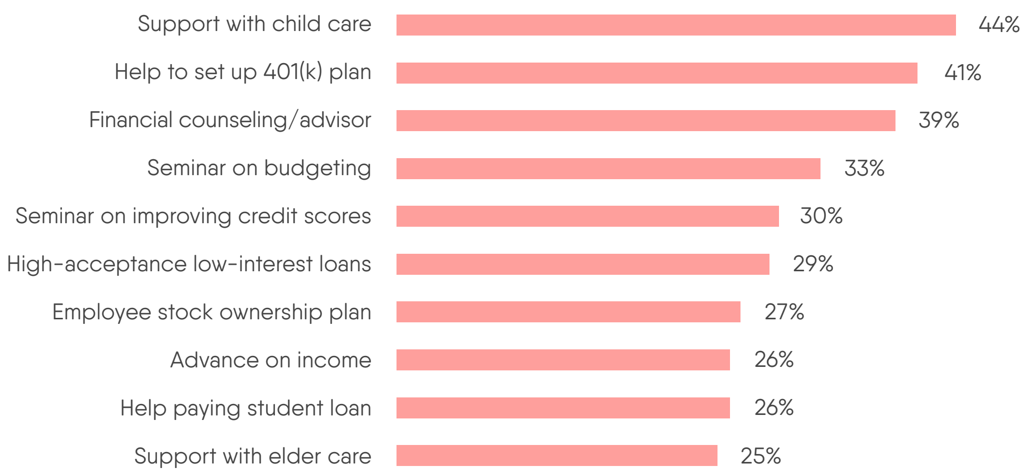
It is critical for employers to understand the detailed mixes of Financial Fitness Scores within their organizations. There is significant variation in the types of benefits desired and needed among different levels of financial fitness.

Among each score, seminars and general financial education rarely break the top 10 of benefits desired, whereas personal financial guidance ranks highly across the board. Financial education is important, but employees prefer to have one-on-one guidance, which can be an expensive option. This suggests that employers have to re-think whether and how to provide financial education to their employees.

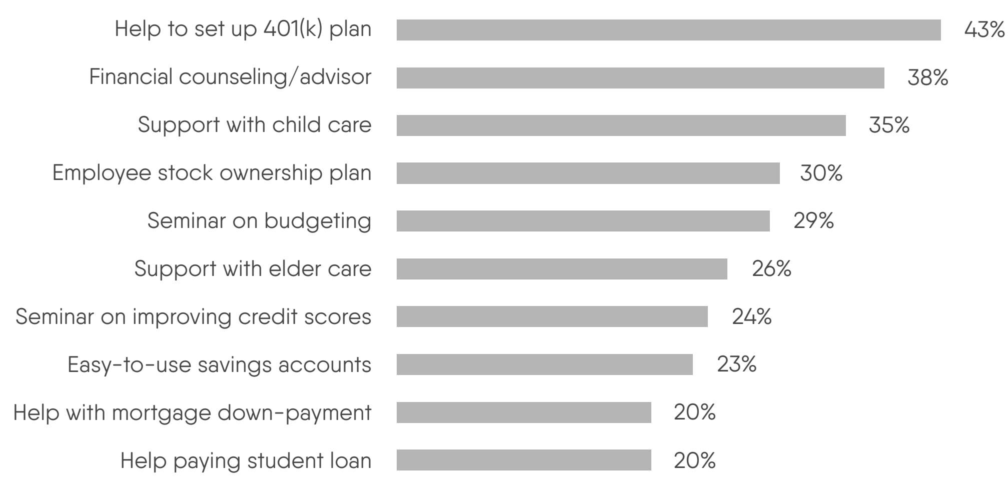
TOP 10 DESIRED BENEFITS - SCORE 1 - STRUGGLING



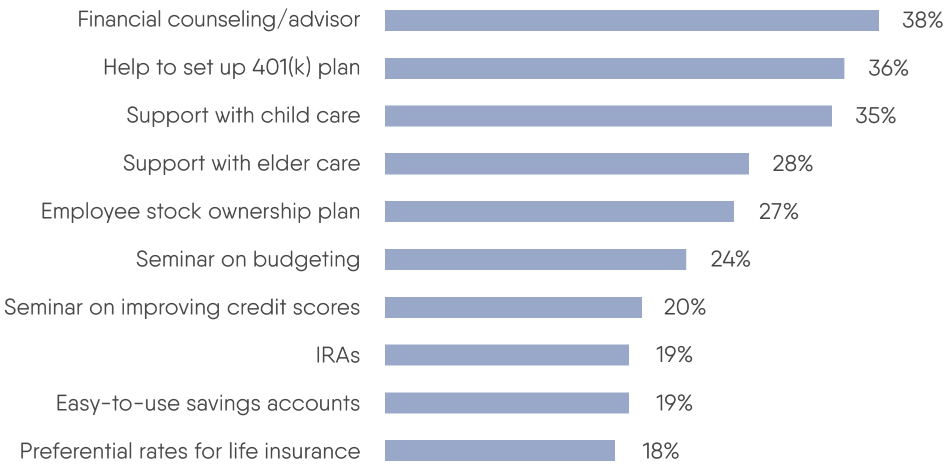
TOP 10 DESIRED BENEFITS - SCORE 2 - COPING



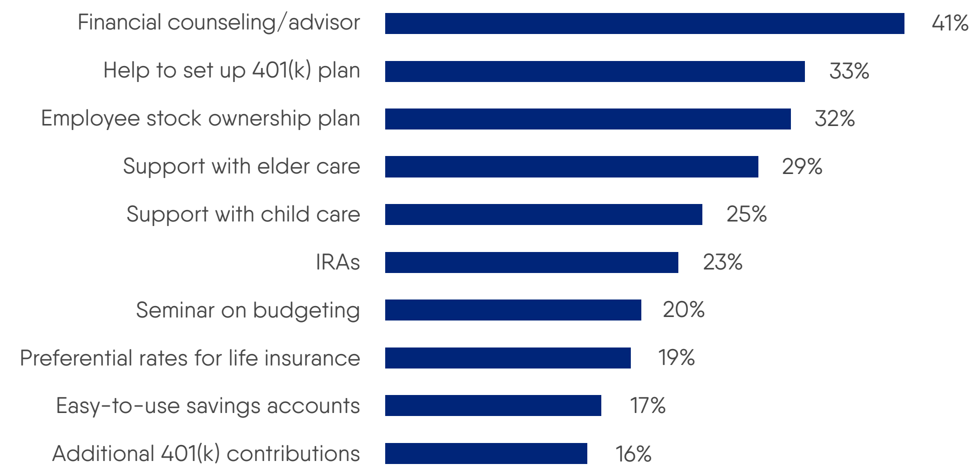
TOP 10 DESIRED BENEFITS - SCORE 3 - BUILDING



TOP 10 DESIRED BENEFITS – SCORE 4 – PLANNING



TOP 10 DESIRED BENEFITS – SCORE 5 – PROSPERING



7.0 BUILDING A BUSINESS CASE & STRATEGY FOR FINANCIAL WELLNESS

In this section we suggest steps an employer can take to build a robust business case and financial wellness strategy. Importantly, the Financial Fitness Score can be the basis of an objectively measurable KPI to benchmark how your organization compares to other employers, evaluate which benefits to implement and determine the ROI of benefits offered. These are the points to keep in mind when building a business case for optimizing your financial wellness strategy:

1. Use the data from this guide to calculate the dollar impact of financial wellness on the business (11 – 14% times payroll cost)
2. Consider the impact that financial wellness programs can have on retention, taking into account that individuals who have financial worries are 2.2 times more likely to be looking for a job
3. Demonstrate that productivity can be improved by using the statistic that those with financial worries are 5.8 times more unlikely to finish their daily tasks on time
4. Use the data from this guide to illustrate that financial wellness affects people across all pay levels
5. Consider that poor financial wellness has a significant impact on mental health: 4.0 times more likely to feel depressed, 3.4 times more likely to say that they have panic attacks
6. Remember that some benefits to improve financial wellness, such as salary linked loans and savings products, have minimal or no cost to the business
7. Determine the distribution of Financial Fitness Scores of your employees and calculate your company's overall Financial Fitness Score
8. Set the overall Financial Fitness Score as a KPI, with which to benchmark against the industry average and use to measure the effectiveness of your financial wellness strategy
9. Select the financial wellness benefits that are best-suited to your employee base and that are likely to have the greatest impact on improving an individual's Financial Fitness Score
10. Implement the benefits and re-check the overall Financial Fitness Score annually or every six months to measure the impact of the financial wellness strategy and calculate the ROI

APPENDIX A: RESEARCH METHODOLOGY

Salary Finance commissioned an independent research company to survey 10,484 US employees across 26 sectors.

For many of the questions, respondents were asked to respond on a five point scale, the extent to which they agreed or disagreed with the statement. The questionnaires were conducted over the internet using survey panels. Respondents could skip questions which they felt uncomfortable to respond to, or were given the option 'I would rather not say', or 'don't know'. These responses were excluded from the analysis.

An example set of questions regarding sleep and mental health are given below:

THINKING ABOUT THE PAST WEEK, HOW MUCH DO YOU AGREE OR DISAGREE THAT...?

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
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	○	○	○	○	○
I have sleepless nights because of money worries	○	○	○	○	○

The analyses presented in the report have an accuracy of +/- 5% or greater with a 95% confidence interval level.

NUMBER OF RESPONDENTS BY SECTOR

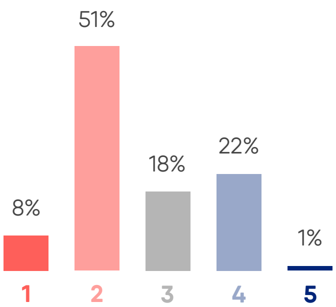
Industrial and utilities	
Aviation, airlines	261
Construction	454
Manufacturing	432
Utilities, sewage, waste	294
Pharmaceuticals, cosmetics	266
Agriculture, farming or livestock	96
Mining (excluding oil and gas)	36
Oil, gas, petrochemicals, energy	203
Consumer	
Consumer goods manufacturing	405
Wholesale	406
Retail	935
Food and beverage	517
Transportation	418
Accommodation	369
Services	
Telecoms	315
IT	477
Financial and insurance	479
Media, entertainment, creative	331
Professional	430
Administrative and support	400
Health, education, government	
Government	526
Education	692
Emergency	334
Healthcare	1023
Sports, fitness, arts, recreation	217
Defense	168
Total	**10484**

NUMBER OF RESPONDENTS BY ANNUAL INCOME

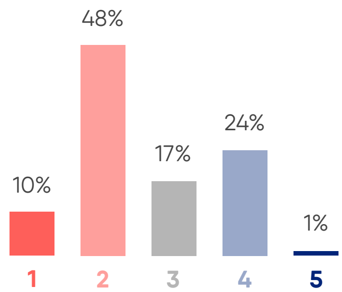
Less than $14,999	794
$15,000 - $24,999	1368
$25,000 - $39,999	1878
$40,000 - $54,999	1329
$55,000 - $69,999	1248
$70,000 - $84,999	1260
$85,000 - $99,999	744
$100,000 - $129,999	615
$130,000 - $159,999	369
$160,000 - $199,999	328
$200,000 or more	244

APPENDIX B: FINANCIAL FITNESS SCORE DISTRIBUTION BY INCOME

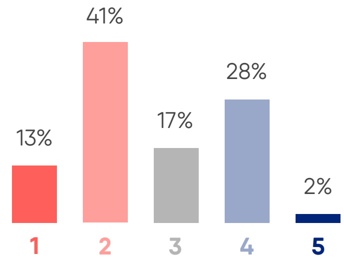
<$15K



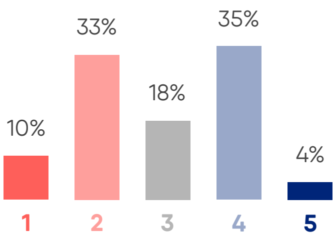
$15-25K



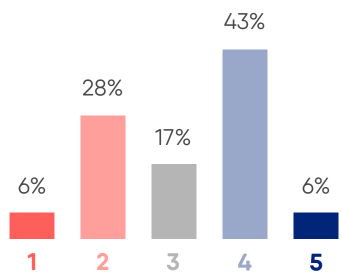
$25-40K



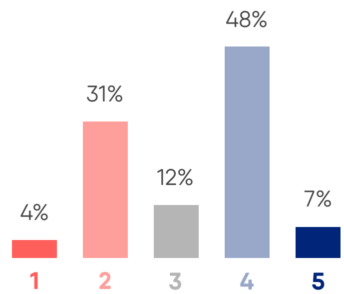
$40-55K



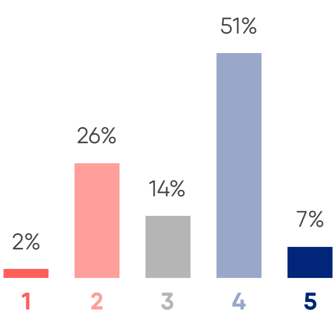
$55-70K



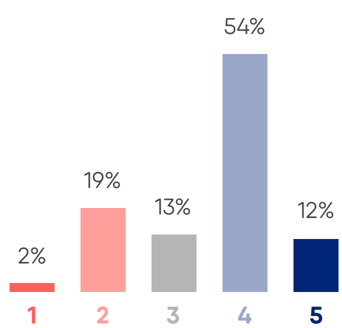
$70-85K



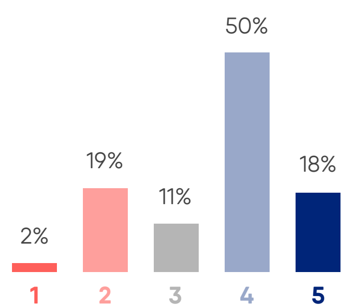
$85-100K



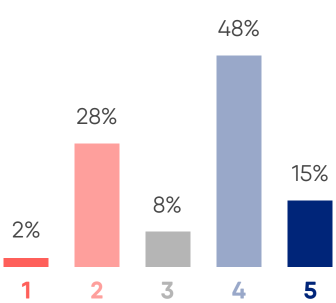
$100-130K



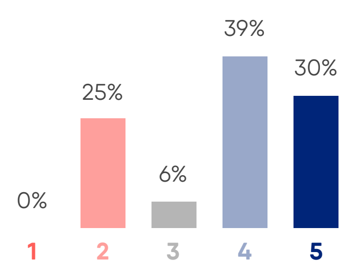
$130-160K



$160-200K



$200K+



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SALARY FINANCE

Founded in 2015, Salary Finance is an award-winning organization that partners with employers to offer financial wellness solutions that help employees improve their lives by improving their finances. A company underpinned by a social purpose, we're driven by an ambitious mission: To get 10 million Americans out of debt and into savings. Salary Finance is a United Way Worldwide corporate partner and works with some of the world's leading employers. Salary Finance Inc NMLS #1750487. To learn more, please visit:

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