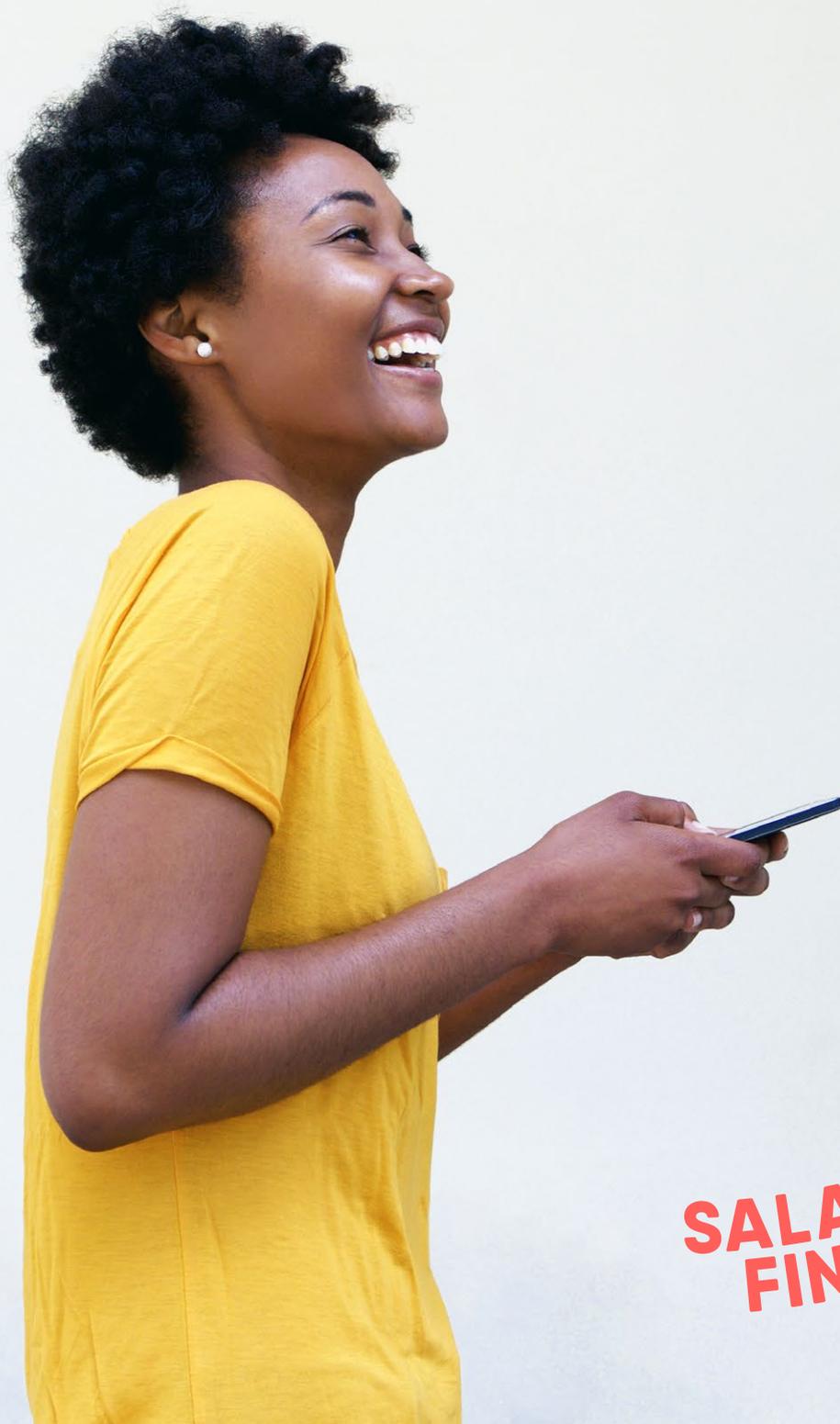


# **BUILDING A BUSINESS CASE FOR FINANCIAL WELLBEING**

**THE FIVE MYTHS OF FINANCIAL WELLBEING**



**SALARY  
FINANCE**

A photograph of three men in profile, smiling and looking down at a soccer ball. The man in the foreground has a beard and is wearing a blue t-shirt. The man in the middle has long blonde hair and is wearing a blue beanie. The man in the background is also smiling. They are outdoors, with trees and foliage in the background.

## THE AIM OF THIS GUIDE

Most major UK companies are committed to the wellbeing of their employees. They have developed strategies and benefits designed to contribute to productivity, retention and overall satisfaction at work. Alongside physical and mental, financial is a core pillar in a holistic wellbeing strategy.

Financial wellbeing is often misunderstood. In this guide we will dispel some of the myths that can hold employers back from viewing financial wellbeing as a priority. The five myths focus on common objections to financial wellbeing and other barriers to building an effective strategy.

The guide will give you the knowledge and tools to create a business case for a financial wellbeing strategy in your organisation. Our aim is to give you the tools you need to help your stakeholders understand that making financial wellbeing a priority is:

- The right thing to do for your people
- The right thing to do for society
- The right thing to do for your bottom line



# MYTH 1

## FINANCIAL EDUCATION = FINANCIAL WELLBEING

Financial education and financial wellbeing both have a role to play within your financial wellbeing strategy, but are not the same.

Financial education is not the only route to financial freedom. Here are two key things to consider when creating your financial wellbeing strategy:

### Financial education can take years to create sustained behavioural change

Financial education can take years to change an individual's habits so may have a low impact on wellbeing in the immediate term.

### Knowledge alone doesn't enable change

Financial fitness is a bit like physical fitness. We all know we should be eating well and exercising. Some people find that relatively easy to do and others find it much harder.

## WHAT IS THE DIFFERENCE?



### FINANCIAL EDUCATION

#### It's all in the head

The knowledge and tools to **understand** your finances.

#### Examples:

Budgeting tools, books/videos, life guides, Classes/talks/workshops



### FINANCIAL WELLBEING

#### It's all in the heart

It's about behaviours, your spending, borrowing and saving habits and how they make you feel.

#### Examples:

Low-interest salary-linked loans, salary-linked savings, on demand pay

**FINANCIAL WELLBEING IS:**  
**Security in knowing you have enough money to meet your needs, allowing you to be in control and giving you the freedom to enjoy your life.**



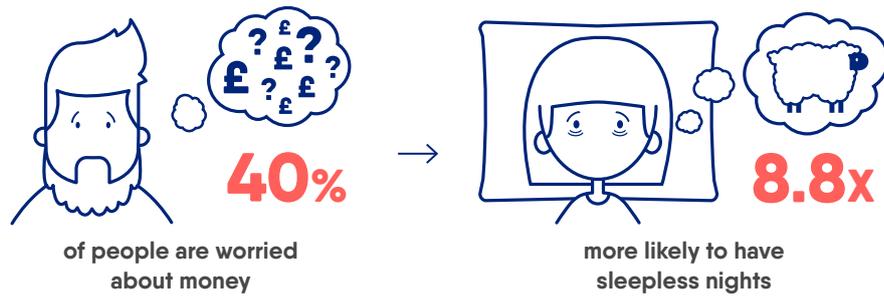
## MYTH 2

### IT'S AN EMPLOYEE PROBLEM & NOT ONE AN EMPLOYER CAN FIX

It is a problem for employers and one that can and should be fixed. 40% of UK employees are worried about money. These worries are leading to problems for both employees and employers. 25-34 days are lost annually due to poor financial wellbeing. This equates to 13-17% of salary costs.

A recent Harvard Kennedy School study<sup>1</sup> mirrored Salary Finance's research. The same study concluded that offering salary-linked loans reduces employee turnover rate.

# THE COST OF POOR FINANCIAL WELLBEING



3.6H  
hours lost per week on money worries



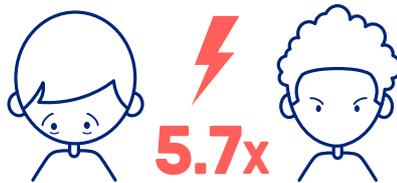
1.5  
sick days a year for financial stress



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

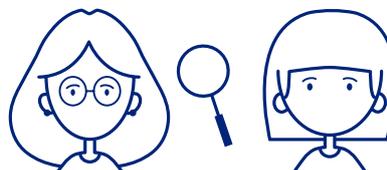


2.2x  
more likely to be looking for a new job

## THE CONSEQUENCE



25-34  
productive days lost annually



additional recruitment costs



additional training costs

## THE IMPACT



13-17%  
of salary cost

# THE COST TO YOUR BUSINESS

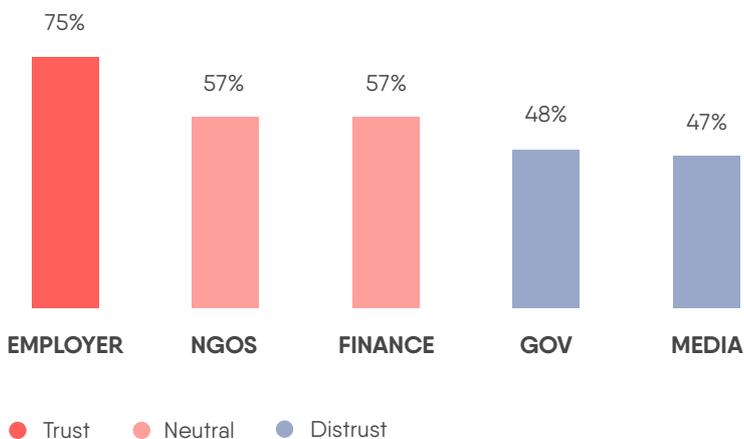


The cost to the business in lost productivity, absenteeism, increased leaver rate and training costs is between 13-17% of payroll.

In this example of 1,000 employees, with a total annual payroll cost of £30 million it equates to a minimum cost of £3.9 million and a maximum cost of £5.1 million annually.

# YOUR EMPLOYEES WANT YOU TO HELP

## MOST-TRUSTED RELATIONSHIPS



Source: 2019 Edelman trust barometer global report

Our research matches Edelman's<sup>2</sup> latest findings. We found **77%** of employees trust their employer.

This suggests employers have a key role to play in making finances less intimidating by providing financial wellbeing benefits for their employees.

# MYTH 3

## WE ALREADY HAVE A MENTAL WELLBEING STRATEGY. WE DON'T NEED A FINANCIAL WELLBEING ONE

Without having a proper financial wellbeing strategy in place, other mental health strategies will be undermined. Financial wellbeing is a major driving force behind a person's overall wellbeing and has a big influence over mental health. These two elements of wellbeing are too interconnected to be addressed separately.

In our 2018 research<sup>3</sup>, we compared differences between the impact of age, earnings and level of financial worries on mental health. The greatest difference, which indicates that it is a key driver, is between those that have financial worries and those that don't. The differences are startling and make a compelling case for the relationship between mental health and financial wellbeing.

Those with financial worries are:

**380%**

More likely to feel anxious and be prone to panic attacks

**490%**

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



### Other independent research:

In addition to our research, there have been other reports to support the relationship between mental health and financial wellbeing.

The [Money & Mental Health Policy Institute](#)

offers some helpful resources that are worth reading:

[Money and mental health: the facts](#)

[Money and mental health problems: a best practice checklist for employers](#)

# MYTH 4

## FINANCIAL WELLBEING IS ALL ABOUT INCOME

In reality, poor financial wellbeing impacts people across all pay levels. Our research has shown that pay rises alone are not the solution.

Those with the highest levels of pay are experiencing high levels of stress related to finances. Financial wellbeing is actually linked to an individual's borrow, save and spend habits rather than how much they earn.



### FINANCIAL WORRIES BY INCOME



# RUNNING OUT OF MONEY VERSUS WORRIED ABOUT MONEY

There is a clear link between the level of financial worry and the percentage of people who run out of money before payday. This is not just about pay levels as 33% of those employees that earn more than £60,000 annually are also regularly running out of money.

If those same people do not have a savings buffer, they are more likely to fall back on short-term, high-cost debt such as credit cards, overdrafts or payday loans.



## RUNNING OUT OF MONEY VERSUS WORRIED ABOUT MONEY BY INCOME





## MYTH 5

### IT'S A PROBLEM FOR A MINORITY OF FINANCIALLY ILLITERATE PEOPLE

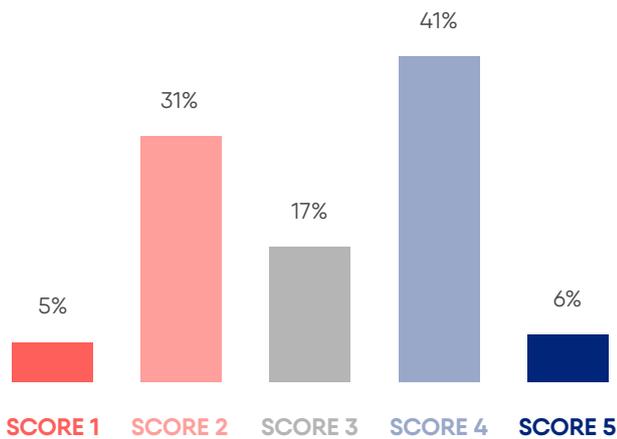
Financial wellbeing is actually to do with a mix of socio-economic and cultural factors, that shape our attitudes and behaviours towards money. In the past it had been difficult to quantify the impact, cost and benefit of actions taken by an employer to improve the wellness of their employees.

#### The Financial Fitness Score

To address this we developed the Financial Fitness Score, which is based on the response to 10 questions about attitudes and behaviours in relation to money. This is a single number for any particular employee that determines where they are on the financial fitness spectrum.

This in turn leads to financial stress or contentment which has an impact on their ability to work effectively. The score is an indicator of current financial health and a strong indicator of future financial health - if no changes are made. As well as providing an individual benchmark, the Financial Fitness Score is a measurable KPI that can be used to measure the impact of actions designed to improve employee financial wellbeing.

## % OF EMPLOYEES AT EACH FITNESS SCORE



## % OF THOSE WORRIED ABOUT FINANCES AT EACH SCORE:



## WHAT THE RESEARCH TELLS US

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.

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 WORLD IS MADE UP OF 2S & 4S

Even though the average UK score is 3.1, we see large groups at score 2 and score 4.

### Just about getting by

Those with score 2 are just about getting by but prefer to spend rather than save.

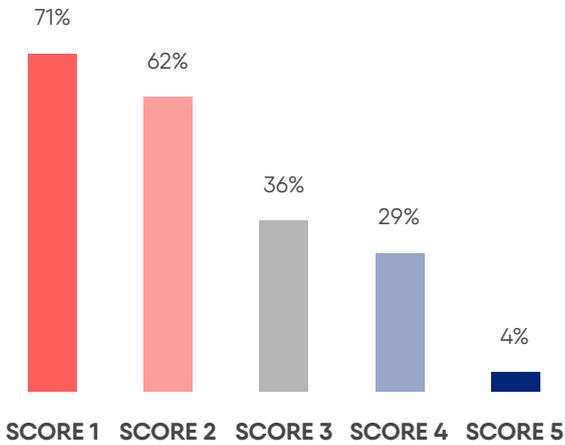
### Save as much as they can

Those with score 4 have a financial plan in place and are choosing to save rather than spend.

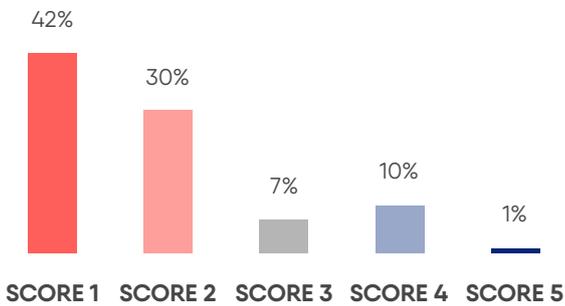


# WHAT ELSE WE KNOW ABOUT 2s & 4s

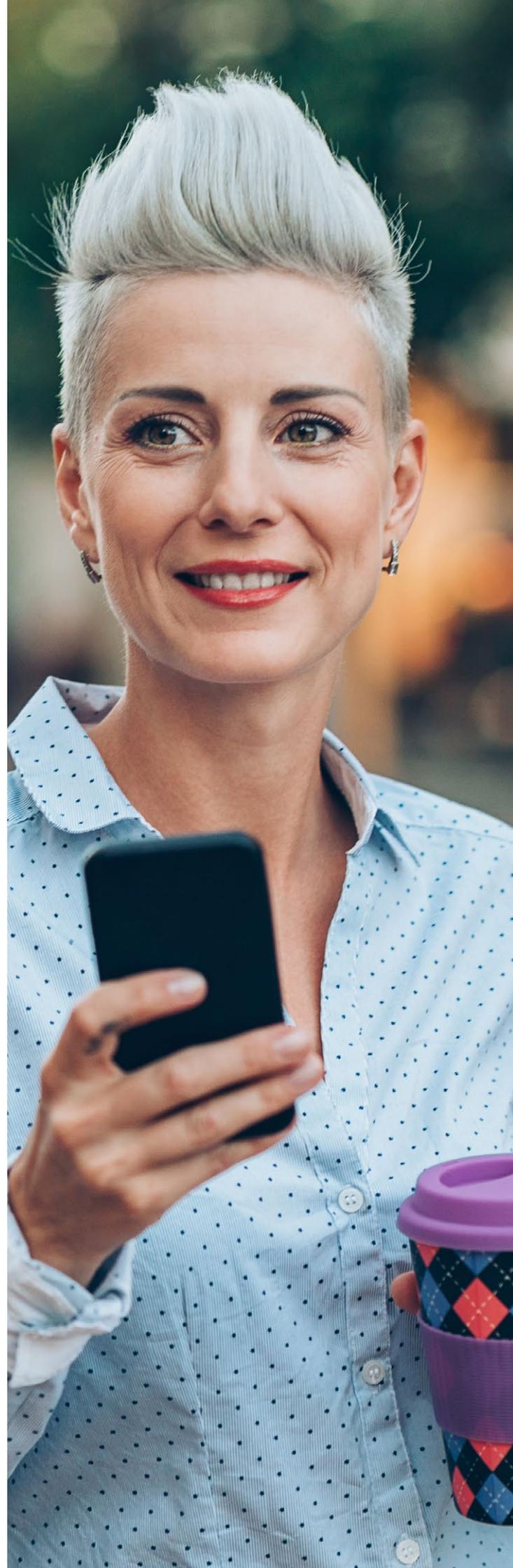
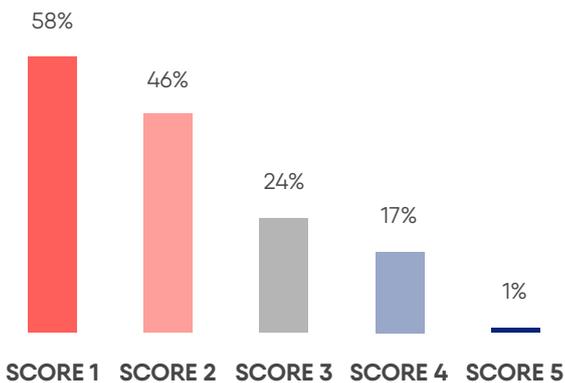
## 2S FIND FINANCE SCARY



## 2S FIND IT MUCH HARDER TO GET A LOAN



## 2S ARE MORE LIKELY TO MISS A LOAN PAYMENT WITHOUT A SALARY-LINKED LOAN

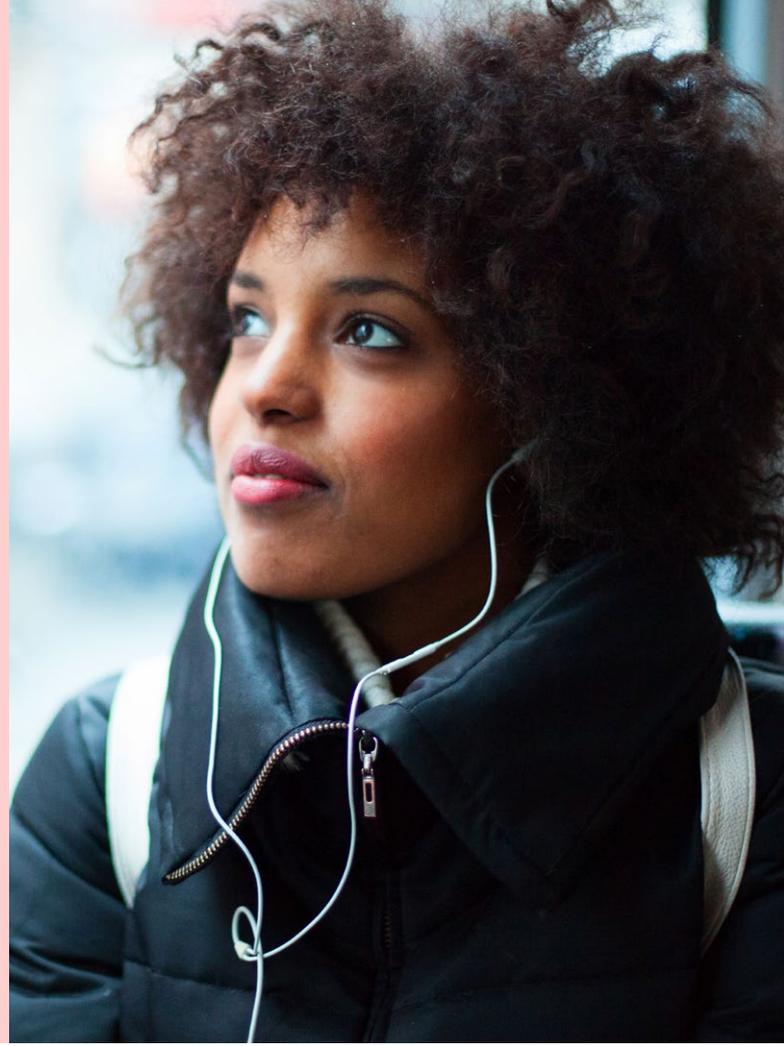


# FINANCIAL PRISON & FINANCIAL FREEDOM

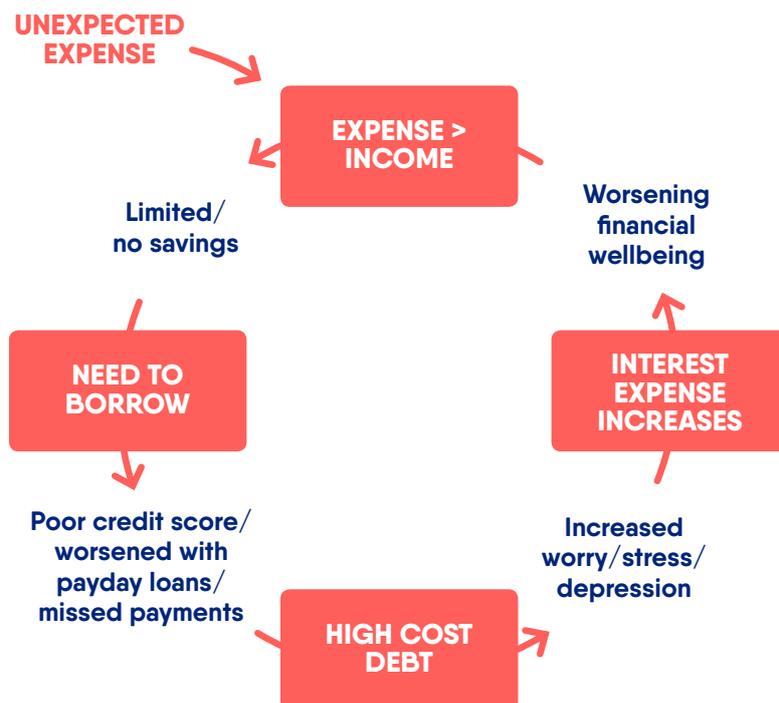
## EDUCATION ALONE DOESN'T GET PEOPLE OUT OF DEBT

One of the major causes of financial worry are high levels of expensive debt and little or no savings. This means that when something unexpected happens such as car repairs or medical bills, people often resort to borrowing.

If an employee has a less-than-perfect credit score they will struggle to get a low-cost bank loan and will rely on credit cards, pawn shops and 500%+ payday loans for borrowing. Without the ability to pay-off debts, you will be stuck in a financial prison.



## A VICIOUS CYCLE OF DEBT



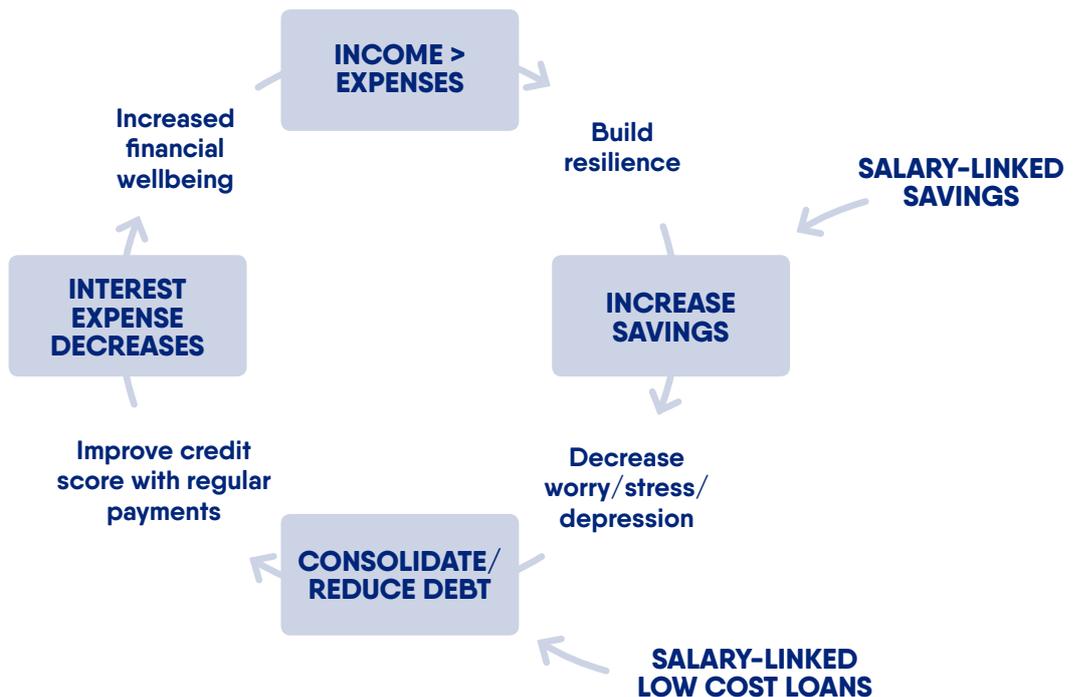
## BREAKING THE CYCLE OF DEBT

Salary-linked loans and savings can create the opportunity to break the cycle of debt and get people on the road to financial fitness.

When your employees are free from money worries, they will be free to flourish at work and in their personal lives.



## THE ROAD TO FINANCIAL FITNESS



# **SALARY-LINKED PRODUCTS CAN ENABLE 2s TO BECOME 4s**

<b>SALARY-LINKED LOANS</b>	<b>SALARY-LINKED SAVINGS</b>
<b>Unlikely to ever miss a payment</b>	<b>Save first and spend what's left over</b>
<b>Reduce risk of default and builds credit scores</b>	<b>Helps build resilience just like 4s and 5s</b>





## FINANCIAL WELLBEING IS NOT A 'NICE TO HAVE'

After delving into the five myths, it's clear why financial wellbeing can be misunderstood and not seen as a top priority.

When developing your financial wellbeing strategy, it will be important to ensure that senior leadership understands that this is not just a 'nice to have' but is a 'must have', a potential differentiator as an employer and a powerful way to engage your workforce.

Financial wellbeing is low risk and low cost and most importantly has the opportunity to make significant improvements to your employees lives and your bottom line.

# YOUR QUESTIONS ANSWERED

## **Aren't salary-linked loans essentially encouraging more debt?**

No, they give your employees access to affordable borrowing. Most people need to borrow at some stage in their life, or have existing debts.

Salary-linked loans are more financially inclusive than traditional lenders and provide a lower-cost alternative to high-cost credit like credit cards, guarantor loans and payday lenders. We focus on helping employees repay existing debt quicker, then help them to save seamlessly.

## **It all sounds a bit risky. I would be nervous about encouraging loans to my employees.**

This is understandable. Many of our current clients had the same concern at first. We are not encouraging debt. We make ourselves available for the times your employees need us, either now, to pay off debt they already have, or in the future, to help with an emergency or major purchase.

Salary finance is a socially responsible, mission led company that allows your employees to access credit from us at a low rate instead of turning to a high interest payday loan lender. Additionally, there is absolutely no risk or liability to you as the employer.

## **I understand that financial wellbeing is important, but I still believe that financial education is important. Can they work together and if so, how?**

Yes, they can, and they should! Financial wellbeing and financial education are not mutually exclusive. Financial education is an essential part of financial wellbeing but knowledge alone will not necessarily be enough to make a meaningful change in an employee's life. Salary Finance offers accessible and engaging financial learning tools for all your employees. These range from budgeting tools, hints and tips, videos, life guides, webinars and access to your credit score. However, we also offer a range of products that allow employees to take action to change their finances: start a savings habit, pay off debts, manage their day-to-day finances.

## **There are thousands of people in my organisation. How can I easily find out what their financial fitness score is?**

We can work with you to find out how financially fit your employees are. You can use our Financial Fitness Score assessment to survey the scores of your employees and understand the averages and trends. This can allow us to tailor your benefits programme to meet the specific needs of your employee base.

## **How can I create a culture of openness around financial wellbeing?**

Finances can be a scary topic. Financial wellbeing first aiders can be trained within your organisation as champions of your financial wellness programme. They exist to disseminate information, promote your financial wellbeing programme and create a community. The first aiders will become the 'go-to' person for anyone who is going through any form of financial stress.

Our research has found that the majority of people seek advice from friends and family over online help, banks and financial advisors. Your employees do want to talk to someone they trust. Financial first aiders are there to listen to other employees and direct them to the resources that are available in your organisation. Many employers have an incredible wellbeing offer that can be of great help to employees - the financial wellbeing first aiders are there to be a friendly ear and to make sure people know what's on offer.

# CASE STUDIES

## SARAH CROWE, DIABETIC RETINAL SENIOR GRADER, NHS



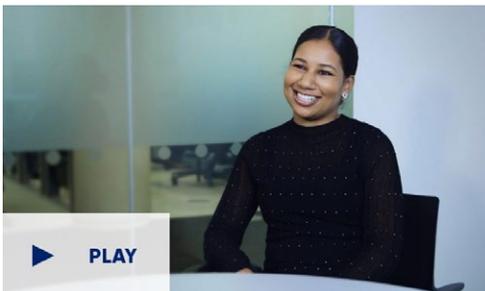
**“Now that I’ve paid everything off, I’m paying into my pension.”**

Watch Sarah’s full story [here](#)

Sarah was living hand-to-mouth and couldn’t plan for anything. She said she would dread Christmas and birthdays, knowing she would never be able to afford presents for family and friends. She realised that the interest she was paying on credit cards was so high that her credit card balance hadn’t reduced despite paying for a year.

She worked out that she was paying £486 a month for all her loans and credit card bills but was able to more than half her amount she was by paying by consolidating her debt with Salary Finance. Previously she was concerned about getting to retirement and not have any savings, but now she has started contributing to her pension. She says she has gained a lot more than £200 a month – she now feels more positive about money.

## SWABRA ABDULREHMAN, SAFEGUARDING & LEARNING ASSISTANT, HACKNEY COUNCIL



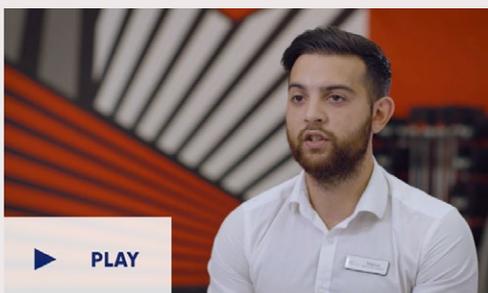
**“I’ve got regular savings and I’m better able to manage my money”**

Swabra had taken out an overdraft as a student and had never paid it off. She says she would say to herself, “I need to start paying this off....but then every month something would come up that was more of a priority.”

She started feeling very stressed knowing that she had this debt looming over her and she felt she was in a helpless situation. Salary Finance allowed her to start paying off her loan every month and has regular savings.

Watch Swabra’s full story [here](#)

## MARCIO LIMA, MEMBERSHIP CONSULTANT, VIRGIN ACTIVE



**"I wouldn't be able to save money without having Salary Finance in place."**

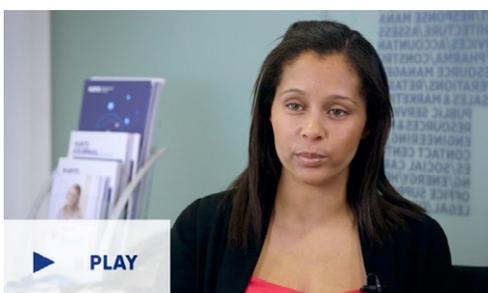
Marcio's life changed a lot when he had a baby. He had never had a saving mentality, but he changed his perspective after having a baby.

He now has both the Borrow and Save products and because the money comes out of his account automatically, he finds it much easier to manage.

He says that Salary Finance has been a "huge help and a stepping-stone for me to become more financially fit."

Watch Marcio's full story [here](#)

## LERISSE JOHNSTONE, ASSOCIATE VENDOR PARTNER, HAYS



**"It's made me really proud of what I can do."**

Lerisse was never able to save. When she put away money something would always crop-up like a new washing machine or car repairs. She is a single mother and had never been able to take her teenage daughter on holiday.

After taking out a Salary Finance loan she was able to afford to take her daughter on their first holiday together. She said the loan has made her proud of what she can achieve. She is also now not always worried about what is going to go wrong - "it's completely changed my outlook."

Watch Lerisse's full story [here](#)

# PUTTING PEOPLE FIRST

Our mission is to help millions of people around the world become financially healthier and happier. We partner with employers to offer a one-stop-shop – a complete financial wellness and education programme.

## Pay off debts properly

Our employee loans enable staff to borrow responsibly and get out of debt. We offer dramatically lower interest rates, because we deduct loan payments directly from salary. On average, your staff can save £700 by avoiding high-interest loans.

## Start saving

It's our mission to get people saving. We're a nation of spenders, not savers – 70% of Britons save less than £100 a month. Our salary-deducted savings make it easy and hassle free for anyone to start and sustain a savings habit.

## Manage unexpected expenses

34% of employees run out of money before payday and, on average, people in the UK resort to taking out high interest payday loans and credit cards every 4 out of 12 months. Our Advance product allows employees to access up to 50% of their earned salary before their pay day, giving greater control of their finances.

## Make friends with finance

Finances can be a scary topic. We offer accessible, engaging financial learning tools for all your employees. This ranges from budgeting tools, hints and tips, videos, life guides, webinars and access to your credit score.

# YOUR NEXT STEPS

You can find out more about what we do at our website – [salaryfinance.com/uk](https://salaryfinance.com/uk)

We also have a dedicated team of financial fitness experts that are around to answer all your questions about building a financial wellbeing strategy.

Email us: [hello@salaryfinance.com](mailto:hello@salaryfinance.com)



Responsible Small  
Business of the Year  
2018



# REFERENCES

<sup>1</sup>**Power of Salary Link**

Todd Baker and Snigdha Kumar, Harvard Kennedy School

MAY 2018

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<sup>2</sup>**2019 Edelman Trust Barometer**

Edelman

2019

[https://www.edelman.com/sites/g/files/aatuss191/files/2019-02/2019\\_Edelman\\_Trust\\_Barometer\\_Global\\_Report.pdf](https://www.edelman.com/sites/g/files/aatuss191/files/2019-02/2019_Edelman_Trust_Barometer_Global_Report.pdf)

<sup>3</sup>**The Employer's Guide to Financial Wellbeing – UK Edition**

Salary Finance

2018

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