

Financial Education in the Workplace

Get on Board: Moving Nebraskans Toward Financial Stability

Nebraska Financial Education Conference

Qwest Center

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Interesting Facts

- Just 26% of adults surveyed believe they could accumulate \$200,000 in net wealth in a lifetime

Saving \$200,000



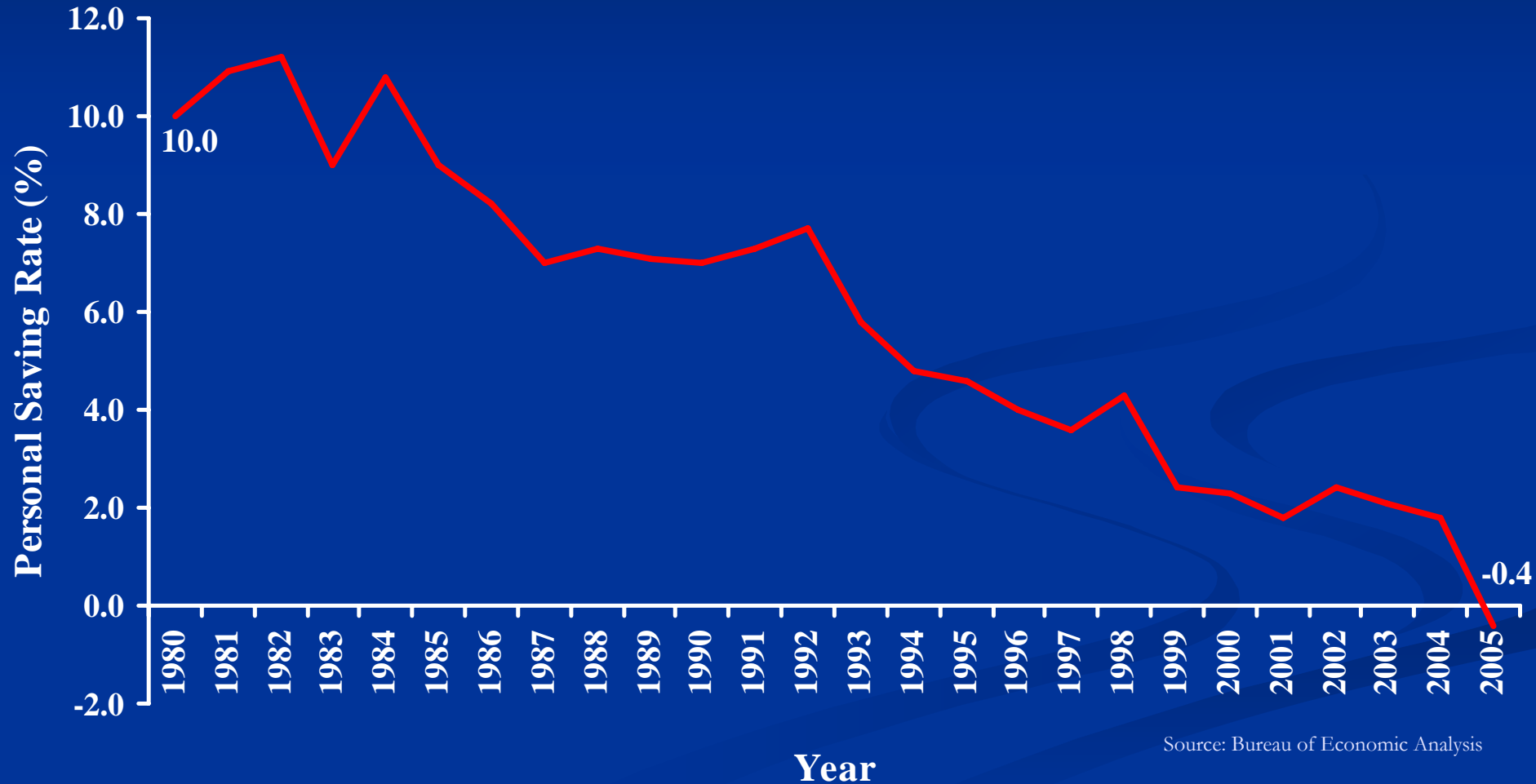
Interesting Facts

- Just 26% of adults surveyed believe they could accumulate \$200,000 in net wealth in a lifetime
 - 21% said winning a lottery is the most practical strategy for doing this!
 - 38% of those making less than \$25,000 said that!

The Problem

- Consumption smoothing
- Drop in consumption at retirement
 - Low saving rate

Personal Saving as a Percentage of Disposable Income, 1980 – 2005

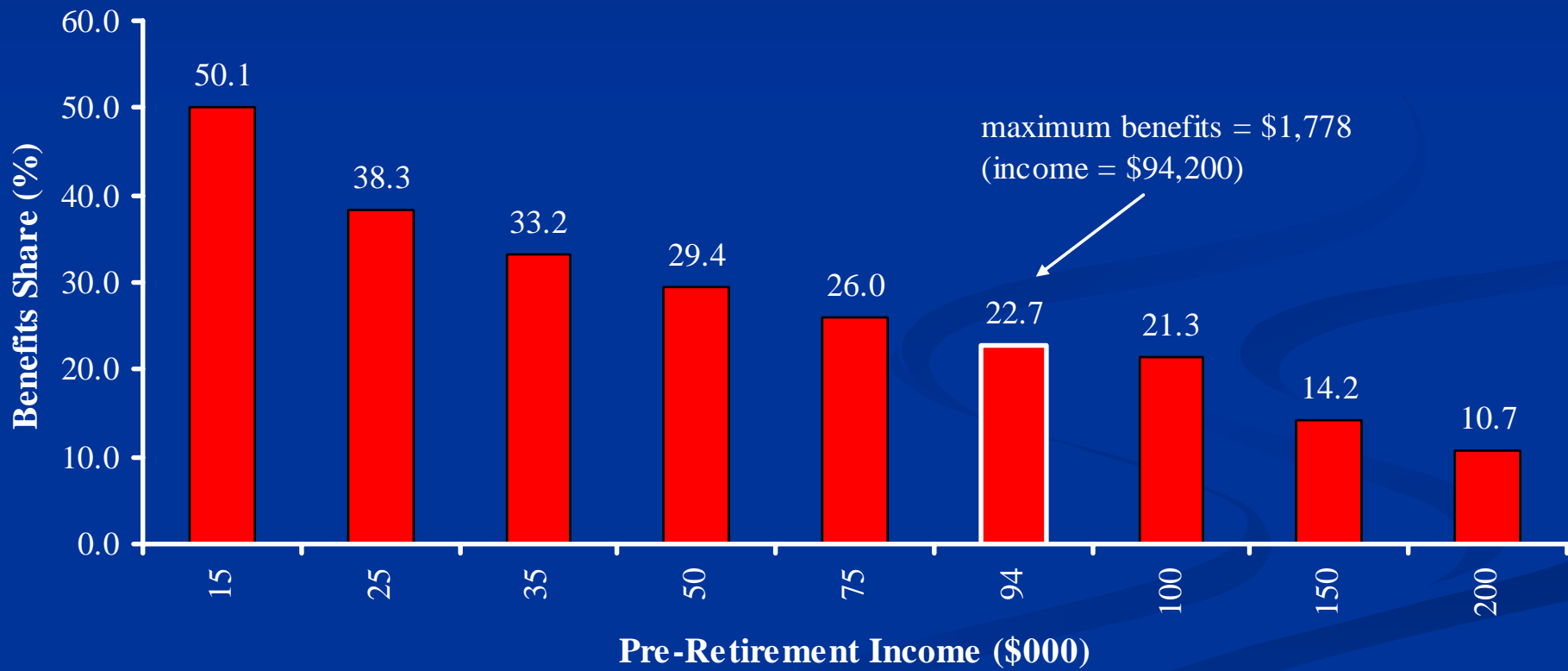


Source: Bureau of Economic Analysis

The Problem

- Consumption smoothing
- Drop in consumption at retirement
 - Low saving rate
 - Social Security likely not enough

Estimated Share of Pre-Retirement Income Returned by OASDI (Assuming Retirement in May, 2006 at Age 65), \$2006



The Problem

- Consumption smoothing
- Drop in consumption at retirement
 - Low saving rate
 - Social Security likely not enough
 - 45 percent of employees cash-out 401(k) upon leaving

The Problem

■ Debt

- median for households increased 34 percent 2001 – 2004
 - percent of assets 12.1 – 15.0
- 7 percent had a payment 60 days past due in 2001 – the figure was 8.9 percent in 2004

Conceptual Framework/Hypotheses

- Many times people make bad financial decisions because they do not know enough to make good financial decisions
- Personal financial education enhances personal financial knowledge
- Better personal financial knowledge leads to better personal financial outcomes
- Better personal financial outcomes lead to better workers
- **Providing financial education at the workplace is good for the bottom line**

Financial Condition and Employer Cost

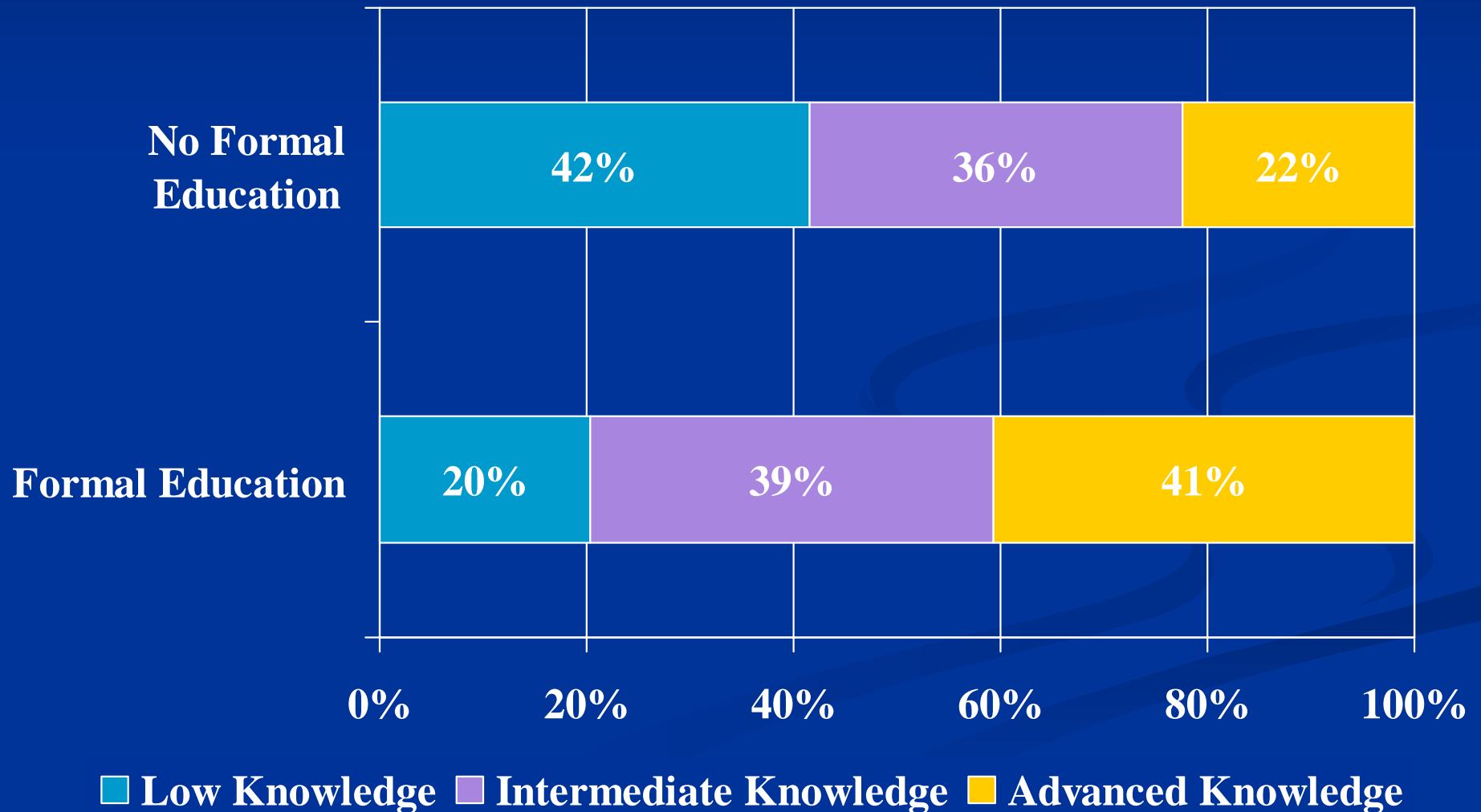
How Personal Financial Problems Translate into Workplace Problems

- Potential Costs (examples)
 - Absenteeism/Tardiness/Turnover
 - Garnishment
 - Increased Use of Employee Assistance Programs
 - Failure to Meet 401(K) Nondiscrimination Tests
 - Fiduciary Liabilities (ERISA)
 - Theft/Embezzlement
 - Accidents
 - Workplace Violence
 - Stress leads to lower productivity

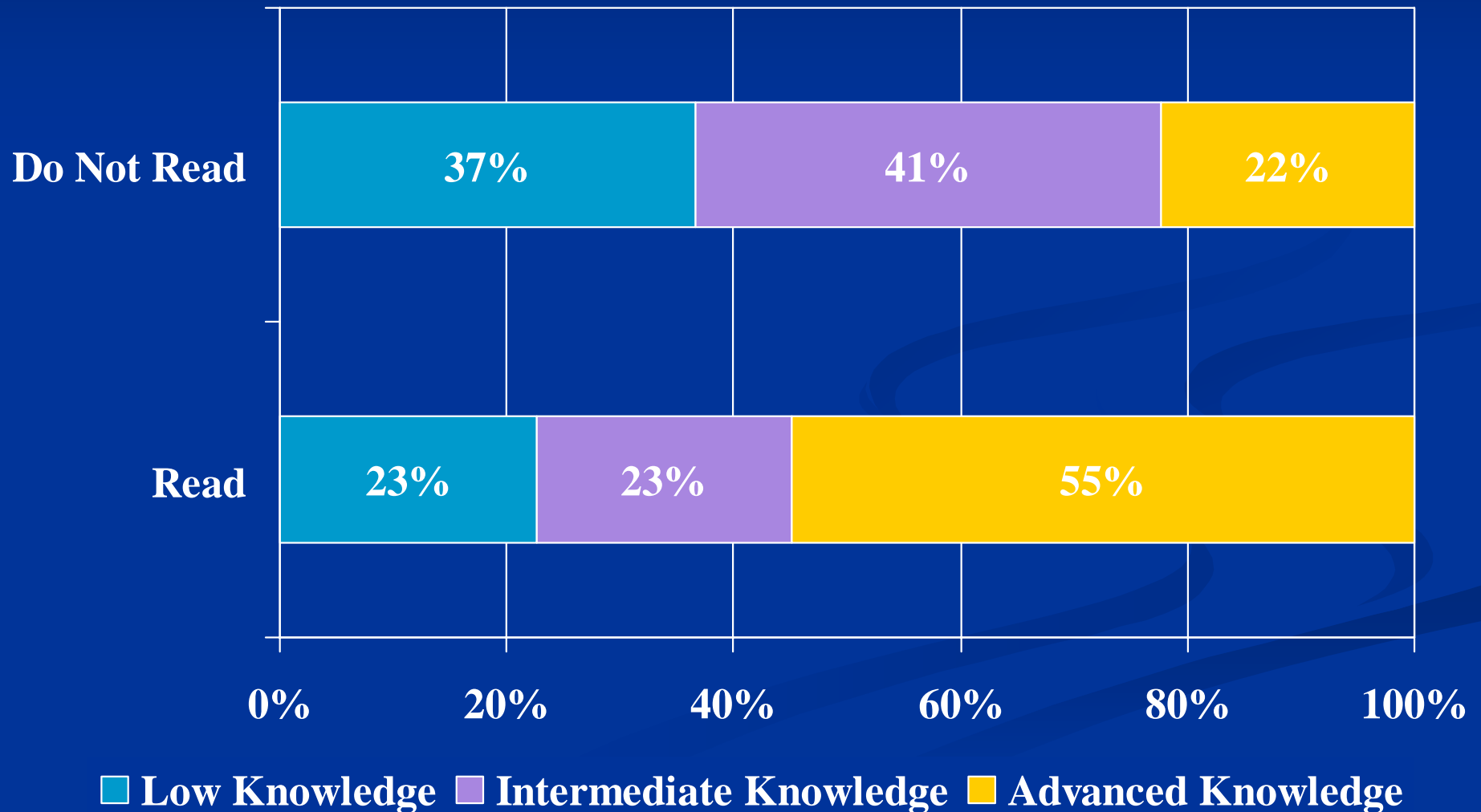
Federal Reserve Bank Survey

Financial Education and Financial
Knowledge

Formal Financial Education and Financial Knowledge



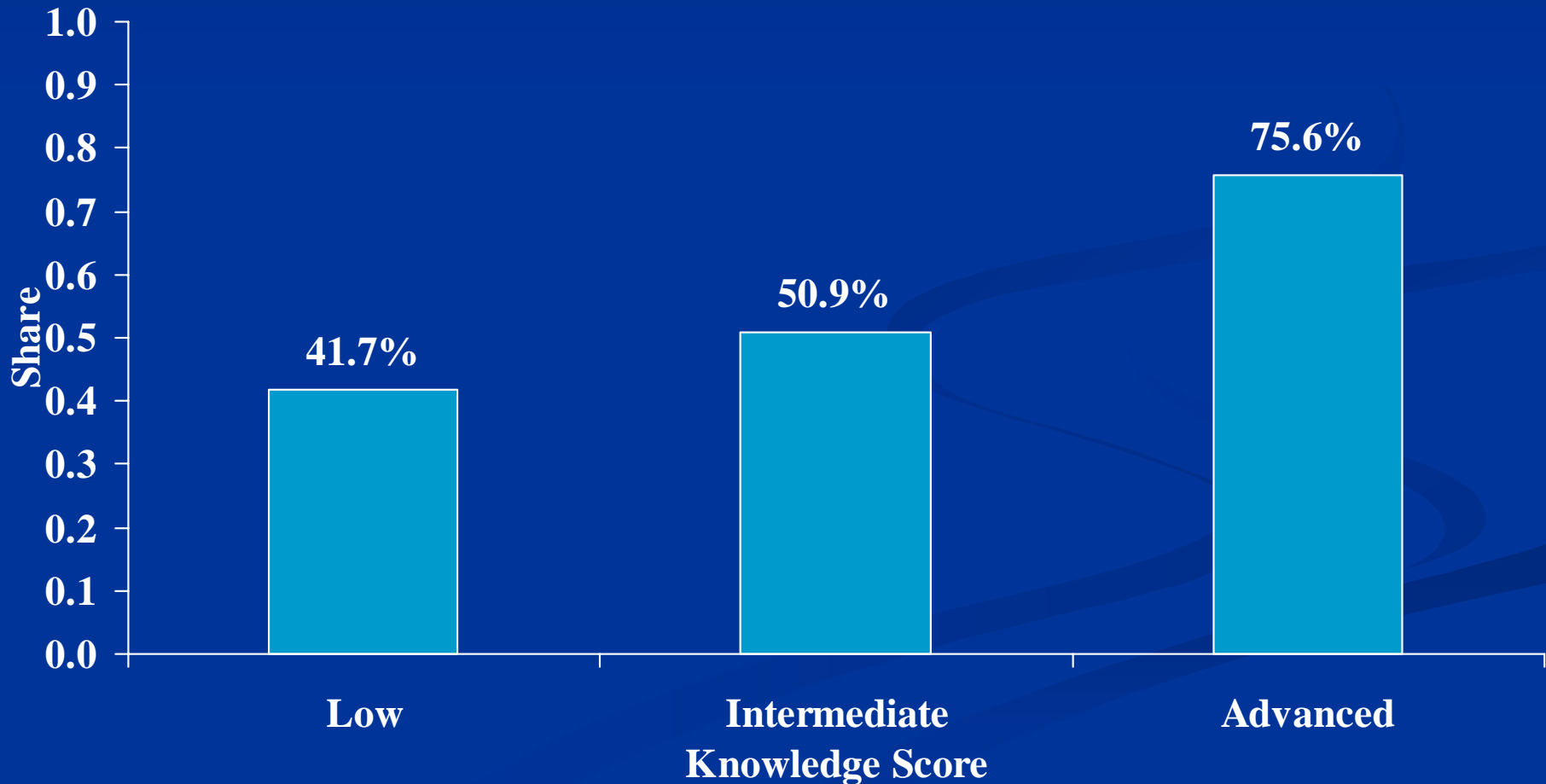
Reading of Personal Finance Publications and Financial Knowledge



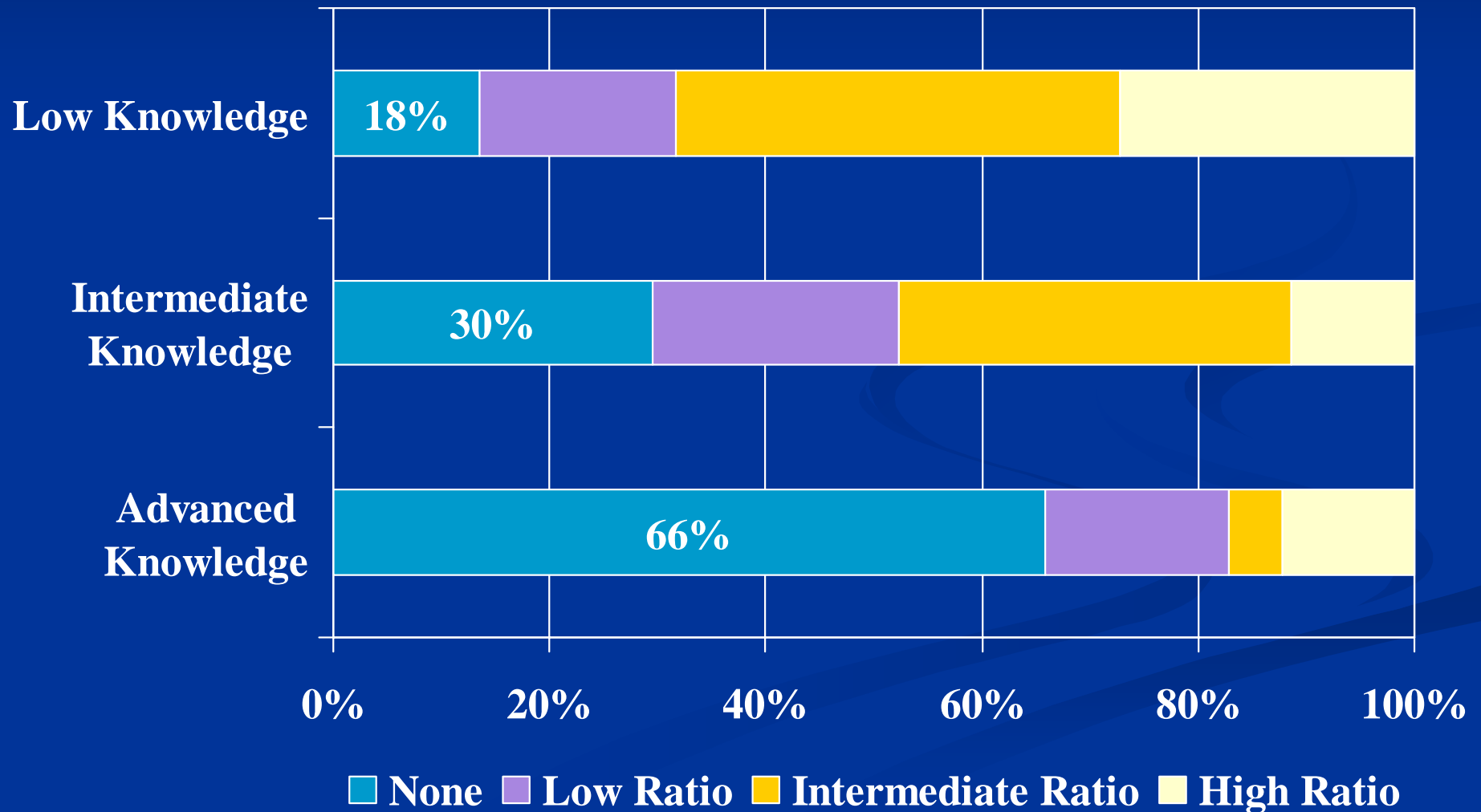
Federal Reserve Bank Survey

Financial Knowledge and Financial
Behavior

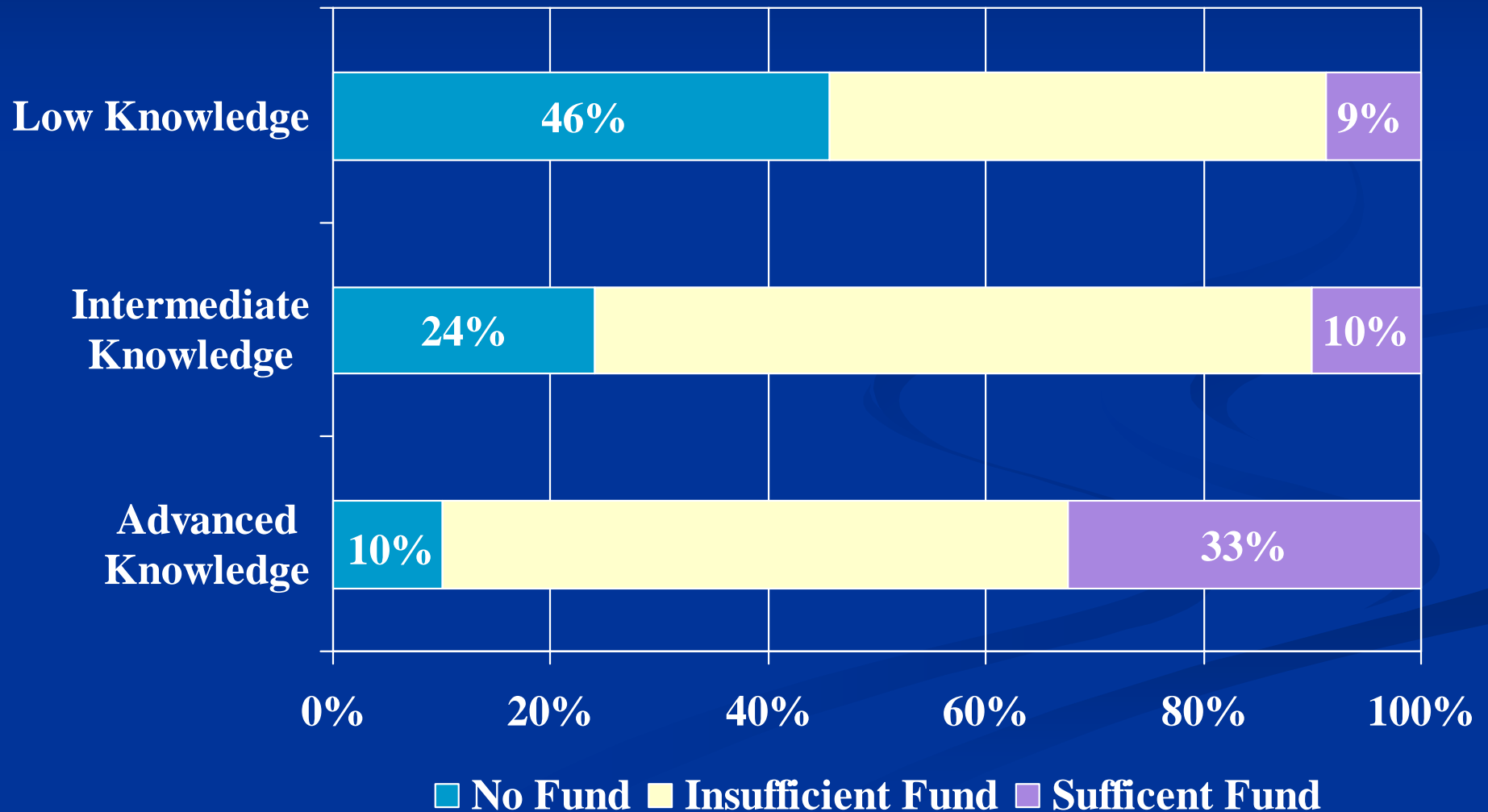
Financial Knowledge and Credit Card Payoff



Financial Knowledge and Debt-to-Limit Ratios



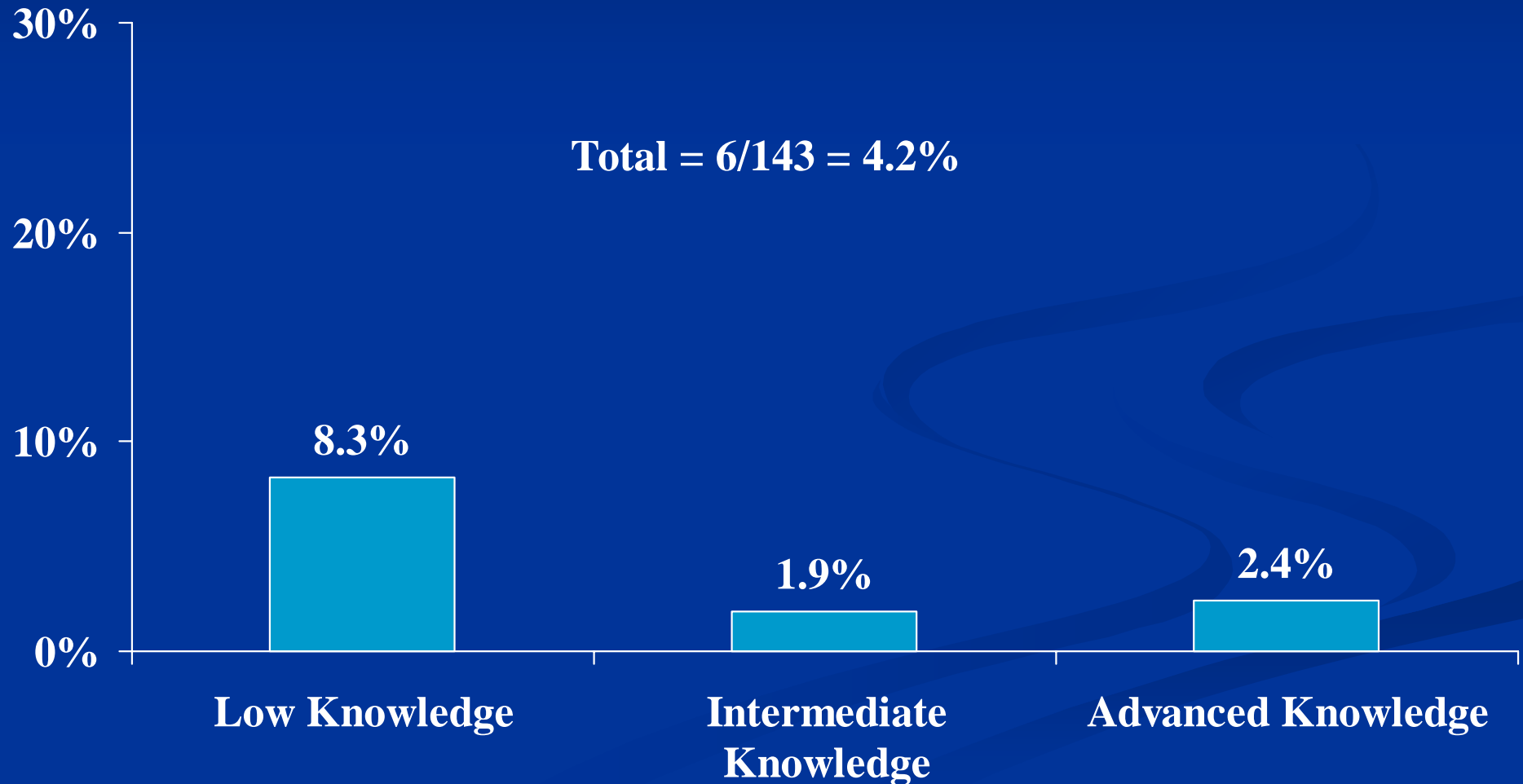
Financial Knowledge and Emergency Funds



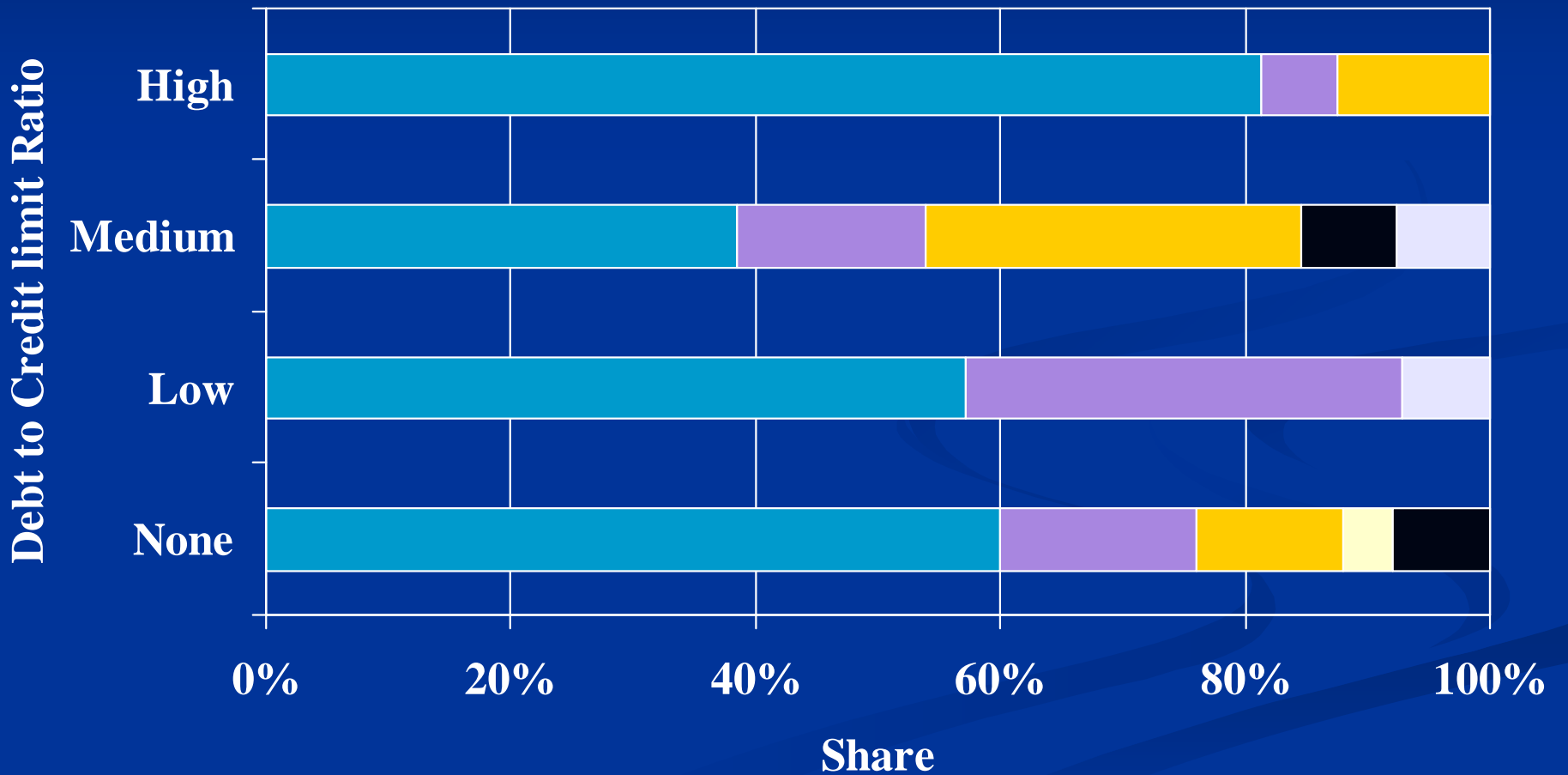
Federal Reserve Bank Survey

Financial Behavior and Employer
Costs

Financial Knowledge and Wage Garnishment



Financial Position and Time Spent at Work Dealing with Finances

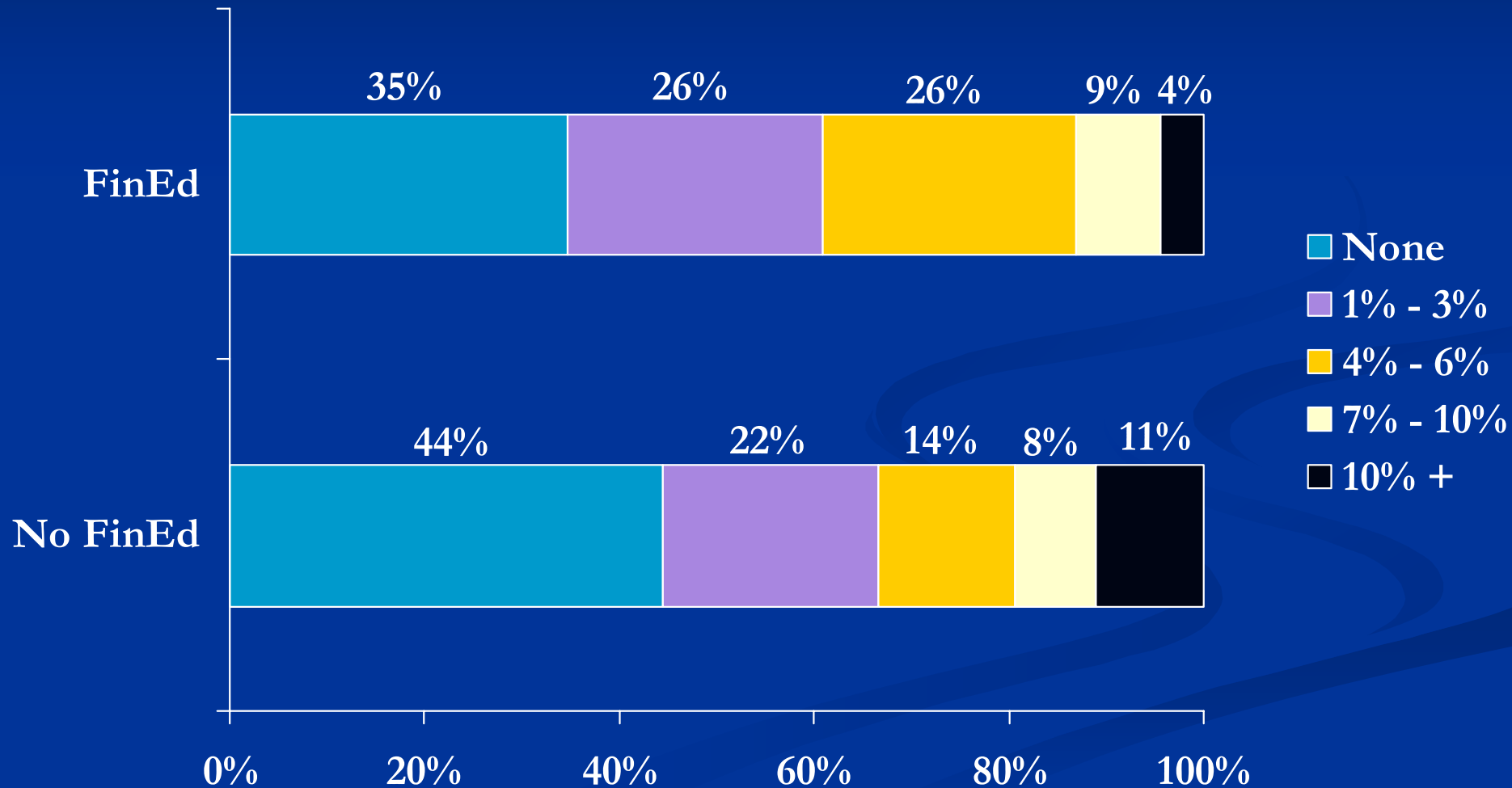


< 2 hours **2 - 4 hours** **4 - 6 hours** **6 - 8 hours** **8 - 10 hours** **> 10 hours**

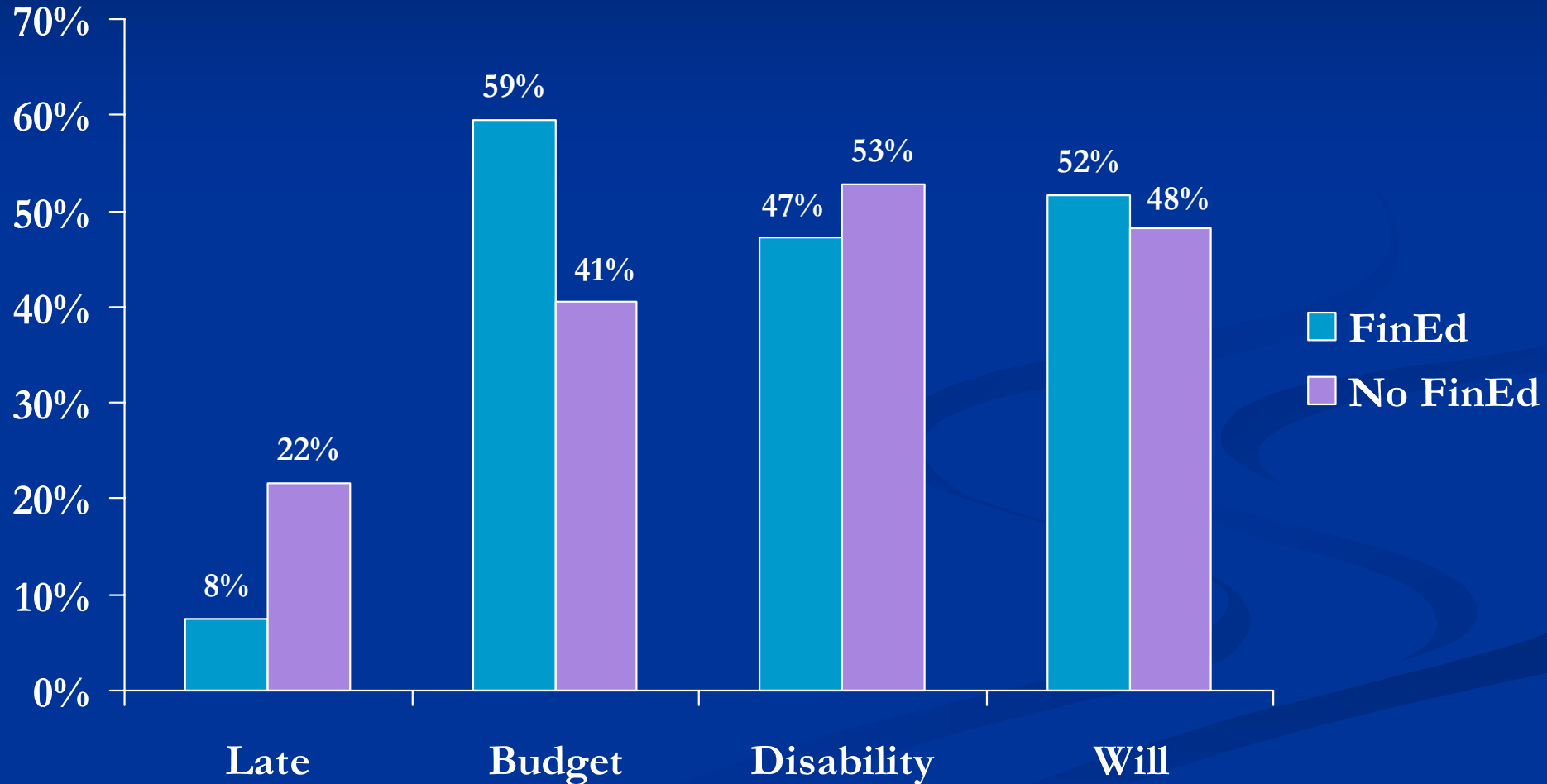
“Large Health Care Establishment”

Financial Education and Financial
Behavior

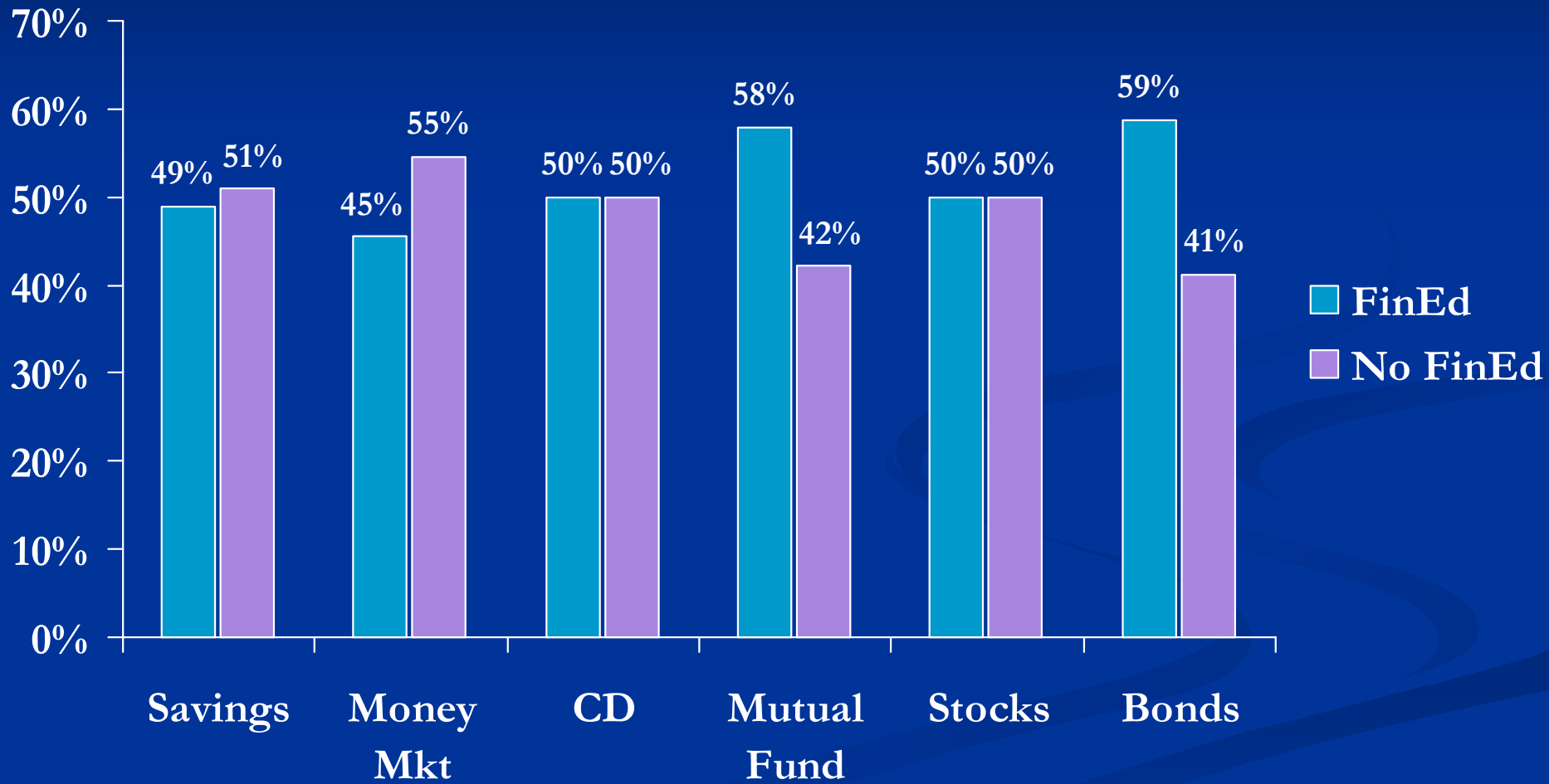
Previous Financial Education and Retirement Contributions



Effects of Financial Education



Effects of Financial Education



Potential

- We are working with *many* partners to help them help companies develop workplace-based financial education programs
- Working with Waddell & Reed (with whom we are in no way affiliated and cannot endorse and have not done so), we have developed a Financial Risk Assessment (FRA) to help companies understand the personal financial condition of their employees. We consider this a necessary first step.

FRA Example

Employee Behavior	(Surveyed Company)	USA
Paying Bills Late		
Never	44.7%	59.5%
Rarely	31.6%	15.7%
Sometimes	10.5%	16.5%
Often	13.2%	8.3%
Currently Delinquent on Bills	10.5%	N/A
Have Filed Bankruptcy	15.8%	11.0%

FRA Example (2)

Employee Awareness and Perception	(Surveyed Company)	USA
Have Insufficient Retirement Funds	71.1%	46.6%
How Satisfied with Current Financial Situation		
Very Unsatisfied	39.5%	7.0%
Somewhat Unsatisfied	28.9%	22.5%
Somewhat Satisfied	26.3%	38.0%
Very Satisfied	5.3%	32.5%
Believe Employer Cares	94.7%	

Debt	(Surveyed Company)	USA
Credit Card Debt Relative to Income		
None	15.8%	37.1%
Less than 10%	47.4%	47.4%
10% to 25%	31.6%	8.6%
25% to 50%	2.6%	3.8%
Greater than 50%	2.6%	3.0%
Credit Card Debt Relative to Limits		
None	10.5%	15.6%
Less than 10%	21.1%	41.0%
10% to 25%	15.8%	12.2%
25% to 50%	21.1%	11.6%
50% to 100%	28.9%	14.8%
Greater than 100%	2.6%	4.9%
Total Non-Housing Debt Relative to Income		
None	13.2%	49.1%
Less than 10%	31.6%	3.7%
10% to 25%	26.3%	5.2%
25% to 50%	13.2%	7.8%
Greater than 50%	15.8%	34.1%

Potential

- Once a company realizes the personal financial needs of its employees, it can then work to tailor a program that is right for them
- FINANCIAL EDUCATION IN THE WORKPLACE WORKS!
 - It's better for your employees
 - It's better for your bottom line – our research is beginning to show it and anecdotal evidence abounds
- We believe that workplace programs for health and other forms of wellness are effective tools as well: for employees and the company as a whole.

Thank you!

Questions?



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