

# PIONEERING WORKPLACE FINANCIAL WELLNESS



It's no secret that workers are shouldering more responsibility and risk for their healthcare and retirement expenses. Coupled with higher costs for buying a home and paying for college, many are stretched to the limit financially—with negative consequences not just for them but also the companies that employ them. One recent survey found that 57 percent of U.S. workers are very or somewhat stressed about their financial situation.<sup>1</sup>

Employers are starting to pay attention. Building on the success of health and wellness programs that help employees improve their physical wellness, increasing numbers of employers are looking to implement programs that help employees improve their financial lives, too.

Prudential has been an early pioneer in this field, and over time has made meaningful progress in addressing and reducing financial stress among its employees. Encouraged by these results, it is now making financial wellness solutions available to other companies.

While Prudential's journey along the financial wellness path will continue to evolve over time, examining the company's experience to date, including what it has learned and what it has been able to accomplish, may prove useful to other employers embarking on financial wellness initiatives of their own.

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Prudential believes that financial wellness is realized by adopting behaviors that help achieve the foundational elements of financial security: managing day-to-day finances, achieving important financial goals, and protecting against key risks.

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## Investing in Your Most Valuable Asset

Prudential believes its current and future business success depends on its people. As such, the company has embraced a “talent mindset”—a companywide commitment to attracting and developing employees whose insights, innovation, and hard work will fuel Prudential's success and make it a global leader in financial services.

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<sup>1</sup> Prudential, “The State of Financial Wellness in America,” 2017.

While attracting talented workers is a key first step in this commitment, developing those workers and giving them the resources they need to flourish is even more important. To that end, Prudential has embraced what it calls a “Culture of Health,” in which it seeks to support the physical, emotional, social, spiritual, and financial well-being of its employees. This commitment to health permeates everything the company does for and with its employees.

While each dimension of employee well-being is important, Prudential in recent years has placed an increasing emphasis on financial wellness. This journey has been a four-step process of discovery, plan design, inspiration, and monitoring of results.

## Step 1 DISCOVER

In 2007, Prudential adopted an employee health risk-assessment evaluation, a tool now commonly used by many large employers to help employees identify key areas where they can focus on improving their health. Prudential encourages—and incentivizes—its employees to complete a health assessment. The company then analyzes the data they generate to identify areas where it could help improve the physical and mental health of its employees.

For some time now, Prudential also has been working with Truven Health Analytics and its IBM Watson technology to link and draw insights from Prudential’s data on employee productivity and other health risks. In 2008, this analysis was expanded to include risk factors for financial stress. While the Great Recession beginning at that time would impact most American households, initial findings indicated that, despite being offered a relatively generous benefits package, Prudential’s employees were experiencing higher levels of financial stress than their counterparts at benchmark companies.<sup>2</sup> In fact, a survey of employees at that time indicated that 31 percent had experienced financial problems in the past year.

Prudential has always provided competitive benefit offerings to its employees. Based on the survey findings, Prudential set out to expand the offerings that address and support the financial well-being of its workers.

## Step 2 DESIGN

To accomplish its goals, Prudential launched a number of initiatives. In 2009, the company introduced budget coaching and began holding monthly budgeting seminars for interested employees. The following year, it developed a communications strategy for holistic health, including financial health. In 2011, to help alleviate the financial stress felt by many working parents, Prudential increased the annual hours allowed under its discounted backup child care and adult care program. Five years later, it increased the number of hours available through that program again. Today, Prudential periodically performs a comprehensive review of its benefit offerings to identify how enhancements could be made to improve the financial well-being of its employees.

Retirement security is, of course, a significant goal for almost every person, so it’s important for employers to help employees save at appropriate levels so they can afford to retire when they wish. To that end, Prudential offers its employees a 401(k) retirement savings plan in

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<sup>2</sup> Prudential compared their results to the WebMD benchmark.

which it matches employee contributions dollar for dollar up to 4 percent of salary. To help employees make good financial decisions and maximize the plan's savings features, Prudential has upgraded the plan in several ways over the last dozen years. In 2006, after the IRS issued definitive guidance on auto-enrollment provisions, the company responded by amending the plan to add an automatic-enrollment feature that would be applicable to employees and attractive to new hires.

More recently, the company has begun defaulting new plan participants into Roth accounts rather than traditional pre-tax accounts, and automatically escalating their contributions to the plan at a rate of one percentage point per year, up to a maximum of 15 percent of salary. The automatic escalation feature applies to non-highly compensated employees (\$120,000 for Prudential employees in 2018). Each year, Prudential notifies employees enrolled in automatic escalation that the increase is about to take effect, and gives them the option to increase their savings even more.

Prudential also has created a number of targeted messaging campaigns to encourage improved use of the 401(k) plan. For example, targeted messaging goes out on an ongoing basis to employees who are not deferring at rates that enable them to maximize the plan's 4 percent matching contributions feature; the communications gently encourage these participants to increase their deferral percentages, if possible, to take full advantage of the plan's match. Prudential also targets communications to employees who have reached age 50 to make them aware of the opportunity to increase their contributions under catch-up provisions available under the plan to participants 50 and older.

Finally, the company recently adopted a "true-up" provision for employees who inadvertently miss out on some portion of the company match because they have reached the maximum contribution limit. Under this provision, these employees now receive a one-time employer contribution to their account early the following year, representing the employer match they missed out on.

All these features support employees in their goals to save for retirement.

## Step **3** INSPIRE

Even with these enhancements in place and progress made in supporting reduced financial stress, Prudential continued to provide additional support to its employees in other areas.

In 2015, the company introduced the Prudential Pathways program for its employees. The program includes on-site financial education workshops delivered by Prudential financial advisors. The educational sessions have proved highly popular: more than 5,000 employees have attended sessions through year-end 2017. Feedback from attendees indicates that in addition to improving their financial literacy, the program has given them a more detailed understanding of, and appreciation for, the company's benefits program. The Pathways program at Prudential also includes a sub-component, Prudential Advisors On-Site, which is designed to provide each of the company's major U.S. locations with a highly trained Prudential financial advisor directly on-site. These advisors are available for consultation on a wide variety of financial topics at no cost to employees. In addition, if the employee chooses, financial advisors can provide more detailed financial services.

**MORE THAN**  
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**FINANCIAL ADVISORS.**

## Step 4 MONITOR AND MEASURE

As it built its financial wellness program, Prudential increasingly used data analytics to monitor and demonstrate the success of its various initiatives. Through Truven Health Analytics, Prudential currently tracks several different metrics measuring how effectively its wellness program is reducing stress, depression, and absenteeism among employees. Recent findings show that:

- Twenty-nine percent of employees who indicate they are experiencing financial problems also exhibit moderate or overall health risk, compared to just 11 percent of those who do not indicate they are experiencing financial problems.
- Employees experiencing financial problems miss significantly more days of work, and lose significantly more hours of productivity, than those who do not experience financial problems. In fact, Prudential found employees who experience financial problems lose a full week of productivity compared to other employees. In addition, those who experience financial problems are more likely to experience a short-term disability.
- The prevalence of diagnosed mental health conditions is higher among those who experience financial problems.

### What's Next?

For Prudential and its employees, the results of the company's financial wellness programs have been encouraging. Of course, a strong economy has also helped. Still, the number of Prudential employees who reported experiencing financial problems in the past year is half what it was in 2008, and much lower than it is among employees of peer companies.

Nonetheless, Prudential continues to improve its financial wellness offerings. In February 2018, for example, the company introduced a digital financial wellness platform, called the Financial Wellness Experience, that will allow employees to customize the financial wellness education they receive. The Financial Wellness Experience is intended to support employees in adopting healthy behaviors that result in their ability to manage their day-to-day expenses, achieve important financial goals, and protect themselves against key financial risks. Prudential is offering a similar financial wellness digital platform to its institutional clients. The program features analytics, education, and other offerings designed to help employees improve the financial wellness of their employees.

Prudential understands that investing in the financial wellness of workers can translate into benefits for employers, too, including improved productivity and engagement, greater employee appreciation for employer-sponsored benefits programs, and improved workforce management opportunities as employees find they are able to afford to retire when they wish. With workers shouldering increasing financial burdens and risk, offering a financial wellness program isn't just the right thing to do, it's also smart business.

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## KEYS TO A SUCCESSFUL FINANCIAL WELLNESS PROGRAM

Prudential has identified eight keys to a successful financial wellness program:

- 1. Provide a wealth of financial wellness offerings, building what you can over time.**  
You want a broad range of offerings, but not everything needs to be available on day one. Deliver a continuous evolution of offerings.
- 2. Integrate benefit offerings.** Benefit offerings not only can boost financial wellness, but a financial wellness program can help employees appreciate and make better use of the benefits being offered.
- 3. Embrace innovative plan design features.** In retirement savings plans, for example, automating participant enrollment and escalation of contributions can drive superior results.
- 4. Provide access to investment education and planning resources.** Tools that help employees assess their financial health and improve it can lead to better outcomes.
- 5. Recognize that employees engage and learn in different ways.** Some prefer to learn independently using online programs, for example, while others prefer in-person engagement.
- 6. Change the culture and build trust.** Develop creative, consistent, and engaging communications programs.
- 7. Develop a holistic approach.** Your financial wellness strategy should focus on delivering personal, organizational, and community benefits.
- 8. Leverage data, both internal and external, to inform strategy.** Measuring results is crucial to figuring out what works and what doesn't, refining your program, and allocating resources appropriately.

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