Financial Wellbeing – An Employer Point of View

Aon Multinational Study – Results Session – Webinar

July 10 to 12, 2018
Agenda

01 Financial Wellbeing Background /Context

02 Aon Multinational Study: From Strategy to Practice

03 Future Framework

04 Case Studies
01

Financial Wellbeing
Background & Context
Wellbeing:
is a state of balance that consists of having the appropriate resources, opportunities and commitment needed to achieve optimal health and performance for the individual and the organization.
The Birth of Financial Wellbeing – a Perfect Storm

- Increased life expectancies are leading to changes in retirement age and working patterns putting pressure on employment practices.
- Student debt is rising in most developed countries around the world and is taking years for young people to clear.
- Governments are looking to shift healthcare, retirement and other social costs to the private sector.

Employer shift to DC and expansion of Flex programs.

- Healthcare, retirement and other savings are blurring as elderly care and medical costs are picked up by individuals creating additional pressure on savings.
- Housing costs and mortgage deposits are rising around the world creating “generation rent” without housing security.
- Increasing awareness of the impact of stress on employee productivity, absence and engagement and a willingness by employers to take action.
Aon Multinational Study
From Strategy to Practice
Financial Wellbeing – An Employer Study

“Understand how multinationals are approaching Financial Wellbeing and how this is likely to evolve in the next 1 to 3 years”

- Participant profile is global benefits or global rewards leaders at multinational organizations
- Responses from 159 different multinationals
- Results analyzed by different industry sector
- How are employers approaching FWB? What is the expectation for the future? How will success be defined and measured?
What industry is your organization in?

- Financial Services: 24%
- Pharmaceutical: 10%
- Technology: 38%
- Other: 87%

How many countries do you operate in?

- 5 or fewer: 13%
- 6 - 15: 28%
- 16 - 50: 63%
- 50+: 55%

What proportion of your employees are outside of HQ?

- 0 - 25%: 33%
- 26% - 50%: 53%
- 51% - 75%: 38%
- 76% - 100%: 34%

How many global employees do you have?

- Less than 10,000: 44%
- 10,001 - 50,000: 61%
- 50,001 - 100,000: 22%
- More than 100,000: 32%
Respondent Participant Profile

What is within the remit of your role (multiple answers allowed)?

- Retirement Benefits: 136
- Medical Benefits: 122
- Wellbeing: 90
- Total Rewards: 83
- Compensation: 48

What is the geographic remit of your role?

- Global: 80
- Headquarters: 32
- Regional: 27
- International ex-HQ: 20

Which country is your organization headquarters?

- US: 104
- Europe (ex-UK): 30
- UK: 13
- Other: 12

n = 159
Global Wellbeing Strategy – now and in 3 years time

Do you have a global wellbeing strategy in place today?

- All Industries: 34% Yes, 66% No
- Financial Services: 38% Yes, 62% No
- Pharmaceutical: 70% Yes, 30% No
- Technology: 55% Yes, 45% No

Will you have a global wellbeing strategy in place in 3 years time?

- All Industries: 75% Yes, 25% No
- Financial Services: 63% Yes, 37% No
- Pharmaceutical: 70% Yes, 30% No
- Technology: 89% Yes, 11% No

n = 159
Global Financial Wellbeing Strategy – now and in 3 years time

Do you have a Financial Wellbeing strategy in place today?

<table>
<thead>
<tr>
<th>Industry</th>
<th>Yes (%)</th>
<th>No (%)</th>
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<tbody>
<tr>
<td>All Industries</td>
<td>14</td>
<td>86</td>
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Will you have a Financial Wellbeing strategy in place in 3 years time?

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<td>Technology</td>
<td>71</td>
<td>29</td>
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n = 159
Global Wellbeing Strategy – the details

What are the objectives for the strategy (multiple answers allowed)?

- Improve engagement: 53
- It is the "right thing to do": 37
- Improve productivity: 34
- Support benefits package: 34
- Reduce medical costs: 29

How is the wellbeing strategy managed with the countries?

- Strong global framework: 32
- Regionally driven: 17
- Locally driven: 5

Does the wellbeing strategy include a financial component?

- Yes: 40
- No: 14

n = 54
Financial Wellbeing Strategy – the details

What are the key objectives for the Financial Wellbeing strategy (multiple answers allowed)?

- Reduce financial stress: 21
- Improve engagement: 17
- Support benefits package: 16
- Improve productivity: 12
- It is the “right thing to do”: 11

What role does the Employer have in the following components of Financial Wellbeing (multiple answers allowed)?

- Day to day emergencies: No role (100), Educational role (20), Employer funded program (0)
- Debt management: No role (100), Educational role (20), Employer funded program (0)
- Retirement savings: No role (100), Educational role (20), Employer funded program (0)
- Making financial choices: No role (100), Educational role (20), Employer funded program (0)
- Healthcare costs: No role (100), Educational role (20), Employer funded program (0)
- Protection against adverse events: No role (100), Educational role (20), Employer funded program (0)
Poll Question

What type of financial wellbeing solutions are being implemented or considered by your company? (Select all that apply):

1. Flexible or Voluntary Benefits
2. Financial Education seminars
3. Retirement Planning Workshops
4. EAP with a financial component
5. Employer subsidized financial advice
6. Access to company loans
Financial Wellbeing programs being offered around the world

How many of your businesses already offer Financial Wellbeing products or solutions to employees?

- Less than 25%: 99
- 26% - 50%: 21
- 51% - 75%: 16
- More than 75%: 23

n = 159

What programs do your businesses offer to employees around the world (multiple answers allowed)?

- Flexible / voluntary benefits: 137
- Financial Education: 114
- Retirement planning workshops: 114
- EAP with financial component: 87
- Employer subsidised financial advice: 63
- Access to company loans: 30

n = 159
Poll Question

In general are your employees utilizing the Financial Wellbeing programs?
(Select one):

1. Yes
2. No
3. I don’t know, we don’t track
Utilization and monitoring of Financial Wellbeing programs around the world

In general are your employees utilizing the Financial Wellbeing products on offer?

- Yes: 92%
- No: 8%

How are you monitoring the utilisation of the Financial Wellbeing programs / products

- No monitoring: 47%
- Ad-hoc feedback: 33%
- Questions in engagement study: 10%
- Specific employee survey: 10%

n = 159
The future of Financial Wellbeing

How will the significance of Financial Wellbeing change within your employment proposition over the next 3 years?

- More Important: 77%
- No change: 22%
- Less Important: 1%

Do you have definite plans to implement programs in the following areas over the next 3 years?

- Financial education: 70%
- Retirement planning workshops: 63%
- Flexible / voluntary benefits: 60%
- EAP with financial component: 42%
- Employer paid financial advice: 31%

n = 159
Key Conclusions from the Study

Financial Wellbeing is an emerging and growing topic:
- Nearly 80% of multinationals see the significance of Financial Wellbeing growing in the next 1 – 3 years
- Yet over 90% of multinationals think that their employees have a very basic or no understanding of Financial Wellbeing

Setting a Financial Wellbeing strategy is a priority:
- 15% of multinationals currently have a Financial Wellbeing strategy but this is expected to be over 60% in 3 years time
- This compares with 35% of companies that already have a health and wellbeing strategy rising to 75% in 3 years time

Employers will have a clear role in financing programs and educating employees:
- Multinationals continue to see a sponsorship role for retirement, medical and protection benefits
- Multinationals see an educational role around financial advice and debt management
- Over 60% of multinationals will be providing financial education, retirement workshops and voluntary benefit options in the next 1-3 years

Utilization and monitoring of programs needs to improve:
- Over 90% of employees are not utilizing programs on offer
- Nearly 90% of organizations are doing very little monitoring of the utilization and effectiveness of the programs offered
Future Framework
Companies are positioned to support their workforce in all areas of financial wellbeing:

- **Prepare**
  - Financial Education
  - Budgeting
  - Student Loans
  - Credit Debt

- **Plan**
  - Retirement
  - Home
  - College
  - Stock
  - Health Savings
  - Financial guidance, advice, coaching, planning

- **Protect**
  - Protection from:
    - Loss of income
    - Critical illness
    - Death
    - Disability
    - Legal
    - Other risks

- **Preserve**
  - Lifetime Income/Investments
  - Social Security
  - Estate Planning
## Success Factors

- Global framework will set out best practice principles for local programmes
- Framework should cover design, financing and operational requirements
- Local programmes aligned to global principles

## Possible Approaches

- Gather data on design, financing and operation of existing programmes
- Develop global guidelines for FW programmes

### The How of Financial Wellbeing – Global Strategy

#### Possible Approaches

<table>
<thead>
<tr>
<th>Advice</th>
<th>Education</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approaches to guidance and advice:</td>
<td>Elements of financial wellbeing to cover:</td>
<td>Allocate financial benefits under the following categories, noting those that should not be provided:</td>
</tr>
<tr>
<td>Employee Assistance Program</td>
<td>Preparation</td>
<td>Core Financial Benefits</td>
</tr>
<tr>
<td>Financial Health Check</td>
<td>Planning</td>
<td>Flexible Benefits</td>
</tr>
<tr>
<td>Finance Advisor: Online Advice</td>
<td>Protection</td>
<td>Voluntary Benefits</td>
</tr>
</tbody>
</table>

#### Potential tools

- **Design**
  - Employee Assistance Program
  - Financial Health Check
  - Finance Advisor: Online Advice

- **Financing**
  - Approaches to financing:
    - Employee-paid
    - Employer-subsidised
    - Employee-paid
    - Employee-subsidised
    - Negotiated discounts
    - Provider-funded

- **Operations**
  - Automatic access
  - Management approval
  - Frequency of use
  - Provider selection/review
  - Monitoring impact

- **Methods of education**
  - Courses
  - Workshops
  - Tools
  - Monitoring impact

- **Delivery platform**
  - Provider selection/review
  - Monitoring usage/choices
  - Monitoring financial outcomes
  - Corporate oversight

Based on an analysis of employee survey data, Aon can help determine which financial wellbeing tools would be most beneficial to provide in terms of addressing employees’ financial wellbeing concerns, and consequently how these tools should be financed and managed most appropriately. Note that employees may be utilising some tools already in certain countries under programs managed at local level.
The How of Financial Wellbeing – Employee Needs

Success Factors

- Employee needs assessed using a survey
- Survey results identify financial issues, preferred methods of support, and order of priority
- Survey can be repeated in future years to measure success and evolve FW programme to meet changes in needs

Possible Approaches

- Carry out employee survey
- Create suitable KPIs
- Map survey output to potential tools across the 4 Ps to optimise employee journey

[Sample text for Employer SPV Tool Feasibility Report: Sample Questions for Employee Survey]

1. How would you rate your current financial situation? [ ] Excellent [ ] Good [ ] Fair [ ] Poor

2. Do you feel that your current financial situation is manageable? [ ] Yes [ ] No

3. What are your main sources of income? [ ] Salary [ ] Self-employment [ ] Investment income [ ] Other

4. Do you have any plans to improve your financial situation within the next 12 months? [ ] Yes [ ] No

5. Please rate your overall financial literacy on a scale of 1 (low) to 5 (high): [ ] 1 [ ] 2 [ ] 3 [ ] 4 [ ] 5

6. How would you rate your ability to make informed financial decisions? [ ] Strong [ ] Moderate [ ] Weak

7. What is the most important financial planning goal you have? [ ] Retirement [ ] Education [ ] Housing [ ] Other

8. Have you ever sought advice from a financial professional? [ ] Yes [ ] No

[Sample text for Employee Needs Survey: Task-Related Questions: Specific responses are required in parentheses]

1. How satisfied are you with your current financial situation? [ ] Very satisfied [ ] Satisfied [ ] Neutral [ ] Dissatisfied [ ] Very dissatisfied

2. Do you feel that your current financial situation is sustainable in the long term? [ ] Yes [ ] No

3. What is your highest level of education achieved? [ ] High school diploma [ ] Bachelor’s degree [ ] Master’s degree [ ] Ph.D. or higher

4. Do you have any debts or credit card balances? [ ] Yes [ ] No

5. What is your current monthly income? [ ] $1,000 - $2,000 [ ] $2,001 - $3,000 [ ] $3,001 - $4,000 [ ] $4,001 - $5,000 [ ] $5,001 or more

6. How much do you save for retirement each month? [ ] $0 [ ] $25 - $50 [ ] $51 - $100 [ ] $101 - $200 [ ] $201 or more

[Sample text for Employee Needs Survey: General Overview Questions]

1. How would you rate your overall financial literacy on a scale of 1 (low) to 5 (high)? [ ] 1 [ ] 2 [ ] 3 [ ] 4 [ ] 5

2. Do you feel that you are confident managing your financial affairs? [ ] Yes [ ] No

3. What is the most important financial planning goal you have? [ ] Retirement [ ] Education [ ] Housing [ ] Other

4. Have you ever sought advice from a financial professional? [ ] Yes [ ] No

5. What is your highest level of education achieved? [ ] High school diploma [ ] Bachelor’s degree [ ] Master’s degree [ ] Ph.D. or higher

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6. How much do you save for retirement each month? [ ] $0 [ ] $25 - $50 [ ] $51 - $100 [ ] $101 - $200 [ ] $201 or more
Success Factors

- A successful Financial Wellbeing programmes has a range of elements ("tools") across the 4 P’s.
- Employers may be providing some of these already
- Employers need to decide what to provide, to whom, how and when

Possible Approaches

- Carry out audit of current Tools (Type & Vendor; Date implemented; Reason for implementation; Delivery Mechanism; Cost; KPIs; Effectiveness)
- Define requirements for current and new Tools going forward (including guidelines for implementing tools going forwards)
Global Pharmaceutical company designs Global Financial Wellbeing Initiatives

**Client Situation**

- **2004–2013:** Move from Defined Benefit to Defined Contribution pensions
- **2014–2017:** DC governance—are employees equipped to manage DC risks?
- **2017–2019:** Holistic financial wellbeing—are employees equipped to manage life’s financial challenges?

**Approach**

Create a toolkit of global best practices from which local operations can customize FW solutions, which:

1. Align with GFW strategy
2. Help associates understand their financial needs, prioritize goals and take specific actions through:
   - Financial Education;
   - Financial Guidance; and
   - Financial Benefits.
3. Manage risks through best-practice governance and decision making

**How Aon Helped**

- **15+ tools defined**
- Application across **Top 20** countries
- “**Best in Class**” resources by country

**Global Survey**
Global Financial Services Firm – Understands Employee Needs

Aspects of wellbeing that employees most want to improve

<table>
<thead>
<tr>
<th></th>
<th>Top wellbeing aspect to improve</th>
<th>Second most important wellbeing aspect to improve</th>
<th>Third most important wellbeing aspect to improve</th>
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<tbody>
<tr>
<td>SWITZERLAND</td>
<td>Progression and development</td>
<td>Financial wellbeing</td>
<td>Physical health</td>
</tr>
<tr>
<td>POLAND</td>
<td>Progression and development</td>
<td>Financial wellbeing</td>
<td>Physical health</td>
</tr>
<tr>
<td>UK</td>
<td>Physical health</td>
<td>Progression and development</td>
<td>Financial wellbeing</td>
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</table>

Top ranked aspect amongst employees in all European countries surveyed except
Understanding Employee Needs – by role level

Top 3 aspects of wellbeing that employees most want to improve

<table>
<thead>
<tr>
<th>Role Level</th>
<th>Top wellbeing aspect to improve</th>
<th>Second most important wellbeing aspect to improve</th>
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</tr>
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<tbody>
<tr>
<td>0-1</td>
<td>Physical health</td>
<td>Social/lifestyle</td>
<td>Progression and development</td>
</tr>
<tr>
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Greater focus on financial wellbeing at the lower role levels, potentially as a result of there being a greater number of younger individuals at these levels needing support with debt management, budgeting etc.
Global Financial Wellbeing – Implementation

**Objective:** Improve an individual’s wellbeing and work performance by providing education and tools to help employees achieve financial wellbeing today while preparing for financial security tomorrow.

- Raise awareness and support behaviour change
- Online Financial Wellbeing portal
- Track participation and behaviour changes
- Share best practice globally
- Campaigns
  - Managing day-to-day expenses
  - Saving for the long-term
  - Protecting against the unexpected
- Awareness activities
  - Online Financial Education
  - Promotion of EAP
  - Financial wellbeing booths
  - Savings campaigns
  - Retirement workshops
- Change Activities
  - Financial health assessment tool
  - Employee discount programs
  - Global advisor service
  - Education on company plans
  - Discounts on local insurances

Aon | Private & Confidential
July 2018
A flavour of the Americas

Canada:
Significant changes to retirement programs with expansion of the Canadian Pension Plan.
Enhancement of CPP/QPP replacement ratio to 33.3% (from 25%), additional tax deductions and increase on federal work income tax are among key changes.

USA:
Student loan debt is a $1.5T US crisis since it’s now the second highest consumer debt category behind only mortgage debt – higher than credit cards and auto loans (source: Q1 2018 Federal Reserve)

Mexico:
Hybrid plans (DC with a minimum guarantee benefit) are becoming more prevalent and financial wellbeing as one of the main focus of employers

Brazil:
DC supplementary plans with matching contribution are among the most commonly provided retirement benefits. About 50% of global companies provide retirement benefits.

Chile:
Even when corporate retirement plans are not so prevalent, financial wellbeing interest is increasing particularly for employees close to retirement age

42% working Canadians overall say that they are distracted at work because they are worrying about money (Manulife, 2016 Employee Financial Wellness and Its Effect on Business)

Of Americans do not have enough savings to fund an emergency of $400 (source: Salary F Finance)

Mexico has the 3rd highest level of household savings (as % of net income) in the world (source: OECD)

Brazilians pay the highest interest rates among the world’s top 20 economies. Interest rates for rolling over credit card debt in Brazil may fall by up to 50% under new rules.

In 2018 Brazilians protest as government pushes for SS pension reforms. (source: Reuters)

Chileans in public protests against low pensions from the renowned Chile DC private pension system (source: Reuters)

Less than 10% of those surveyed has tried to calculate the level of savings necessary to ensure adequate retirement income. Among these, only 21% has developed a related saving plan. (source: OECD)
A flavour of Asia Pacific

China:
Smart spenders through mobile enabled voluntary personalised benefits at discounted rates

Japan:
May 2018 DC law amendment requires companies with a DC plan to provide ongoing financial training for employees

India:
Highest prevalence in Asia Pacific of flexible benefits to attract young talent and meet their needs

Singapore:
High demand for CPF education programs to support competing needs - current ones such as housing and medical as well as future needs such as retirement

Australia:
Behavioural assessments to money to target relevance and drive smart personal financial decision making

Top 4
China (Beijing, Shanghai, Jiangsu and Canton) leads the world in student financial literacy (source: PISA)

Of the working population in Singapore are expatriates and foreigners – that do not have access to the Central Provident Fund (CPF) – and are typically not making retirement savings

69%
Australia has the 4th highest level of household debt in the world

4th
High demand for CPF education programs to support competing needs - current ones such as housing and medical as well as future needs such as retirement
A flavour of Europe, Middle East and Africa

**Top 4**

Denmark, Netherlands, Norway and Sweden have the highest levels of household debt in the world (as % net income) (source: OECD)

**40%**

Of UAE employees are intimidated by financial matters (source: Aon UAE survey, 2018)

**48%**

Of UK employees have borrowed to meet basic needs (source: Neyber, 2017)

**United Kingdom:**
Significant growth and interest in financial education and employer payroll loans

**Germany:**
Interest in financial wellbeing growing, especially given move away from DB pensions

**Nordics:**
Large DC and voluntary benefits. Widespread use of portals and 1-1 financial information sessions

**Iberia (Spain & Portugal):**
State benefit changes driving demand for retirement modelling; and access to voluntary benefits

**Middle East:**
Aon survey shows demand for budgeting, financial management and benefits information
Closing Remarks & Employer Actions
Key actions that multinational organizations can take now

1. Identify existing Financial Programmes around the world (you may find several good examples!)

2. Develop Global Strategy & Framework
   - Link to broader Wellbeing strategy
   - Guidelines & philosophy (e.g. financial education/advice; provide support on debt management)
   - Allow local HR/C&B teams to develop programs appropriate for local market & employee needs

3. Carry out employee wellbeing surveys / focus groups
   - Where are the employee financial stress points?

4. Consider Employee education sessions (adapted for age groups and role level), covering:
   - Company benefit program
   - State benefits
   - Financial education (e.g. “Top 10 Tips”)
   - Contacts for future support
   - Company vendor relationships
Financial Wellbeing – An Employer Point of View

Thank you!

Aon Multinational Study – Results Session – Webinar

July 10 to July 12, 2018

Prepared by Aon Global Benefits

Presentation to Global Benefits Day