



# Financial Wellbeing – An Employer Point of View

Aon Multinational Study – Results Session – Webinar

July 10 to 12, 2018

Prepared by Aon Global Benefits

Presentation to Global Benefits Day



# Agenda

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Financial Wellbeing  
Background /Context



03

Future Framework



02

Aon Multinational  
Study: From Strategy  
to Practice



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Case Studies





# Financial Wellbeing Background & Context

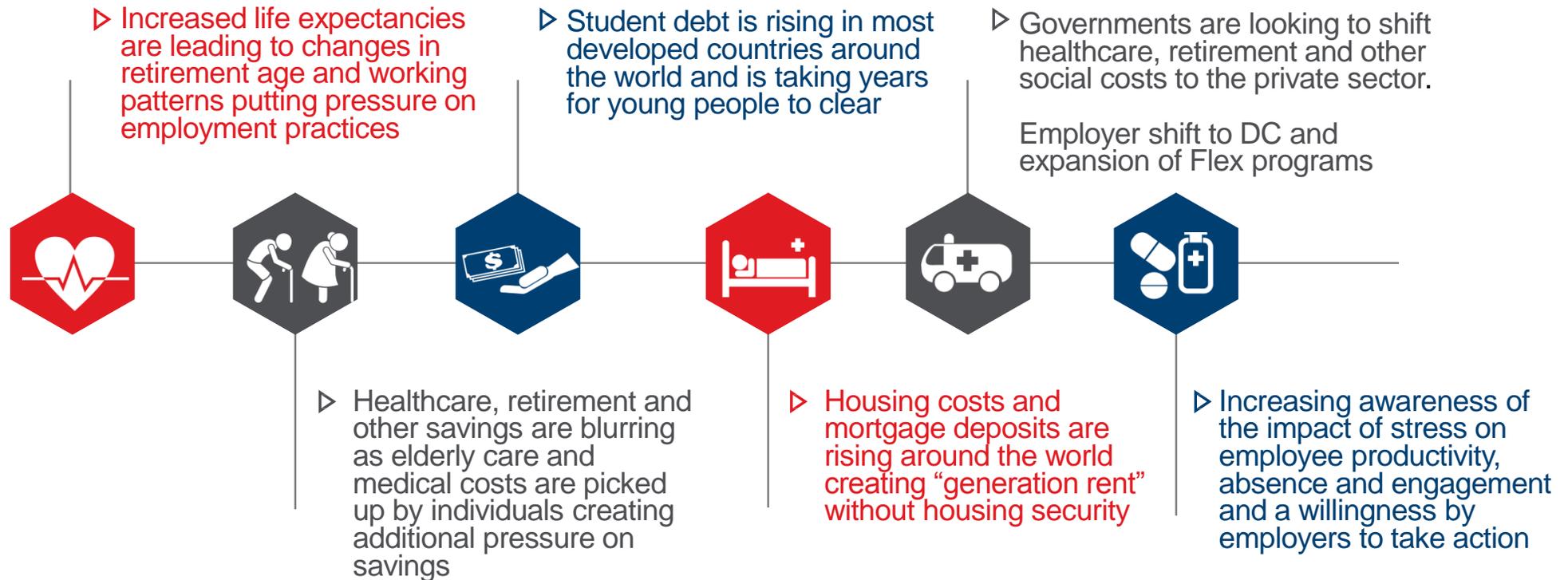
# How We Define Wellbeing



## 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





# 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



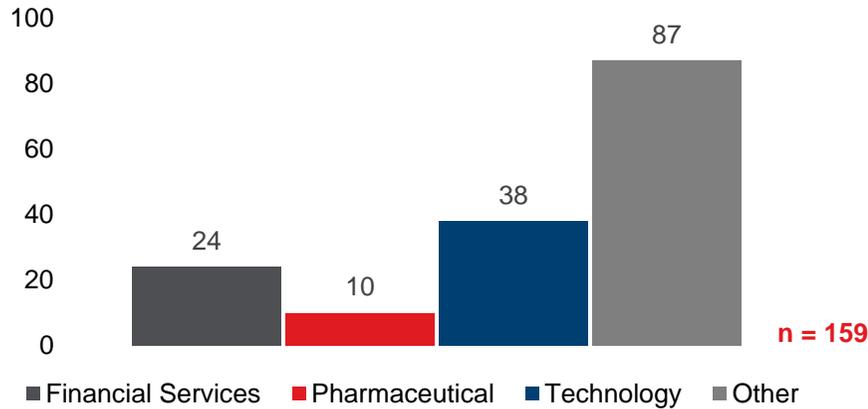
Results analyzed by different industry sector



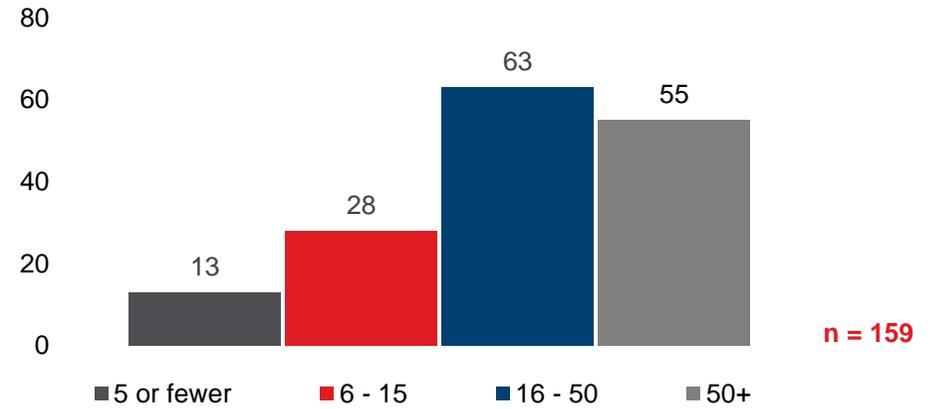
How are employers approaching FWB?  
What is the expectation for the future?  
How will success be defined and measured?

# Organizational Participant Profile

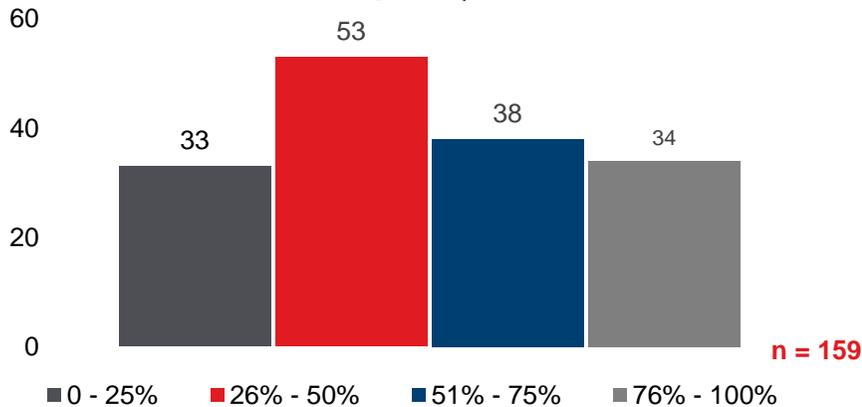
## What industry is your organization in?



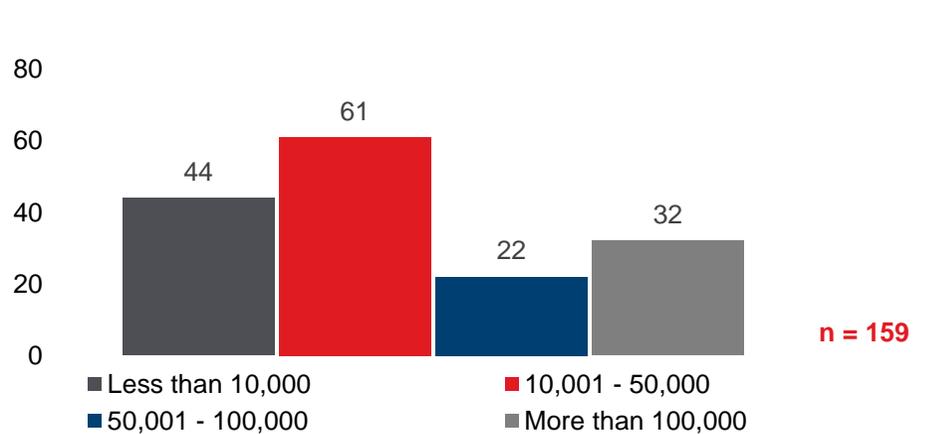
## How many countries do you operate in?



## What proportion of your employees are outside of HQ?

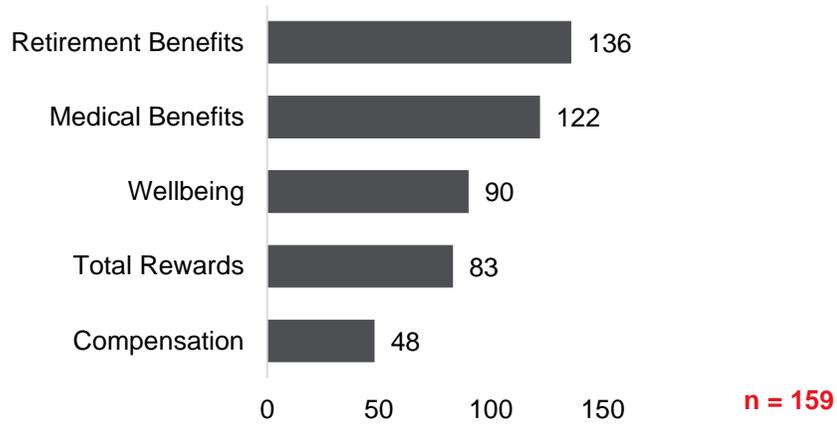


## How many global employees do you have?

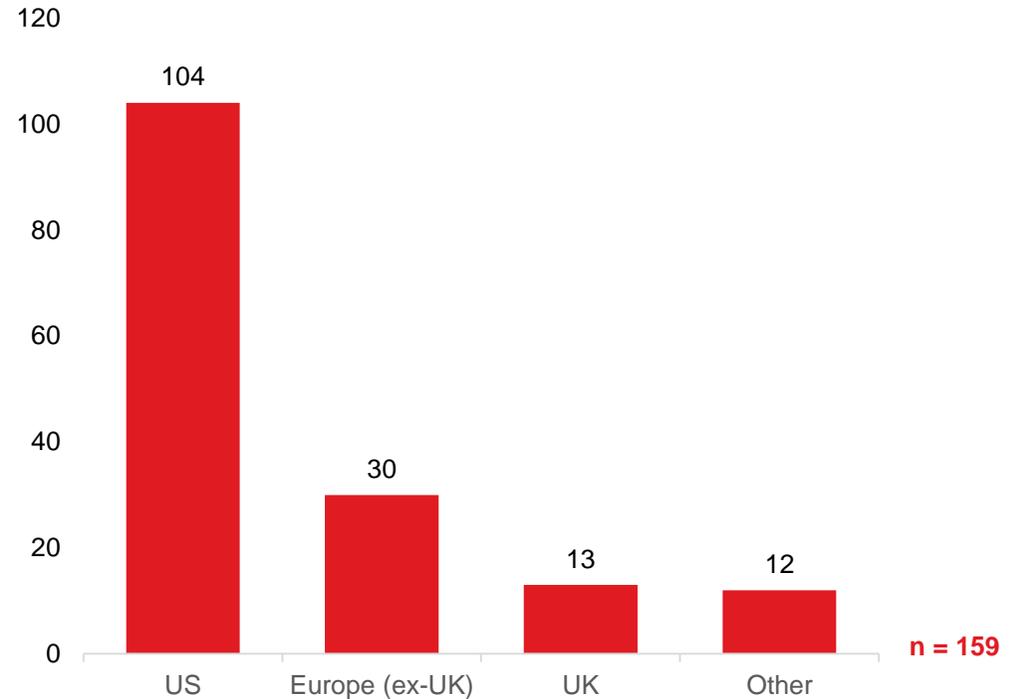


# Respondent Participant Profile

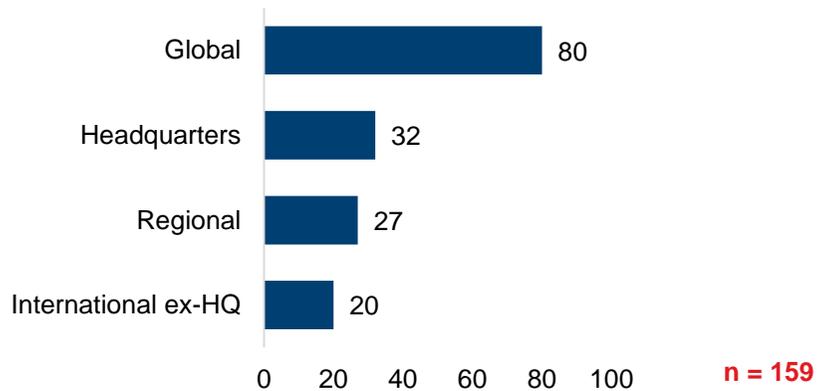
## What is within the remit of your role (multiple answers allowed)?



## Which country is your organization headquarters?

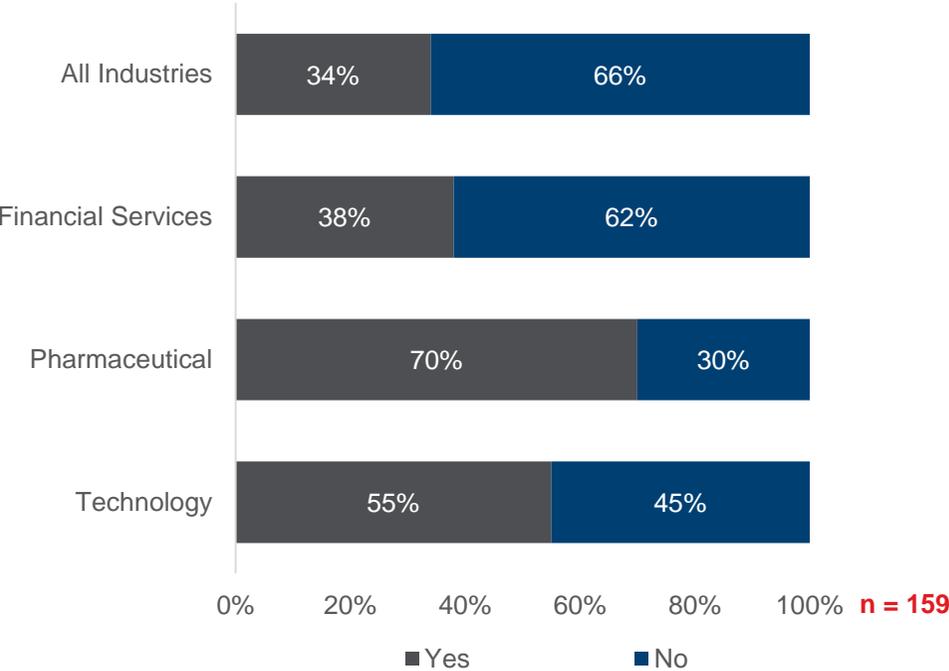


## What is the geographic remit of your role?

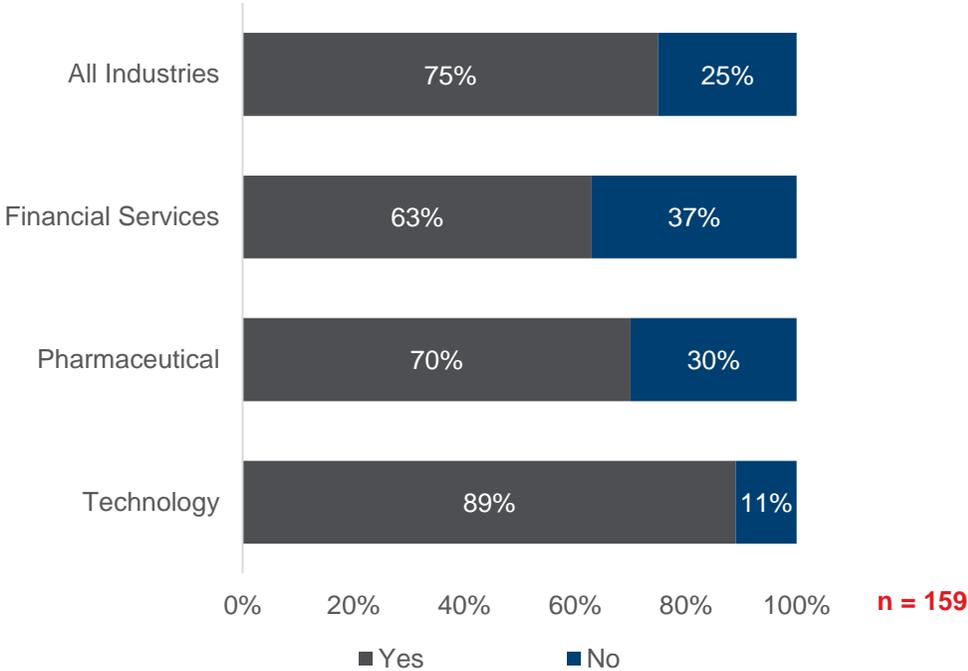


# Global Wellbeing Strategy – now and in 3 years time

**Do you have a global wellbeing strategy in place today?**

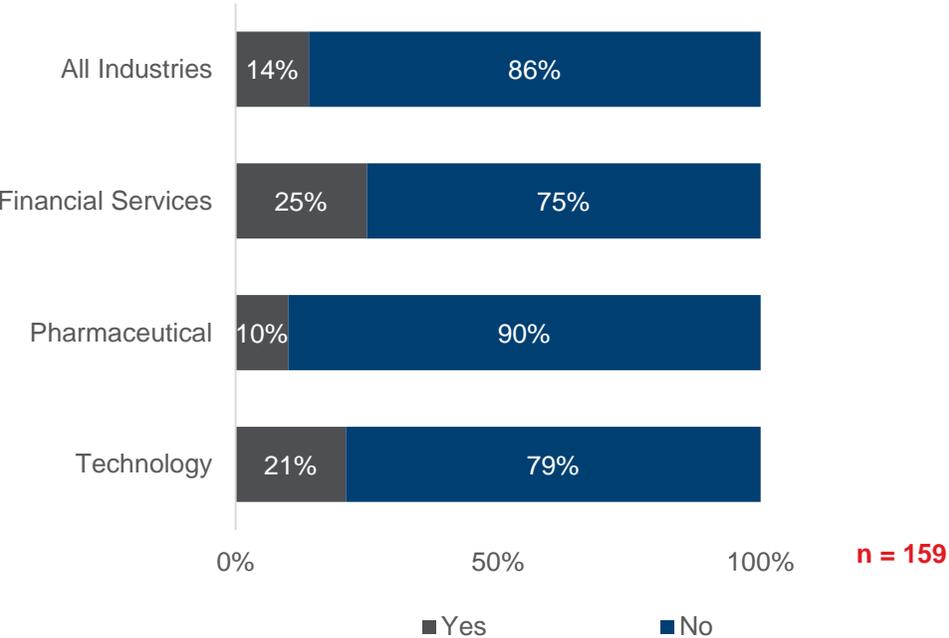


**Will you have a global wellbeing strategy in place in 3 years time?**

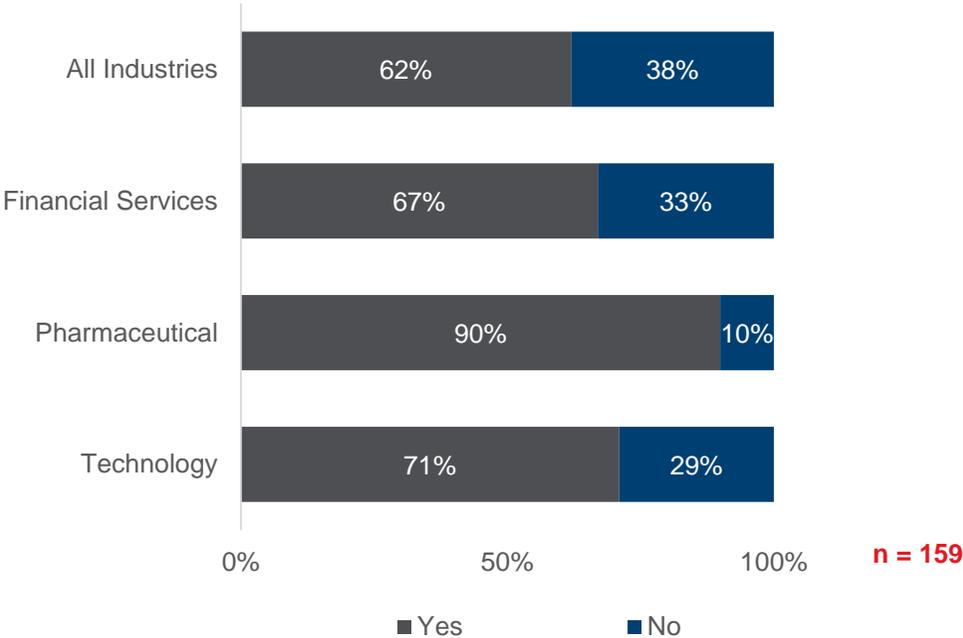


# Global Financial Wellbeing Strategy – now and in 3 years time

**Do you have a Financial Wellbeing strategy in place today?**

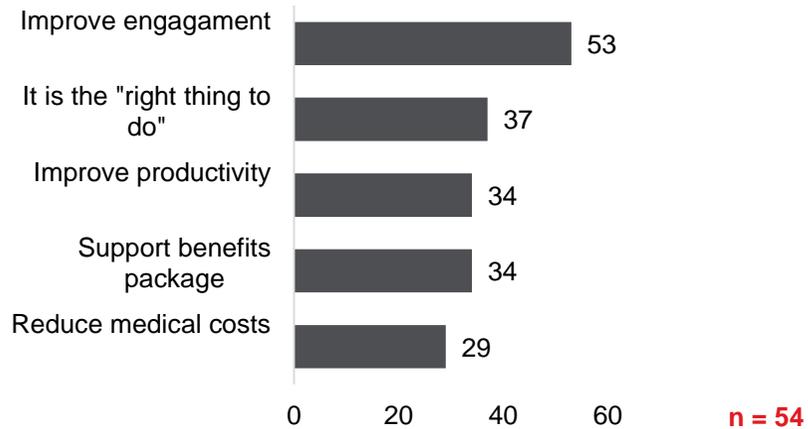


**Will you have a Financial Wellbeing strategy in place in 3 years time?**

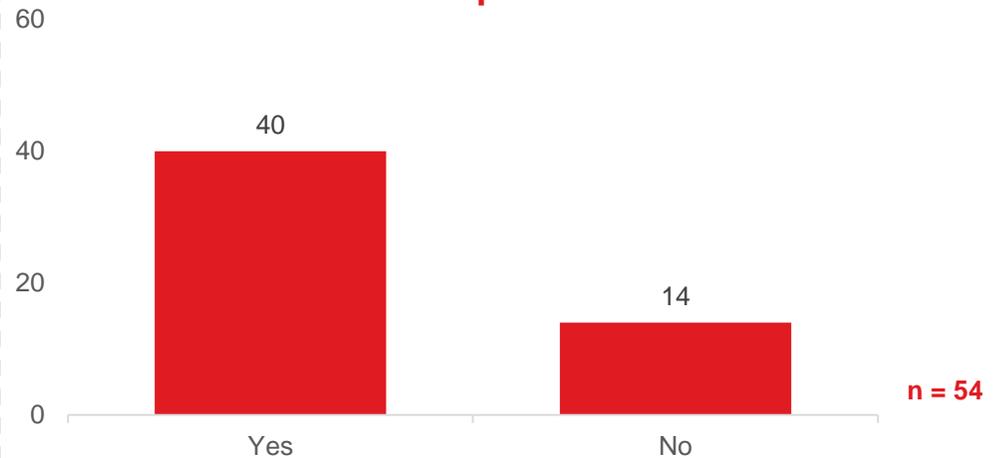


# Global Wellbeing Strategy – the details

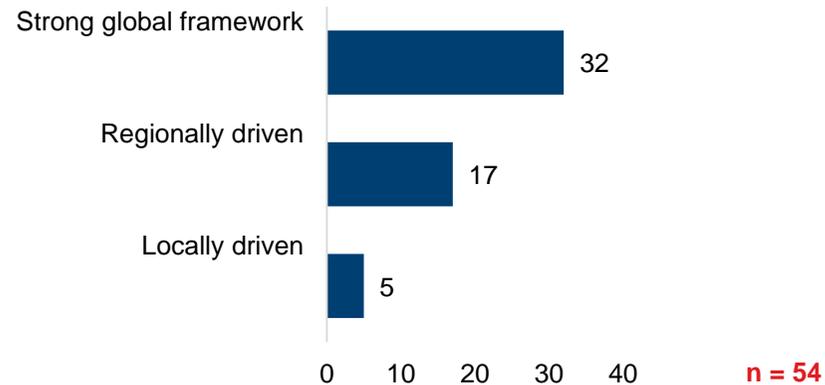
## What are the objectives for the strategy (multiple answers allowed)?



## Does the wellbeing strategy include a financial component?

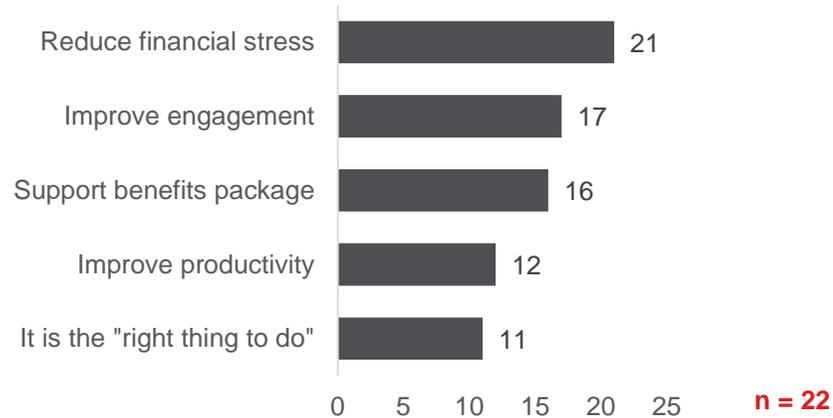


## How is the wellbeing strategy managed with the countries?

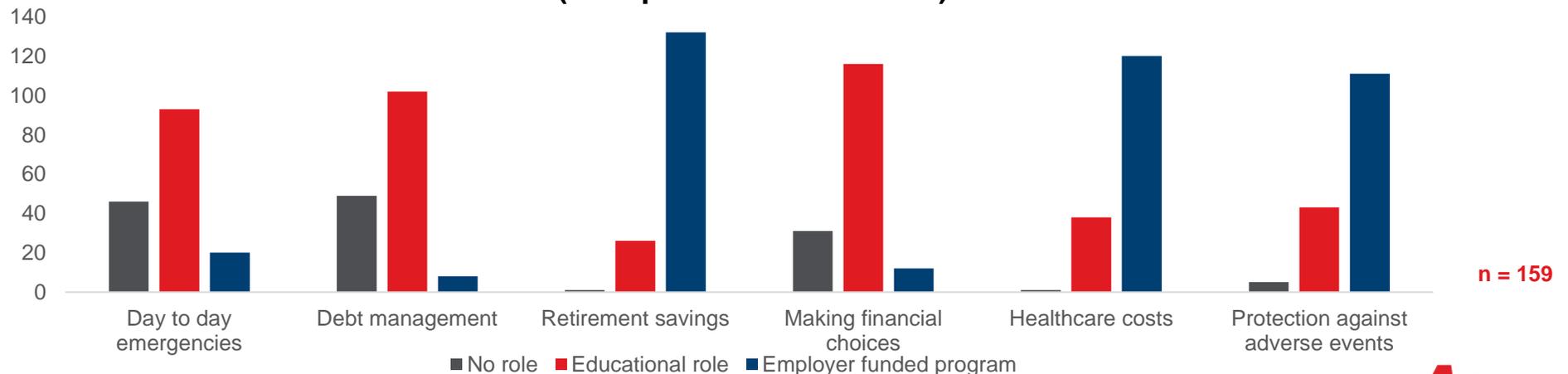


# Financial Wellbeing Strategy – the details

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



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



## Poll Question

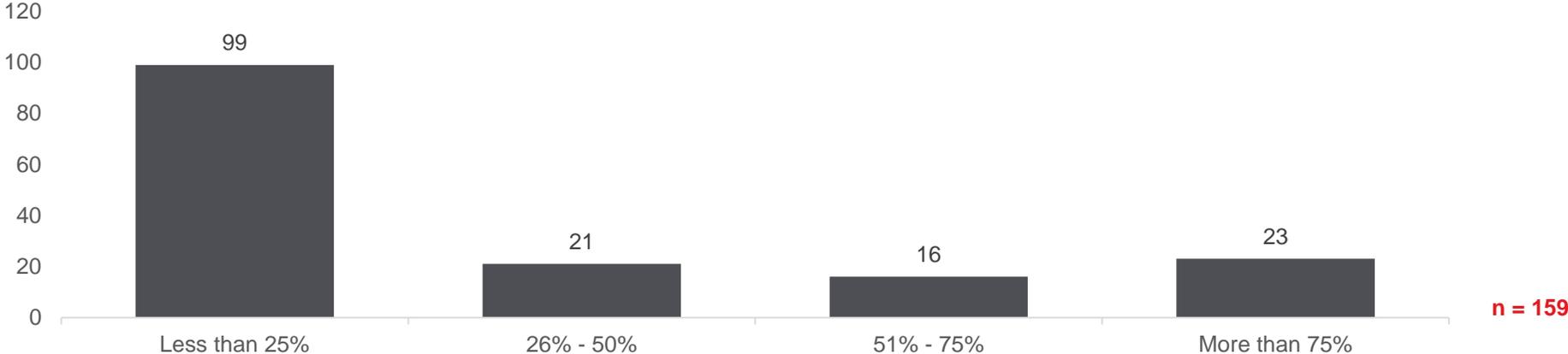
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▶ What type of financial wellbeing solutions are being implemented or considered by your company?  
(Select all that apply):

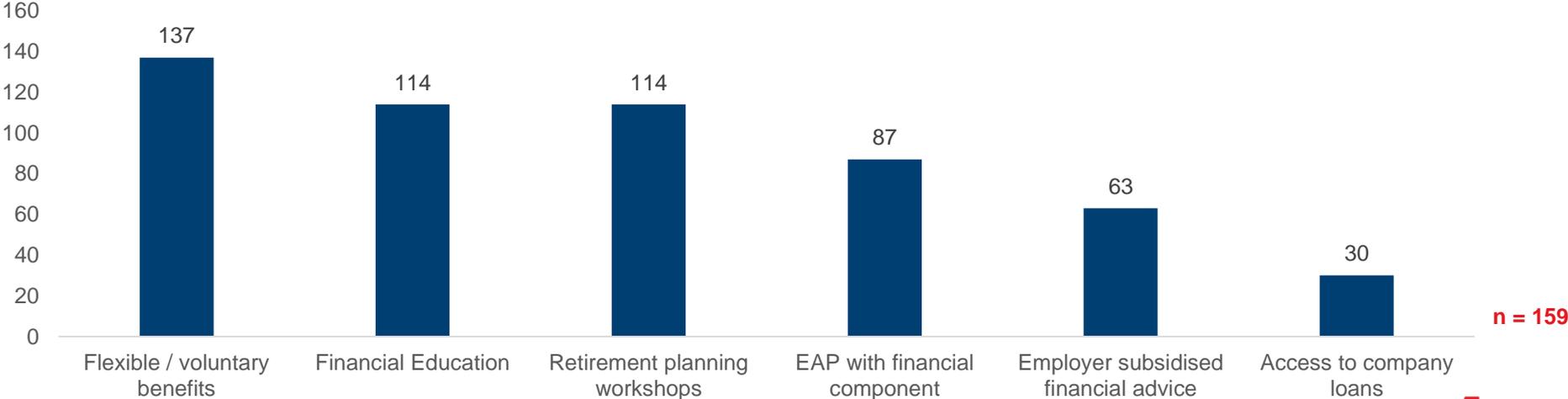
1. Flexible or Voluntary Benefits
2. Financial Education seminars
3. Retirement Planning Workshops
4. EAP with a financial component
5. Employer subsidized financial advice
6. Access to company loans

# Financial Wellbeing programs being offered around the world

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



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



## Poll Question

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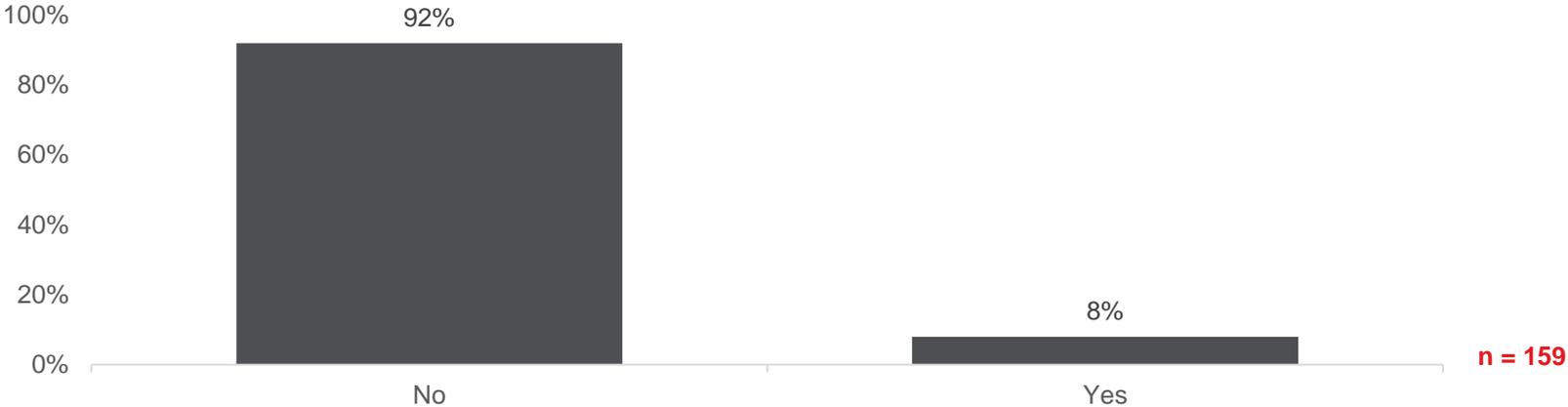
▶ **In general are your employees utilizing the Financial Wellbeing programs?**

(Select one):

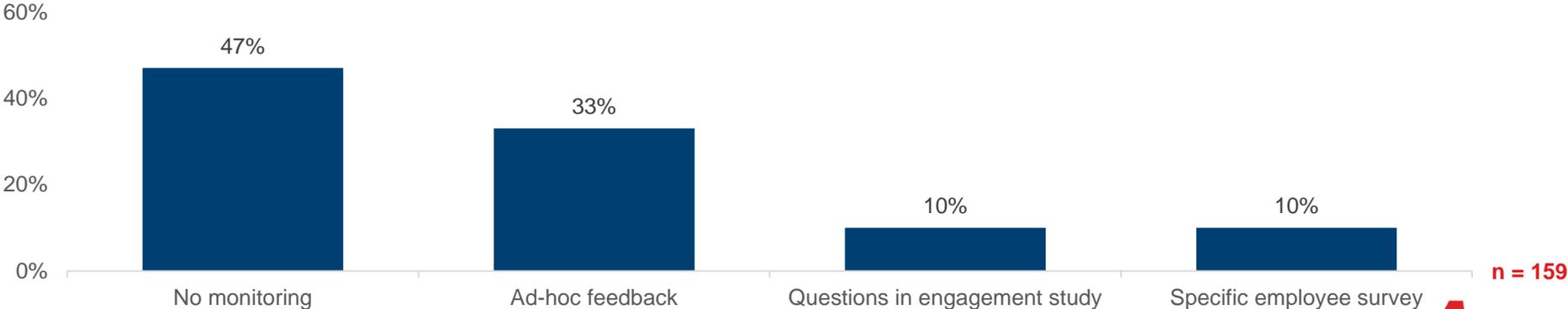
1. Yes
2. No
3. I don't know, we don't track

# Utilization and monitoring of Financial Wellbeing programs around the world

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

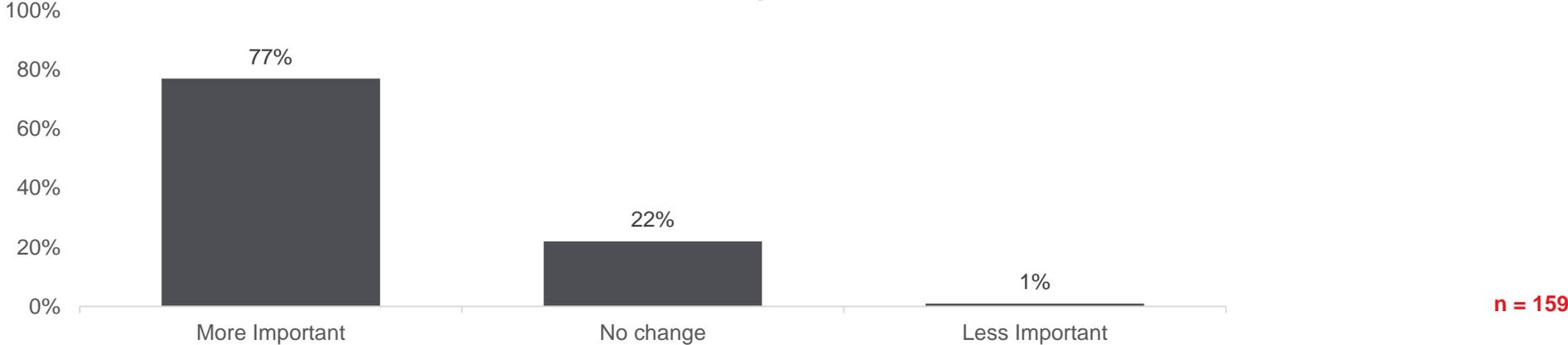


How are you monitoring the utilisation of the Financial Wellbeing programs / products

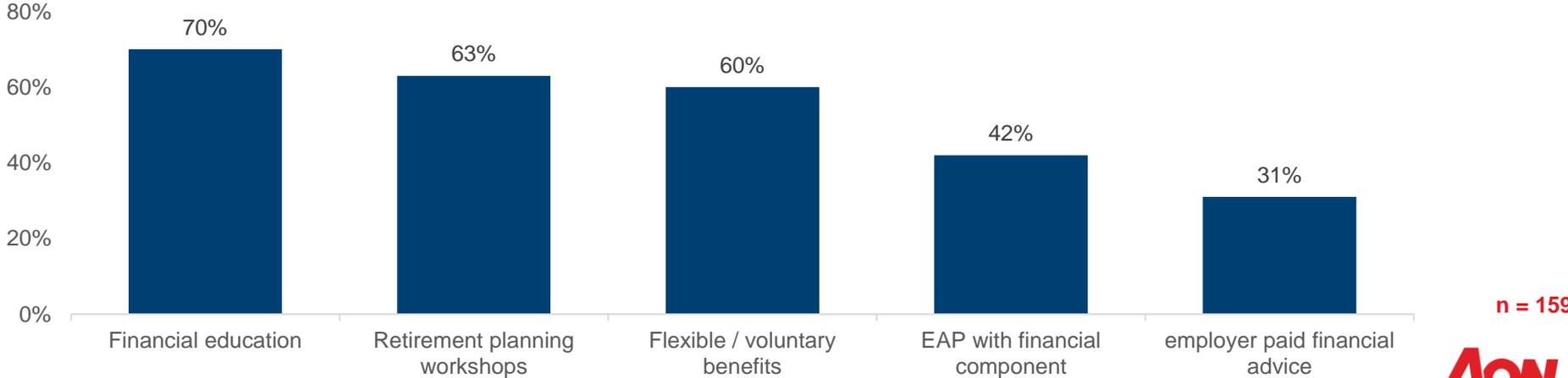


# The future of Financial Wellbeing

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



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



# 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

# Developing a Financial Wellbeing Strategy

▶ 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

Goals

Learn

Assess

Implement

# The How of Financial Wellbeing – Global Strategy

## 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

	Advice	Education	Benefits
Design - Potential tools	<p>Approaches to guidance and advice:</p> 	<p>Elements of financial wellbeing to cover:</p> <ul style="list-style-type: none"> <li>Preparation</li> <li>Planning</li> <li>Protection</li> <li>Preservation</li> </ul> 	<p>Allocate financial benefits under the following categories, noting those that should not be provided::</p> 
Financing		<p>Approaches to financing:</p> <ul style="list-style-type: none"> <li>Employee-paid</li> <li>Employer-subsidised</li> <li>Employee-paid</li> <li>Employee excess</li> <li>Negotiated discounts</li> <li>Provider-bundled</li> </ul>	<p>Possible levels of financing:</p> <ul style="list-style-type: none"> <li>Employer-paid</li> <li>Employer-subsidised</li> <li>Employee-paid</li> </ul> <p>Possible forms of financing:</p> <ul style="list-style-type: none"> <li>Insurance</li> <li>Global underwriting</li> <li>Pooling</li> <li>Negotiated discounts</li> </ul>
Operations	<p>Automatic access</p> <p>Management approval</p> <p>Frequency of use</p> <p>Provider selection/review</p> <p>Monitoring impact</p>	<p>Methods of education:</p> <ul style="list-style-type: none"> <li>Courses</li> <li>Workshops</li> <li>Tools</li> </ul> <p>Monitoring impact</p>	<p>Delivery platform</p> <p>Provider selection/review</p> <p>Monitoring usage/choices</p> <p>Monitoring financial outcomes</p> <p>Corporate oversight</p>

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

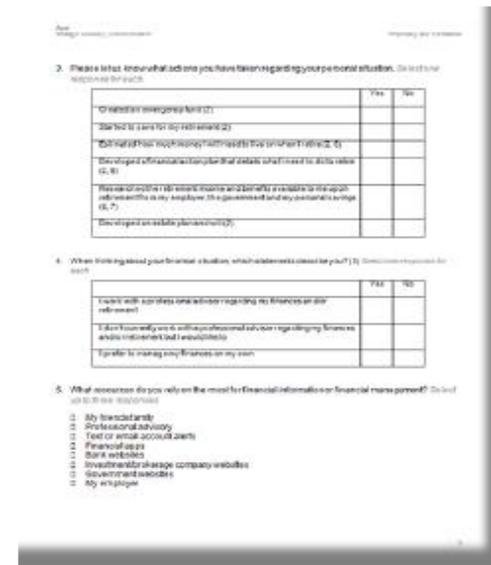
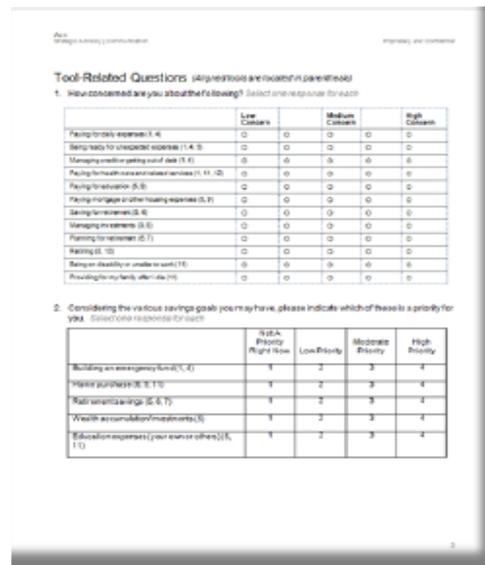
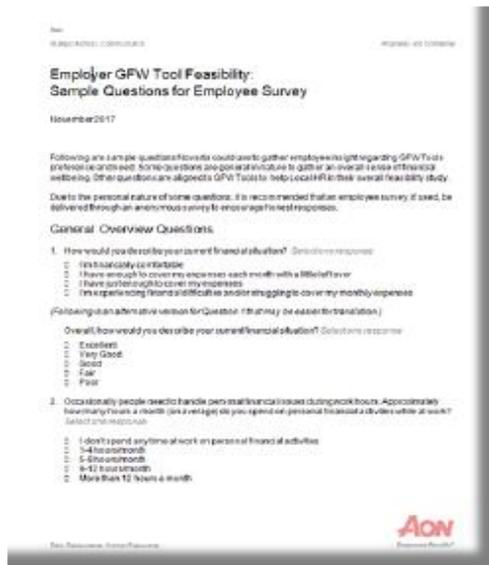
# The How of Financial Wellbeing – Employee Needs

## 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



# The How of Financial Wellbeing – The Tools

## 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)





## Case Studies

# Global Pharmaceutical company designs Global Financial Wellbeing Initiatives



**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?



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



**15+** tools defined

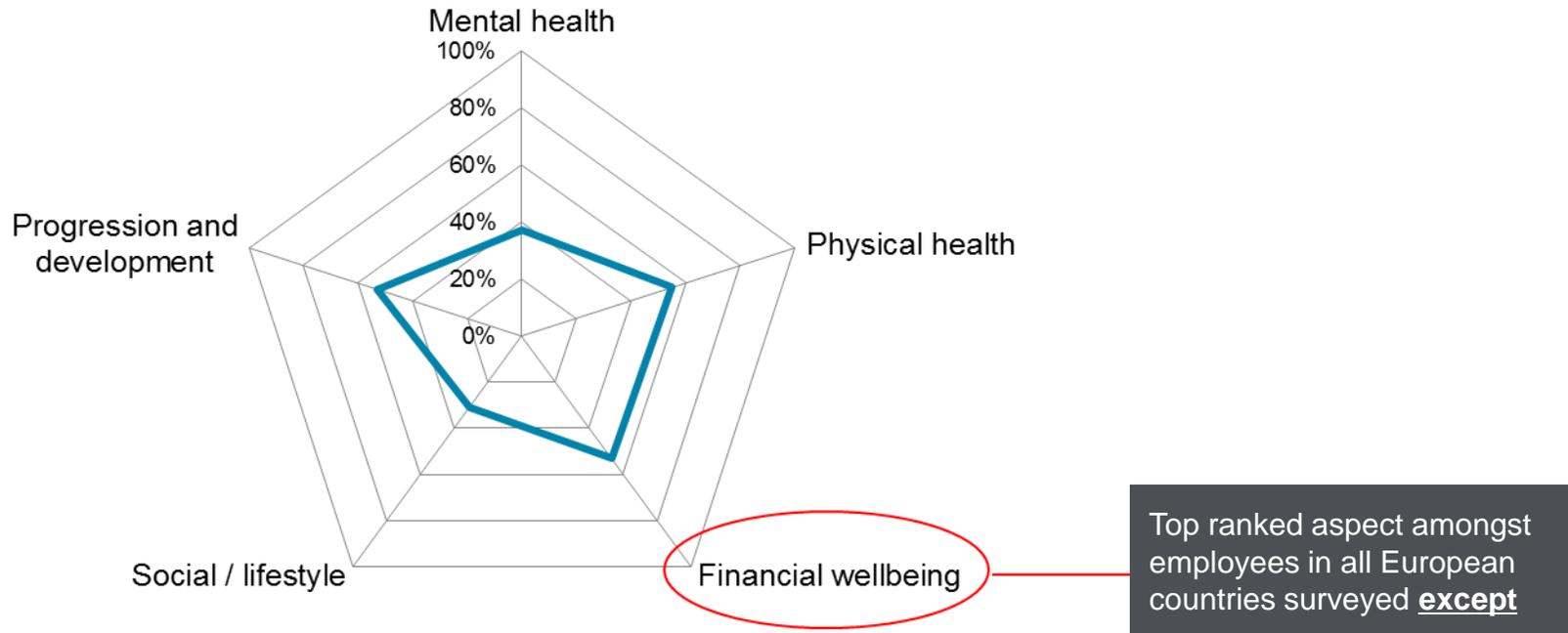
Application across **Top 20** countries

**“Best in Class”** resources by country

**Global Survey**

# Global Financial Services Firm – Understands Employee Needs

## Aspects of wellbeing that employees most want to improve



	Top wellbeing aspect to improve	Second most important wellbeing aspect to improve	Third most important wellbeing aspect to improve
SWITZERLAND	Progression and development	Financial wellbeing	Physical health
POLAND	Progression and development	Financial wellbeing	Physical health
UK	Physical health	Progression and development	Financial wellbeing

## Understanding Employee Needs – by role level

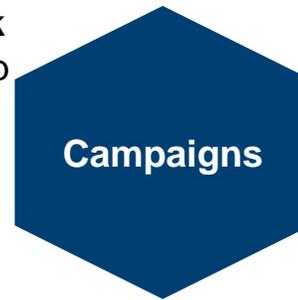
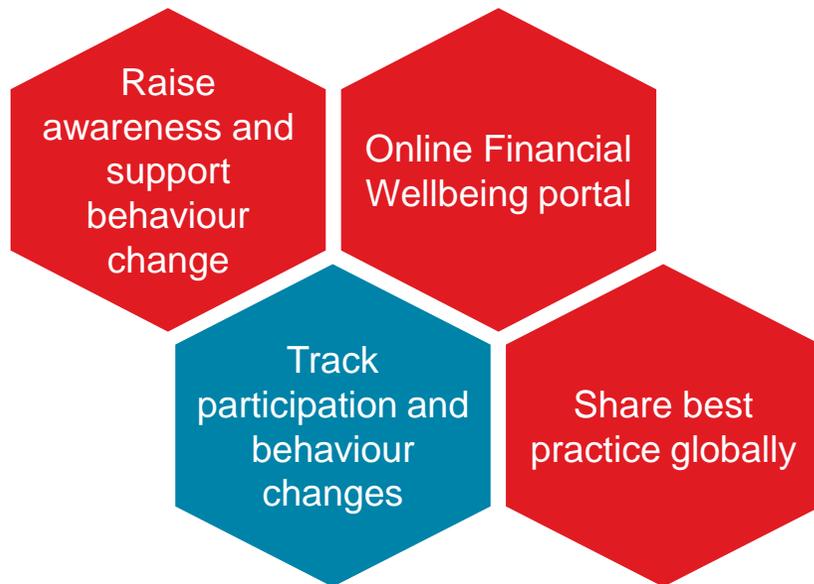
### Top 3 aspects of wellbeing that employees most want to improve

Role Level	Top wellbeing aspect to improve	Second most important wellbeing aspect to improve	Third most important wellbeing aspect to improve
0-1	Physical health	Social/lifestyle	Progression and development
2	Physical health	Progression and development	Social/lifestyle
3	Physical health	Progression and development	Financial wellbeing
4	Physical health	Progression and development	Financial wellbeing
5	Progression and development	Financial wellbeing	Physical health
6	Financial wellbeing	Progression and development	Physical health
7	Financial wellbeing	Progression and development	Physical health
8	Financial wellbeing	Progression and development	Physical health
Ctr	Progression and development	Physical health	Financial wellbeing

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

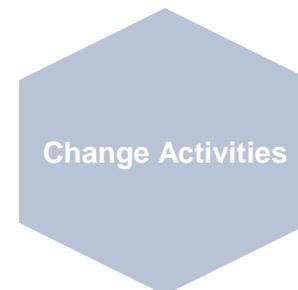
**Objective:** Improve an individual's wellbeing and work performance by providing education and tools to help employees achieve financial wellbeing today while preparing for financial security tomorrow.



Managing day-to-day expenses  
Saving for the long-term  
Protecting against the unexpected



Online Financial Education  
Promotion of EAP  
Financial wellbeing booths  
Savings campaigns  
Retirement workshops



Financial health assessment tool  
Employee discount programs  
Global advisor service  
Education on company plans  
Discounts on local insurances

# A flavour of the Americas

– Core Benefits: Basic Life, Basic AD&D, Short Term Disability (STD), Long Term Disability (LTD), EAP



## 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%

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)

46%

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

3rd

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

50%

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)

80,000

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)

69%

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

4th

Australia has the 4<sup>th</sup> highest level of household debt in the world

# 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

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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

**AON**  
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