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The Importance of Financial Education in Improving Participant Engagement

One of the hot topics among retirement plan sponsors, consultants and financial advisors is the need to help plan participants achieve retirement readiness. Closely tied to this is the need to promote employee financial wellness.

Financial wellness is a broad topic covering the full array of employee financial health issues from credit card debt, to budgeting to retirement readiness. The common thread is that a lack of engagement in any or all of these areas can result in employees with financial stress. This can lead to a lack of productivity among these employees.

Looking at the issue of retirement, a solid financial education program can help improve employee engagement as far as participation in your company's retirement plan and build a recognition of the need for retirement planning among your employees. Here are some thoughts on delivering financial education and building participant engagement.

Robust participant communication

While not financial education per se, plan sponsors should communicate with participants about the plan on a regular basis. This communication should not be boring, dry financial information, but rather make it easy to read and engaging.

Tell participants about changes in the investments offered by the plan. Maybe highlight an educational issue around retirement. Tie this into any in-person or web-based financial education that may be available to participants.

Keeping the plan and retirement front and center via frequent and clear communications with participants is an important step in building participant engagement in the plan.

Tailor financial education to your participants

In order to cultivate participant engagement, it's important to tailor financial education offerings to the level of the participants. Financial education efforts geared towards a law firm's employees may be different than financial education programs for a group of blue collar workers at an industrial firm.

Even within the same organization you might consider having more than one type of educational program available for employees geared to different levels of financial knowledge. It may be that some employees partake of more than one of these programs.

Plan sponsors might consider asking their employees about the level of their comfort with making financial choices, their financial concerns and other issues that might help them tailor a financial education program to their employees that will truly help build engagement. This can help reduce employee financial stress and also help increase employee engagement in the firm's 401(k) plan, a key step on the road to retirement readiness for participants.

Make education accessible

In the past, financial education was delivered largely in person by a financial advisor or a financial educator through the plan record administrator. Even before the onset of the COVID pandemic, the trend towards delivering financial education online was underway.

With employees increasingly working remotely, offering financial education in a way that is accessible to them remotely is important. This can be live presentations via webinar or recorded sessions that they can view at their leisure.

Consider offering advice

Some plan sponsors take education a step further and offer financial advice to participants. This can be in the form of bringing in an advisor to sit down with employees to discuss their progress towards retirement and to help them decide on a contribution level as well as an asset allocation for money in the plan.

In some cases, plan sponsors are turning to managed accounts as an alternative to target date funds. These managed accounts can be tailored to the specific needs of individual participants in many cases in consultation with an advisor who will be managing the separate account. This can also include a more personalized glide path than would be possible with an off the shelf target date fund.

A win-win

A robust, engaging financial education program can be the impetus to help your plan participants get on track to retire on time, reduce overall employee financial stress which all leads to improved productivity. This can help boost the bottom line for the sponsor not just in terms of the productivity aspect, but also in reduced health care costs as a result of lower employee stress levels.

As a financial advisor you can play a key role in helping your plan sponsor clients implement the right type of financial education program and related services including advice if appropriate.

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