



Driving financial wellbeing

# Financial Wellbeing

## Index 2019



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## About us

We have been helping employees from some of the UK's best known brands to improve their financial wellbeing for almost 50 years.



We're passionate about helping people plan for the future and feel more confident about taking control of their finances.



Our services help employers to provide an end to end wellbeing solution via financial education, financial planning, savings and investments.



Whether you want to implement a 'hire to retire' strategy or start by providing tailored support to specific employee groups, our services drive engagement across every element of financial wellbeing.



# Foreword from Close Brothers

Financial wellbeing has become the 'buzzword' of our time; increasingly the 'must have' employee benefit to complete a holistic wellbeing strategy.

Yet despite its growing popularity, the attention it's getting and the number of providers aligning their services under this banner, quantifying financial wellness and defining what it looks like for each workplace and every employee seems difficult. Organisations are struggling to find clarity, transparency, and measurement in a market where many providers are benefitting from the confusion.

However, financial wellbeing can be easily quantified and addressed. If each of us had a 'financial health check' with a financial adviser, we would understand the areas where we are doing well and the areas that need attention and we would have clarity, reassurance and a plan of action. An adviser would review all seven areas of personal finance, consider all the benefits available in our workplace, and take into account not only our situation but also our family's needs. They would be able to join the dots of how we could use the benefits available to improve our own financial wellbeing, give the necessary protection for our loved ones, and recommend the steps needed to reach our goals now and for the future.

Financial wellbeing is not superficial; it is a mile wide and a mile deep. Just focussing on one area like debt will not get the job done and financial worry will continue. Likewise, financial wellbeing is excruciatingly personal and affects each of us differently; not only because of our financial circumstances but also because of our attitude to both money and worry. With the rise of defined contribution pensions, increasing longevity and ongoing difficult

economic times, more people than ever now worry about money and almost everyone worries about money at some time in their lives. Poor financial wellbeing is not the purview of millennials, those with lower incomes or those in debt; 95% of those aged 35 to 54 worry about money and just one in ten of those earning over £50,000 say that they don't worry about money at all.

Money worries don't just affect financial health; they are one of the single biggest causes of stress and so can impact mental health and physical health too if left unchecked.

Poor financial wellbeing is also bad for business; it impacts engagement, productivity and succession.

Almost 9 out of 10 employers (88%) believe staff worry about money, 86% to the extent it affects their performance at work.

More than three quarters (77%) of staff with money worries say this impacts them at work. The figure is 79% of female workers and 90% of millennials. Only 43% of staff are confident they can retire at the age they would like and the findings also reveal that half of employers (48%) say fewer people are retiring than they would like. The same number (48%) say that their people costs are increasing as a result of the rate of retirement, and 45% say this is

negatively impacting their succession plans. These are real and quantifiable costs for UK businesses which if tackled, are a significant opportunity to improve their bottom lines.

The Close Brothers Financial Wellbeing Index takes the experience of meeting with a financial adviser and distils it into a measure of financial health; overall and in each of the seven areas of personal finance. This can help both individuals and organisations to benchmark where they are now on their financial wellbeing journey, the specific areas they need to work on, and provide an ongoing measure to assess how their financial health improves. For organisations without a financial wellbeing plan, this index can help build a business case for financial wellbeing. For those with an existing provision in place it can serve as a measure to assess actual impact, provide the forensics to refine activity and effort, and support an increased return on investment.

This research sets out to assess the financial wellbeing of the UK's employees, what's hindering improvement, pinpoint gaps between employers' perceptions and the reality on the ground, and identify a clear path forward for improved financial wellbeing.

Employers are perfectly placed to play a significant role in making a difference to the UK's financial health. Their rewards and benefits fund employees' lifestyles; employers can reach large numbers of employees with communications that are trusted; and employers can procure benefits and financial education, advice and investment solutions to help their employees improve financial wellbeing. Doing nothing is no longer an option; for the right outcome, doing something that addresses all seven areas of financial health and for all employee groups, will deliver tangible results for both individuals and businesses alike.



**Jeanette Makings,**  
Head of Financial Education  
at Close Brothers

# Foreword from Professor Sir Cary Cooper

Sir Cary Cooper is the 50th anniversary professor of organisational psychology and health at Manchester Business School and is recognised as a world-leading expert on wellbeing in the workplace.



Professor Sir Cary Cooper,  
ALLIANCE Manchester  
Business School, University  
of Manchester

At the beginning of the Industrial Revolution, the British social reformer John Ruskin highlighted the importance of worker wellbeing, writing in 1871:

“In order that people may be happy in their work, these three things are needed: they must be fit for it, they must not do too much of it, and they must have a sense of success in it”.

The issue of employee health and wellbeing has gained even more momentum since the recession of 2008, when so many people lost their jobs and employers had to massively downsize to survive. This meant there were fewer people at work, they had substantially higher workloads, were feeling less secure and were working excessively longer hours. In the recent 2018 HSE report, stress-related sickness absence now represents 57% of all sickness absence, and a high proportion of presenteeism as well. As a consequence, employers have introduced many techniques to help stressed employees, from counselling services (e.g. Employee Assistance Programmes), to mindfulness and resilience training, to mental health first aiders.

But one area that has not received the kind of attention it should in the wellbeing space is the financial wellbeing of the employee.

As wages have not kept up with inflation, the cost of living rises and the elimination of the final salary pensions, many more people are worrying about their finances.

In this important report on employee financial wellbeing, the issues of concern are stark. 88% of businesses think their employees are worried about money, with nearly 20% of them saying that they think their employees are very unhappy with their financial state. This is supported by the employees, with 94% saying they are worried about money, and of concern to employers are the 77% suggesting that these money worries adversely affect them at work. Although some employers provide financial advice support for their employees, 55% don't offer any support to improve employee financial wellbeing.

What, for me, is also worrying is the fact that only 40% of employees feel prepared for ‘unexpected financial costs or a significant reduction in their income’.

And given the uncertainties of Brexit, the US-China trade war, etc. this is a concern.

Financial preparation for retirement is a big issue as well, with over a third of employees unprepared and a higher proportion feeling they cannot retire when they want to given their financial position. Retirement planning is troubling a large proportion of older employees throughout the country.

And given that employees have said their money worries are affecting them at work, this is a bottom-line issue. Providing the advice and support for employees on their personal financial issues is not only the right thing to do, but also can deliver enhanced performance at work by taking away the

money worries that can be a distraction from their daily work. Many working people want financial as well as mental peace of mind as this significant report highlights.

Although many businesses have made great strides to look after the mental wellbeing of their employees over the last decade, not as many employers have supported their financial wellbeing.

Henry David Thoreau wrote about the importance of peace of mind and wellbeing in 1853:

“How prompt we are to satisfy the hunger and thirst of our bodies; how slow to satisfy the hunger and thirst of our souls”.

<sup>1</sup> <http://www.hse.gov.uk/statistics/causdis/stress.pdf>

# Executive summary

## Financial Wellbeing Index – the overall score

UK employees score **53.6** when it comes to their **overall financial wellbeing**.

Those categories dragging down the score, and therefore those that require the most immediate attention are **budgeting and planning, protection and tax**.

Women score significantly lower than men. **While men score 58.3, women score just 48.1**. Only when it comes to the issue of debt is there anything near parity in the scores 69.5 vs 65.7.

More than half (55%) of employees say that their workplace offers nothing to improve employee financial wellbeing.

# 53.6

out of 100

Overall employee score



### Money worries

Employees score **55.6** when it comes to money worries and their impact, with their work being affected as a result.

Not only do we find that **94% admit to worrying about money**, of this group three quarters (77%) say that **money worries impact them at work**.

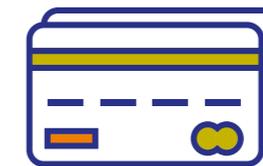
**More than a quarter of employees (28%) are unhappy with the state of their finances.**



### Budgeting and planning

Budgeting and planning is one of the areas where employees perform the poorest, generating a score of **48.8**.

One of the main factors dragging the score down is that **just 45% of employees have a financial plan** and **only 23% have updated theirs in the last 12 months**.



### Debt

Debt is one of the areas where employees perform strongest, generating a score of **67.7**.

While **debt is an issue for 58% of employees**, it is **only a significant issue for one in eight (12%)**. However, **59% of employees are confident in knowing where to get help/advice** if they have debt issues.

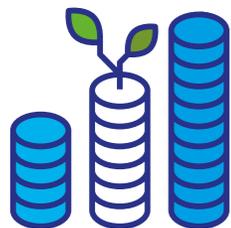
## Protection



Scoring just **42.5** on protection, UK employees are very exposed to financial shocks. A significant influence on this score is the lack of protection products/measures that employees have in place.

**The third biggest money worry is coping financially if employees lost their job or had significant reduction in income, but fewer than one in ten (8%) employees have purchased an income protection product and only a quarter (23%) have a current will.**

While **four-fifths (78%) have an easily accessible fund set aside to pay for emergencies**, the amount set aside is insufficient for many. **Only two in five employees (40%) feel prepared for unexpected financial costs** or a significant reduction in their income.



## Savings and investments

When it comes to savings and investments, UK employees score **54.1**, their confidence diminishing for medium and long-term savings goals (only 54% are confident at achieving short term goals, 45% for medium and 37% for long) as well as knowing the most suitable products to use to reach them.

**While half of men (50%) are confident in choosing the right financial product to achieve their long-term financial goals, the figure is just 35% among women.**



## Properties and mortgages

The property category is another in which UK employees perform well, with a score of **61.2**.

The findings reveal just **13%** of employees say that their housing costs are unaffordable, rising to 19% for millennials.

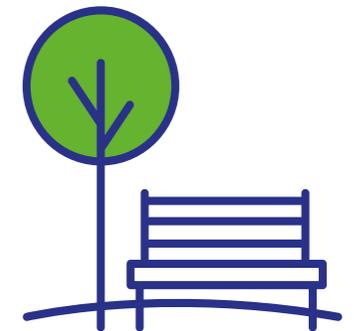
However, as **more than a quarter (27%) of employees are spending over 50% of their monthly income on their housing costs (and 10% are spending over 70% of their monthly income)**, those with variable rate mortgages may be vulnerable to any interest rate rises in the future.

## Retirement

Looking specifically at retirement planning, the score of **50.3** shows that there is plenty of room for improvement.

Not only do we find that around **a third (36%) of employees feel unprepared for retirement**, only 43% are confident that they will be able to retire at the age they want.

A lack of engagement when it comes to later life finances is a real issue with **a quarter of employees (24%) who have a pension but never review it**. This lack of preparation is impacting lifestyle choices with **a quarter of employees (24%) also expecting to work in retirement**.



## Tax



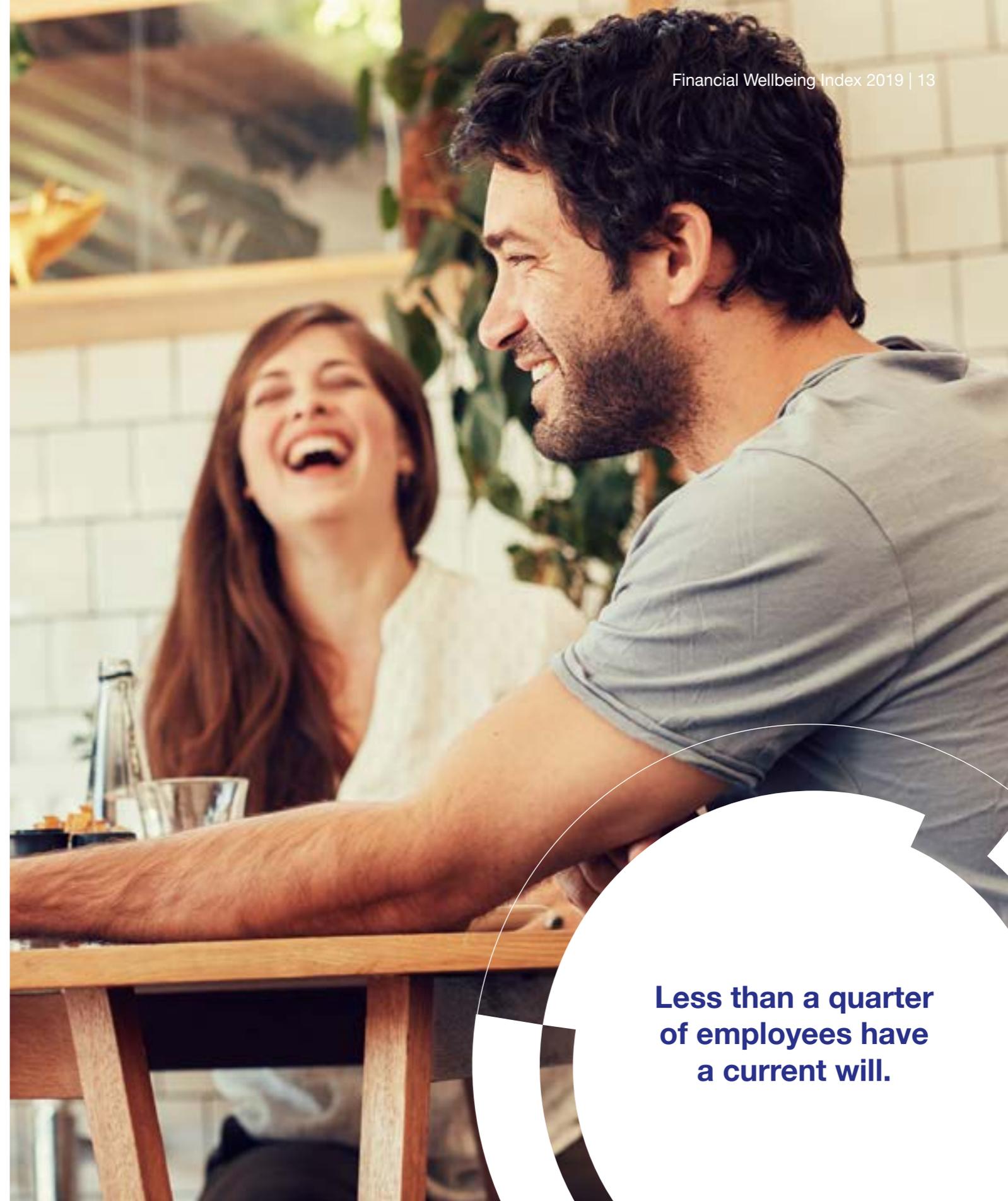
It is clear that people really struggle to get their head around tax planning, with employees scoring only **48.5** in this category. This puts them at a huge disadvantage when it comes to their financial wellbeing.

**Around two in five (37%) employees don't know what tax allowances and reliefs are available to them**, with just 25% saying that they are aware of these and that they take full advantage of them.

## The employer story

**Businesses understand that there is a financial wellbeing issue among their employees.** Most businesses (88%) think that their employees worry about money, and one in five (19%) employers think that their employees are unhappy with the state of their finances.

But they **dramatically overestimate employee financial wellbeing**, as seen by the disconnect between the employee and employer indexes - **53.6 vs 70.5**. At best, there is a risk of them developing ineffective financial wellbeing strategies so missing out on helping employees improve short, medium and long-term finances. At worst, this could mask the need for any financial wellbeing support at all, so leaving employees alone to worry about money.



**Less than a quarter of employees have a current will.**



Chapter 1

# **The Employee Financial Wellbeing Index**

The UK's Financial Wellbeing Index reveals that UK employees are worryingly susceptible to financial shocks and ill-prepared for their financial future. It's a huge concern that employees across the UK have such a poor financial wellbeing score – only just above 50%.

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With the rise of defined contribution pensions, increasing longevity and difficult economic times, more people than ever worry about money. **Poor financial wellbeing doesn't only affect individual employees, it also impacts business performance;** it leads to a **lack of productivity**, from staff being distracted by money worries to sickness absence, as the stress takes a physical or mental toll.

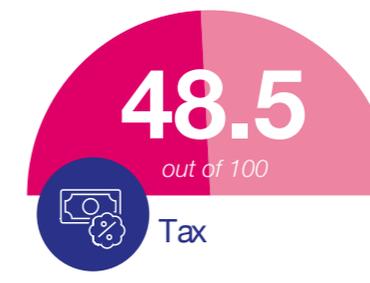
An annual review with a financial adviser would improve employee financial wellbeing, providing them with both reassurance and a plan of action. By looking at all seven areas of a person's finances, the adviser is able to identify any gaps or key risk areas, and recommend the steps needed to help that person to achieve their goals.

But in the absence of a meeting with an adviser, this Financial Wellbeing Index provides an overall score for financial wellbeing, as well as for each of the seven areas of financial health that a financial adviser would review. It also adds an eighth, more general area, to examine the extent to which people are worrying about money.

**The overall score for UK employees is 53.6 out of 100, clearly indicating that while much effort has been made to help boost financial wellbeing, there remains a long way to go.**

**Particular areas of concern** are **budgeting and planning, protection and tax.** By identifying these 'pinch points', employers are better placed to deliver meaningful and impactful strategies for all employee demographics.

## Employee Financial Wellbeing Index by categories



Overall employee score

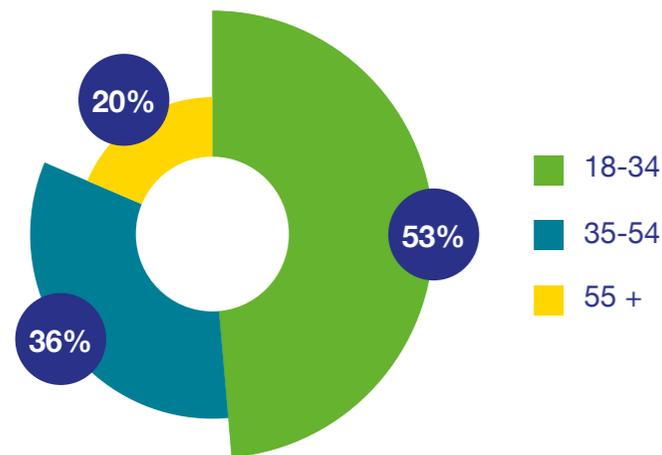
## Money worries

Scoring 55.6, it is clear from these findings that employees are struggling under the burden of money worries and that this is impacting their work.

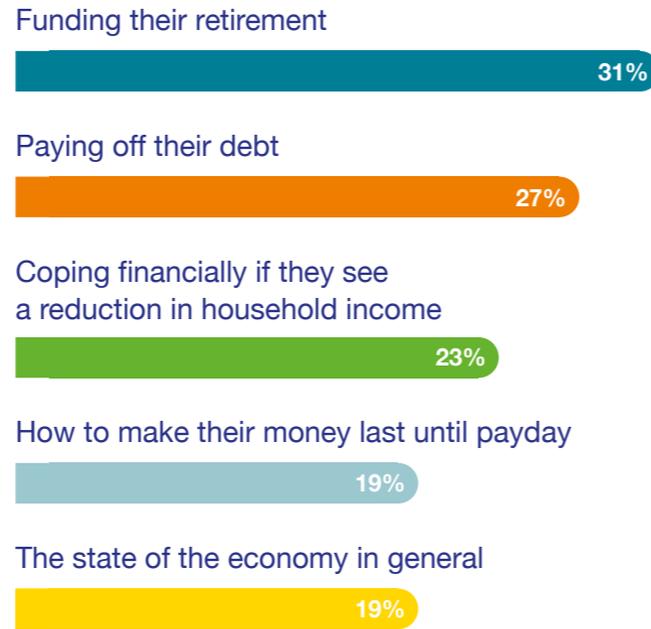
The score is dragged down by the fact that 94% of employees admit to worrying about money, with two in five (39%) employees worrying about their finances always or often. A quarter of employees (28%) say that they are unhappy with the state of their finances, with one in ten (10%) saying that they're very unhappy.

Employers should also be concerned as this is impacting their work. Three quarters (77%) of employees say these money worries impact them at work, highlighting the importance of employers taking a more active role in improving financial wellbeing among staff.

% of employees who worry about money by age bracket



### What employees say are their top money worries



When it comes to the specific concerns, funding retirement (31%), paying off debts (27%), and coping financially with losing their job (23%) are the top three.

The gender difference is stark. Women are twice as likely to worry about meeting their day-to-day living costs as their male counterparts – 16% vs 7%. This pattern is similar when it comes to worrying about making their money last until payday – 26% vs 13%.

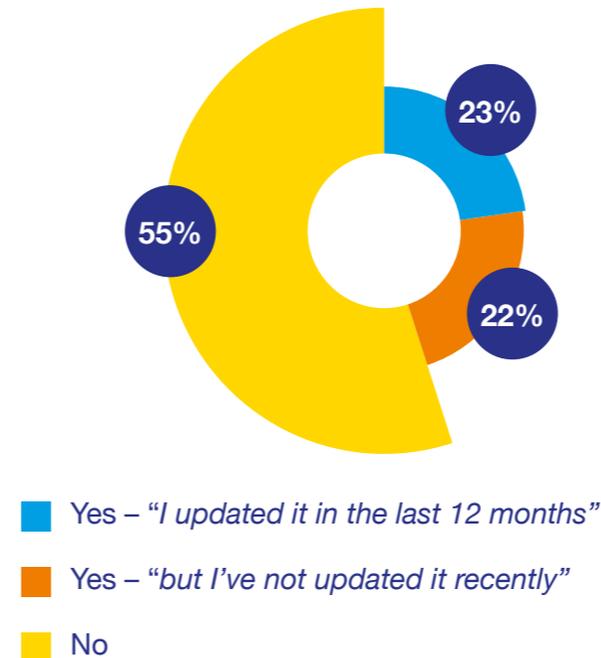
While this paints a gloomy picture, each of these is solvable. But it requires a concerted effort from employers to deliver meaningful improvement, starting with understanding where the pinch points lie to ensure help is provided in the right way, to the right people.

## Budgeting and planning

Long-term planning and day-to-day budgeting is a real weakness among employees, and this is reflected in the low score of 48.8 for this category. A lack of financial planning brings the score down. Only a quarter of employees (23%) have a financial plan and have updated it in the last 12 months.

Despite this, two thirds of employees (66%) say that they're confident about making financial decisions, with 11% stating that they are unconfident.

% employees with a financial plan



As annual income increases; the likelihood of employees having a financial plan increases too.

However, women are twice as likely to be unconfident than their male co-workers - men (7%) vs women (15%).

The findings also reveal that only a quarter of employees (28%) are confident that they'll have enough money to pay for long-term care (such as a nursing home or home care) in old age. This is just 27% for those aged 55 and over.

If we examine the tools that people are using to budget their finances, a third of employees (34%) use paper and a similar number use a spreadsheet (33%). However, despite the extent of digital innovation in personal financial, just 3% make use of online/digital tools, this only increasing to 4% even with younger employees.

More than half (55%) of employees say that their workplace offers nothing to improve employee financial wellbeing.

# Debt

When it comes to the topic of debt, there is a mixed story. It is encouraging that we see a relatively strong score of 67.7 when it comes to this category, suggesting that most employees have debt under control; in fact 42% say that debt is not an issue for them. However, while most are dealing well with the challenge of debt, there is a constant cohort of around one in eight (12%) who are really struggling.

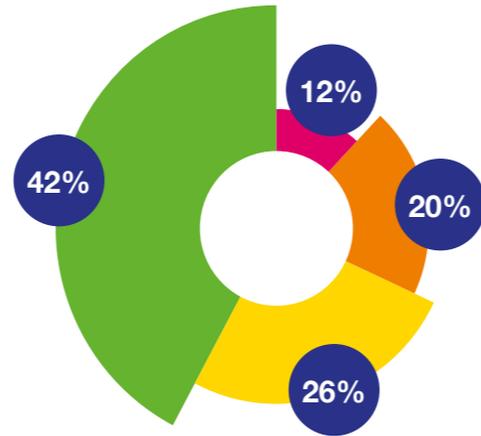
But it is clear from the employee figures that the debt problem still demands attention.

According to the National Audit Office (NAO), around 8.3 million people in the UK are unable to pay off debts or household bills<sup>2</sup>, and debt charity StepChange has reported that the number of younger people seeking debt advice has been increasing in recent years<sup>3</sup>.

Our findings reveal that debt is an issue for 58% of employees, and it is a significant issue for more than one in eight (12%). It is encouraging that 59% of employees are confident in knowing where to get help or advice if they have debt issues, but there remain 13% who are not. Around one in five millennials (17%) say they are unconfident, compared to one in ten (9%) of those over 55.

When it comes to the types of debt that employees are relying upon, 'good debt' and 'bad debt' don't seem to have been distinguished. Two fifths (41%) are using credit cards, more than a third (35%) have a mortgage, and 18% are in their current account overdraft. Other debt regularly held are bank or building society loans (16%) and student loans (13%).

## Employee debt



- Debt is a significant issue for me
- Debt is an issue for me, but I am taking steps to bring it under control
- Debt is a slight issue for me, but it is manageable
- Debt is not an issue for me

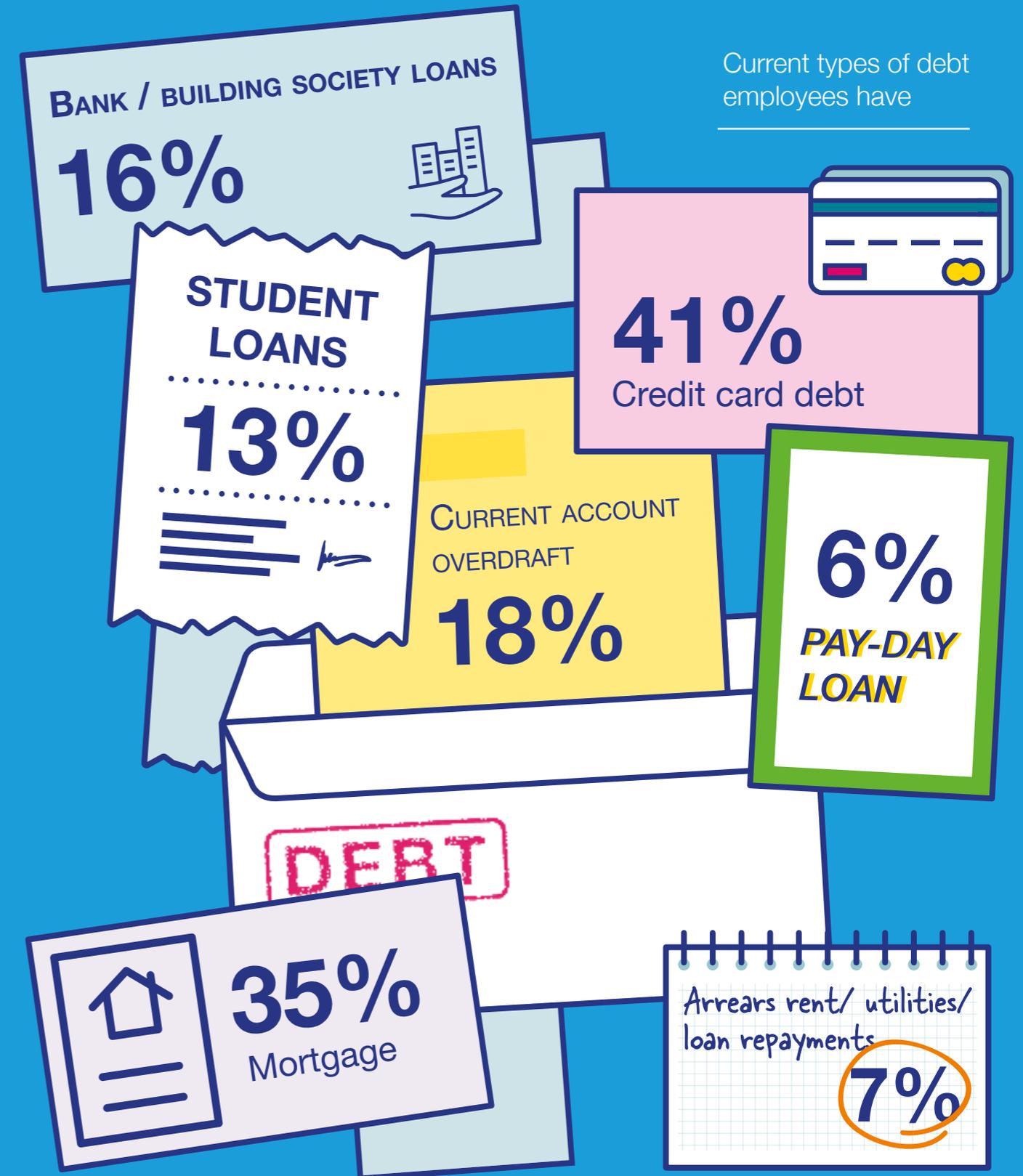
With the exception of credit card debt, these other forms of debt, if affordable, are a normal part of a financial plan. If manageable, they should not be something to worry about. The finding that 6% of employees have debt from a pay-day loan, however, should cause concern.

Interestingly, debt is revealed to be a bigger issue for those in full-time employment (61%) than those working (52%) part-time.

<sup>2</sup> <https://www.nao.org.uk/wp-content/uploads/2018/09/Tackling-problem-debt-Summary.pdf>

<sup>3</sup> [https://www.stepchange.org/Portals/0/documents/Reports/stepchange\\_debt\\_charity\\_statistics\\_yearbook\\_2017.pdf](https://www.stepchange.org/Portals/0/documents/Reports/stepchange_debt_charity_statistics_yearbook_2017.pdf)

## Current types of debt employees have

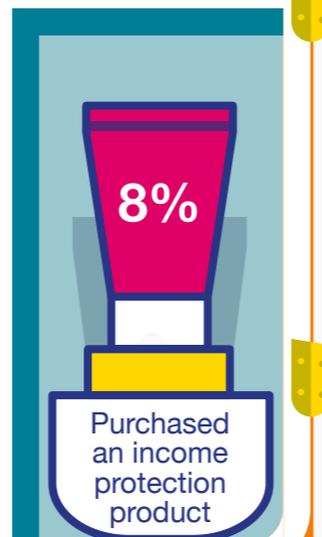
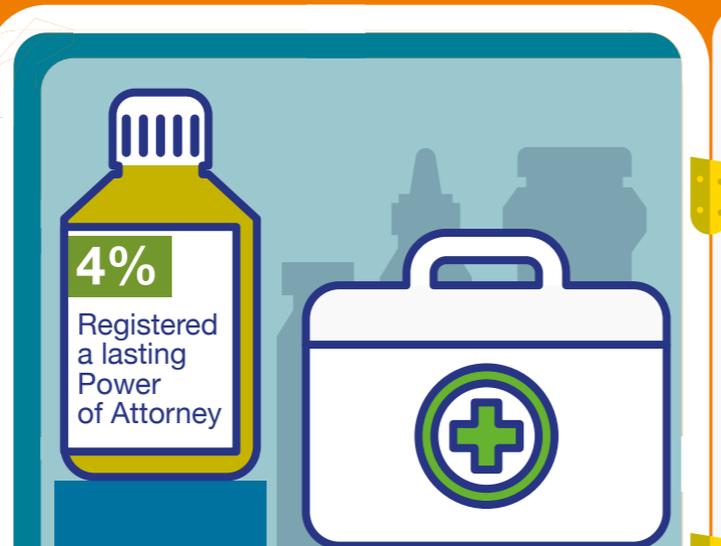
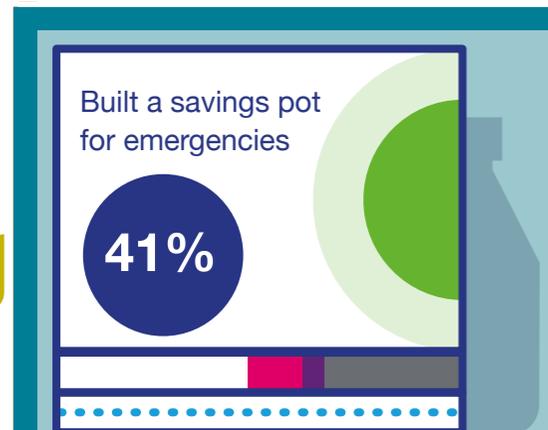
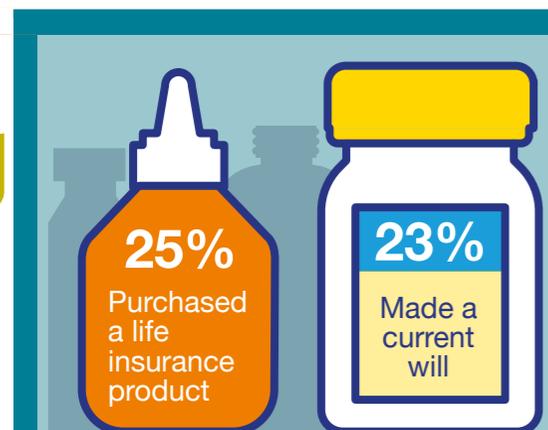




Are you financially prepared for unexpected financial costs or a significant reduction in your income?

- Prepared
- Neither prepared nor unprepared
- Unprepared

Which preparations have you made for unexpected financial events?



## Protection

Employees' lack of financial protection is a real worry, delivering the lowest score in the index categories – 42.5. This score is due to the lack of protection products/measures that employees have in place and the poor state of their emergency funds.

When it comes to the more drastic shocks, it's a real worry that just a quarter of employees (23%) have a current will, 25% have purchased a life insurance product, and only 12% have a critical illness protection product.

While half of employees (50%) have a savings fund that would cover more than three months typical spending, further examination reveals the preparation and awareness to be insufficient. More than a quarter (28%) have a savings fund that will cover them for a month or less, and just 40% feel financially prepared for unexpected financial costs or a significant reduction in their income.

The fact that coping financially with losing their job is the third biggest worry among employees (23%) highlights that people are aware of the threat, and we also find that four fifths (78%) have an easily accessible fund set aside to pay for emergencies.

While people can be confident and engaged with their finances, a worst-case scenario event is typically beyond their control and can have a significant impact on their loved ones. Making suitable preparation for such an event should be a fundamental part of financial planning. In this environment, a lack of education and advice is clear.

Do you have a savings fund that is easily accessible that is set aside to pay for emergencies?



22% No, I do not have a savings fund to pay for emergencies



28% Yes, it would cover a month or less of typical spending



50% Yes, it would cover three to six months of typical spending



20% Yes, it would cover for nine months or more of typical spending

## Savings and investments

Our 2017 Lifetime Savings Challenge research found that a third (34%) of employees were unconfident with regard to their ability to save for their lifetime financial goals, and only one in five (40%) felt confident selecting the right financial product to achieve them.

**These latest findings reveal that little has changed. With a score of 54.1 in this category, employees are still aware of their shortcomings and are worried about being able to achieve their financial goals.** This score is heavily influenced by employees viewing their long-term saving goals as unachievable and lacking the confidence that they can choose the right financial products to change the situation. A quarter (24%) of employees say that they are not confident when it comes to choosing the most suitable financial product for their long-term saving goals with just 43% expressing confidence.

When it comes to the actual process of reaching these targets, 55% stated they are confident in choosing the most suitable financial product(s) for short-term savings goals.

Employees view their long-term saving goals as unachievable and lack the confidence to choose the right financial products to change the situation.

How confident are you that you will be able to achieve your saving goals?

Short-term - Millennials

54%

Short-term - 55+

59%

Medium-term - Millennials

44%

Medium-term - 55+

54%

Long-term - Millennials

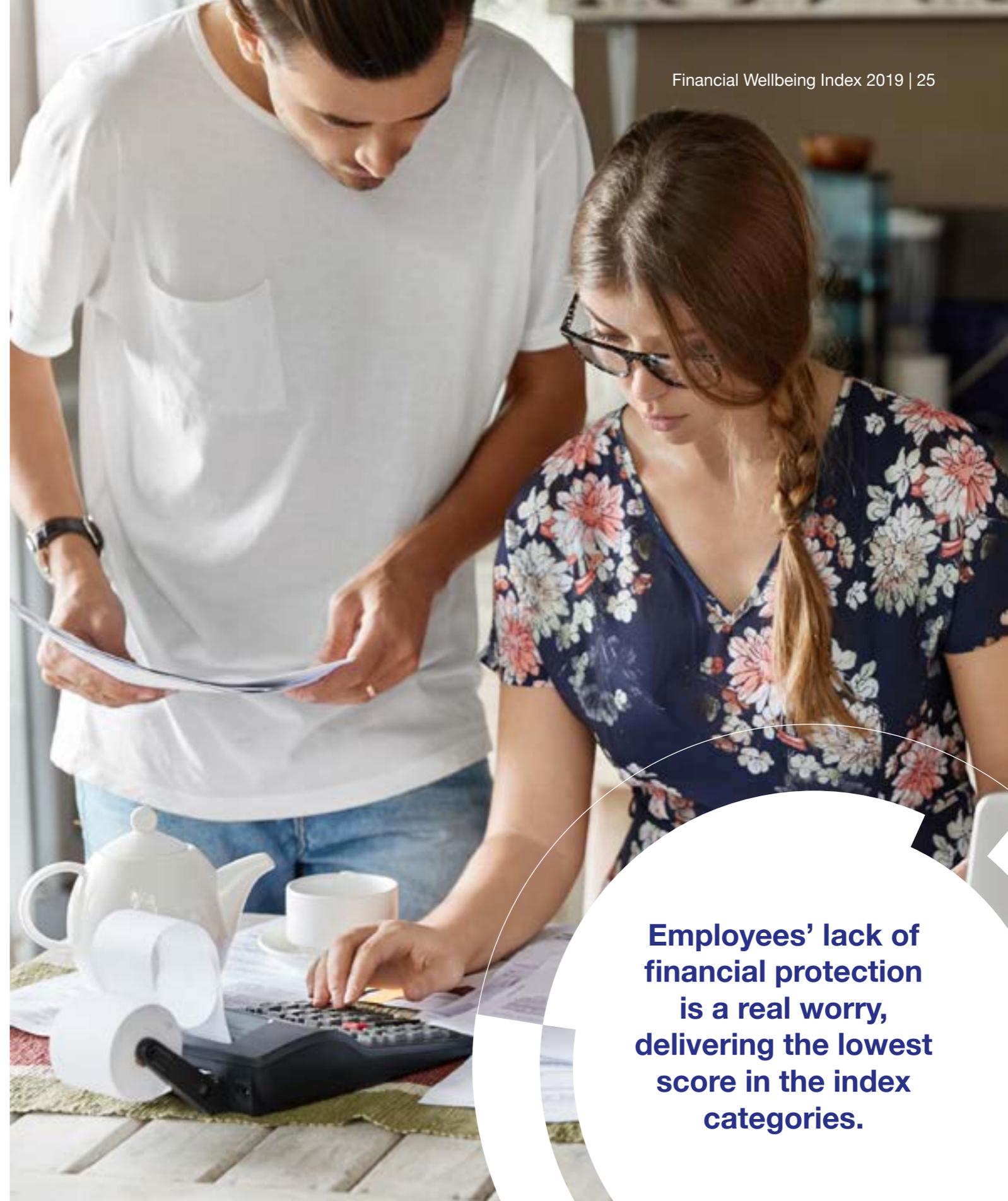
38%

Long-term - 55+

45%

Short-term saving is thought of as more achievable; while over half of employees (54%) say that they are confident that they will be able to achieve those savings goals, this falls to just 37% when it comes to the long-term.

However, even short-term saving appears to be a struggle for some, with 17% not confident they will achieve their goals, rising to 19% among millennials. This figure is twice that of those aged 55 and over (10%).



**Employees' lack of financial protection is a real worry, delivering the lowest score in the index categories.**

## Retirement

The findings also reveal that employees are under-prepared and lacking confidence when it comes to the specific topic of retirement saving; employees score 50.3 in this category. This echoes our previous Lifetime Savings Challenge research which found that among those approaching retirement, 65% were worried about inadequate income in retirement.

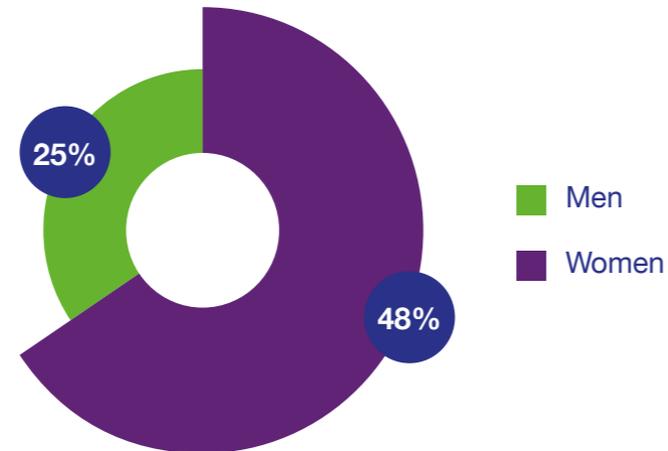
Today, just a third (36%) of employees feel financially prepared for retirement with the same number (36%) feeling unprepared. The gender difference is also stark, with half (48%) of women saying that they feel unprepared compared to a quarter of men (25%). Worryingly, more than one in five employees (22%) over 55 feel unprepared for retirement with just over half feeling suitably prepared.

18% of 55+ year olds don't feel confident they will be able to afford to retire at the age they want.

We also see that a third of employees (32%) are not confident that they'll be able to afford to retire at the age they want, with 14% very unconfident. Once again, women are worryingly behind their male counterparts with 41% of women feeling unconfident they will be able to afford to retire at the age they want vs 23% for men.

The fact that almost a third (31%) of employees say that funding their retirement is one of their top three money worries, highlights the impact that this

Women feel more unprepared for retirement than men

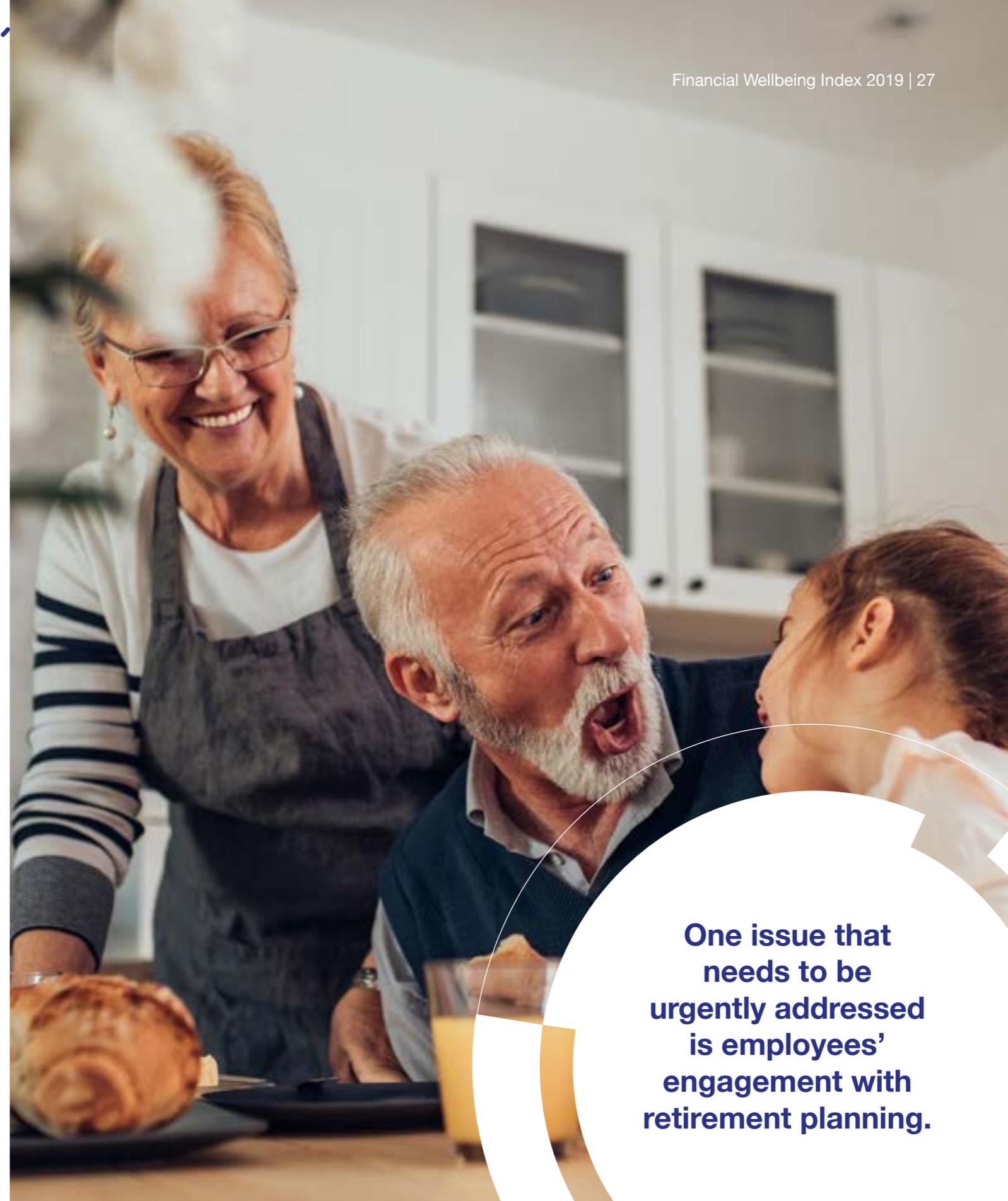


is having on day-to-day living for individuals and the knock-on effect on succession planning in the workplace.

One issue that needs to be urgently addressed is employees' engagement with pension saving.

A quarter of employees (24%) with a pension never review it and 7% say that they've simply lost touch with it.

To counter this lack of preparation, a quarter of employees (24%) expect to need to work in retirement and 21% are relying on downsizing their home or equity release to have the necessary retirement income. In addition to pensions and savings, 16% of employees expect to rely on inheritance to fund retirement income.

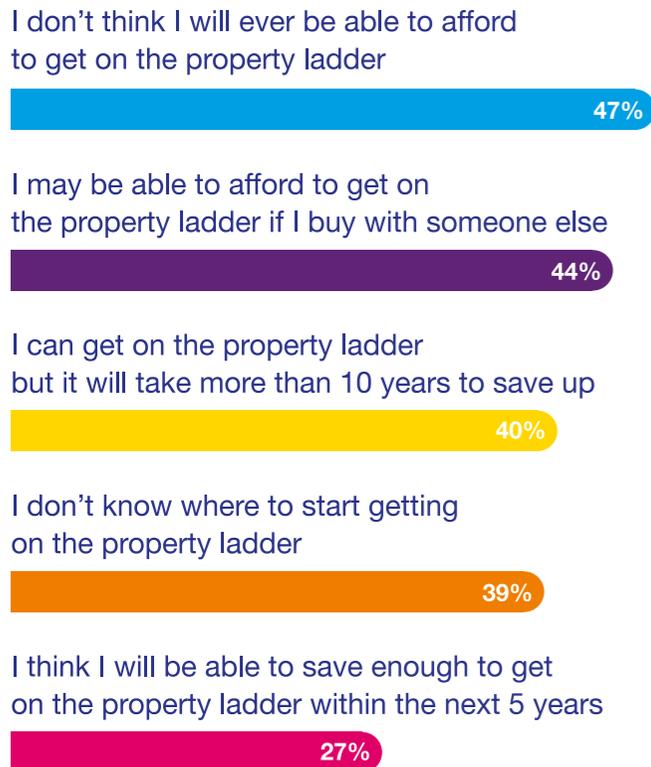


One issue that needs to be urgently addressed is employees' engagement with retirement planning.

## Properties and mortgages

The area of properties and mortgages is one of the strongest in the index, with a score of 61.2. Only 13% say that their housing costs are unaffordable, rising to 19% for millennials, with more than two thirds (67%) of employees saying it's affordable.

How do employees feel about getting on the property ladder?



While most employees think their housing is affordable, the figures reveal that more than a quarter (27%) of employees are spending more than 50% of their monthly income on their housing costs, with 1% having costs of more than their total income.

On average, employees are paying around 37% of their income on their monthly housing costs.

While an interest rate rise would not affect 37% of employees, around two thirds (63%) would expect it to increase their housing costs. Of those who would anticipate an increase, 65% said that this was because they have a variable rate mortgage. It is millennials that are most exposed, with 76% saying that their housing costs would increase if interest rates were to rise.

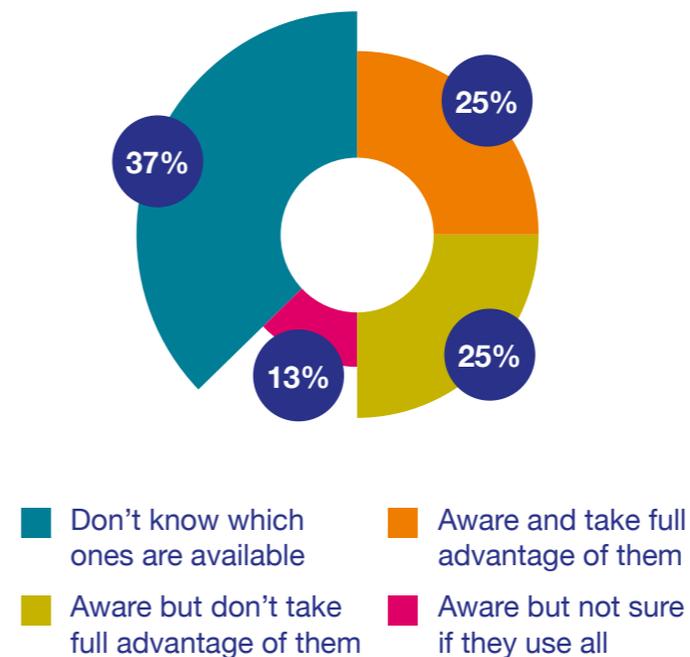
Homeownership remains an aspiration for 65% of non-homeowners, but half of these (47%) don't think that they'll ever be able to afford to get on the property ladder. One in five millennials (20%) not yet on the property ladder have no desire to get on it in the future. This highlights the importance of getting employees the right advice to help them achieve their goal, as 39% say they don't know where to start.

## Tax

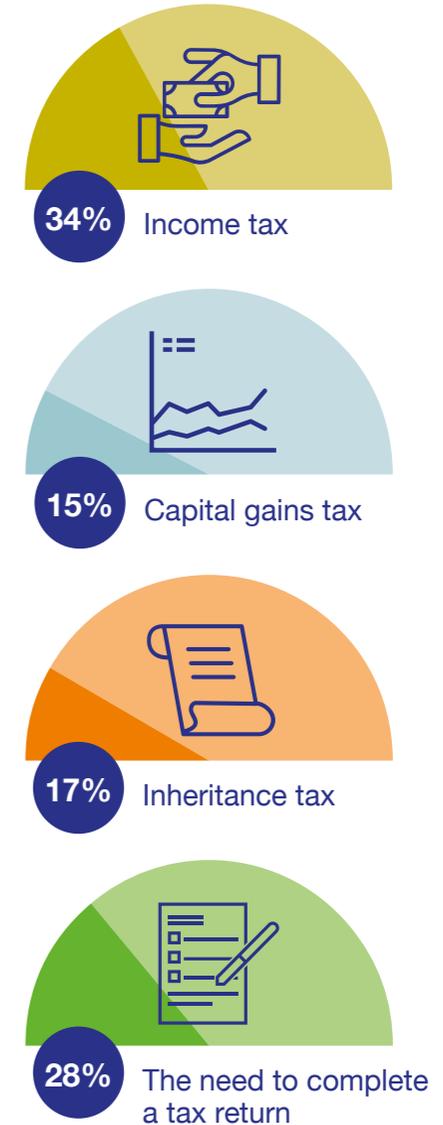
The overall understanding of tax is poor, as shown by the low score of 48.5 in this category. The findings reveal that just a quarter of employees (25%) are aware of the tax allowances and reliefs available and take full advantage of them, with two fifths (37%) admitting they don't know what tax allowances and reliefs are available to them.

Around half (46%) of employees don't know what the Annual Allowance limit is.

Do employees take advantage of all the tax allowance and relief available?



### How well employees understand tax



This lack of understanding is also seen when employees are asked about specific types of tax/tax issues. Just a third of employees (34%) say that they understand income tax well, the need to complete a tax return (28%), inheritance tax (17%), and capital gains tax (15%).



Chapter 2  
**Employer  
disconnect**

Employer vs Employee perception on employees' financial wellbeing (score out of 100)

Examining the data from the employer responses, they are falling short both in respect to their responsibilities to their employees and to their own bottom line. Not only do employers overstate the financial wellbeing of their employees, they also admit that they could be doing plenty more to improve it.

In the main, businesses understand that there is a financial wellbeing issue among their employees. **Most businesses (88%) think that their employees worry about money, and one in five (19%) employers think that their employees are unhappy with the state of their finances.**

Employers are over-optimistic when it comes to assessing the financial wellbeing of their employees giving them a score of 70.5.

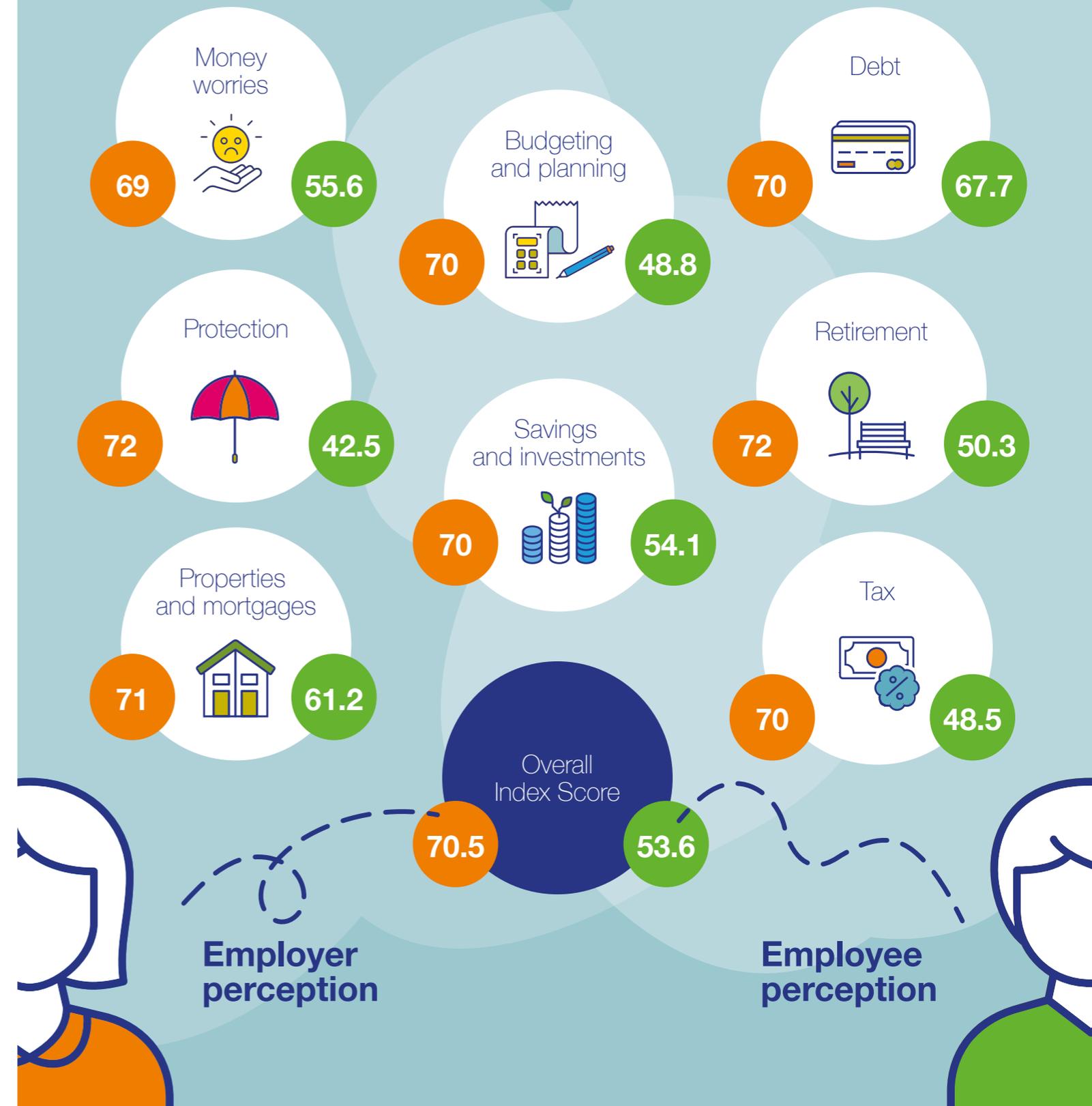
This somewhat contrasts with the reality according to employees themselves - 53.6. **Employers over-estimate their employees' ability to budget (70 vs 48.8), get ready for retirement (72 vs 50.3) and protect themselves from financial shocks (72 vs 42.5).**

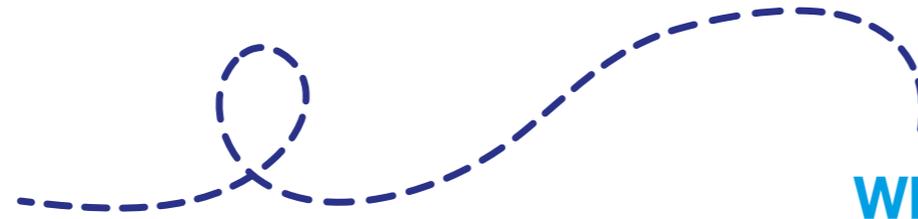
The figures also reveal that **while 60% of employers are confident that their employees have a financial plan in place to help them achieve their future financial goals, this is the case for just 45% of employees.**

Employers also woefully underestimate the impact of money worries on employees at work. Just 30% think this is a major issue, when in reality it affects 77% of employees.



The score that employers give to their employees

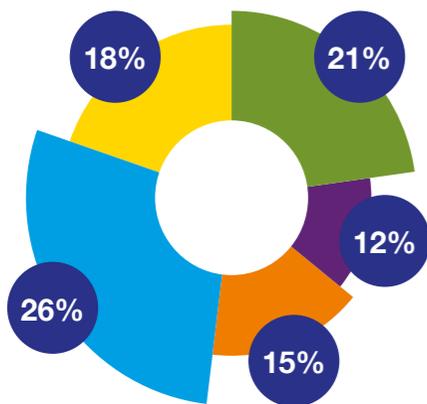




## What are they offering?

A significant amount of employers are taking steps to address the issue of employee financial wellbeing. Around half of businesses (48%) do not have a financial wellbeing strategy, however 27% plan to implement one within the next three years.

Does your organisation currently have a financial wellbeing strategy in place?



- No, and we currently have no plans to do so
- Yes, we have a limited employee wellbeing strategy
- No, but we plan to begin implementing one over the next 12 months
- Yes, we have a comprehensive employee financial wellbeing strategy
- No, but we plan to implement in the next 3 years

It is encouraging that 45% of businesses already have an employee financial wellbeing strategy in place, with 18% describing theirs as comprehensive. But there is little consistency in the form these take.

The top three current programs/plans that employers have in place to improve their employees' financial wellbeing are retirement planning seminars (28%), an Employee Assistance Plan (26%), and discount vouchers (20%).

When asked about their primary reasons for implementing a financial wellbeing strategy, the most popular were to improve employee engagement (35%), that it is a valued employee benefit (32%), and that it's part of their people strategy (32%). Just 28% identified improving employees' overall financial wellbeing as a reason and only a quarter (25%) said that it was to reduce financial stress and improve mental health.

But it is evident that the benefits are being recognised. Nearly a third (30%) say that it helps improve employee productivity, a quarter (24%) say it assists in talent acquisition and retention, and 22% say that it helps to fulfil their strategic business objectives.

## Why are they falling short?

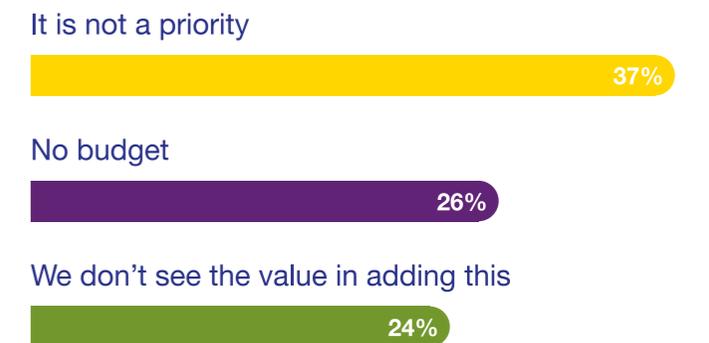
Employers are falling short of the necessary provision on several counts. Many employers still do not offer even basic help to their employees despite the impact that it is having on their business.

Of those that have no plans to implement an employee financial wellbeing strategy, 37% simply don't see it as a priority, more than a quarter (26%) don't have the budget, and 24% don't see the value in adding it.

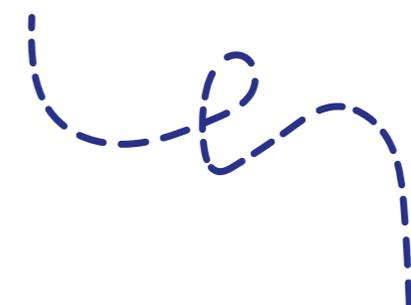
12% of businesses cited a lack of understanding about developing and implementing a financial wellbeing strategy as a reason behind their current position.

87% of employers think that unsecured personal debt is an issue among their employees, and only a quarter (22%) of organisations think their employees would know where to get help or advice with debt issues. However, just 16% of employers offer a financial advice service either fully or partly funded by the company, and 14% offer in-house guidance on budgeting/saving.

### Top 3 reasons for not implementing an employee financial wellbeing strategy



### Top 3 reasons for implementing an employee financial wellbeing strategy



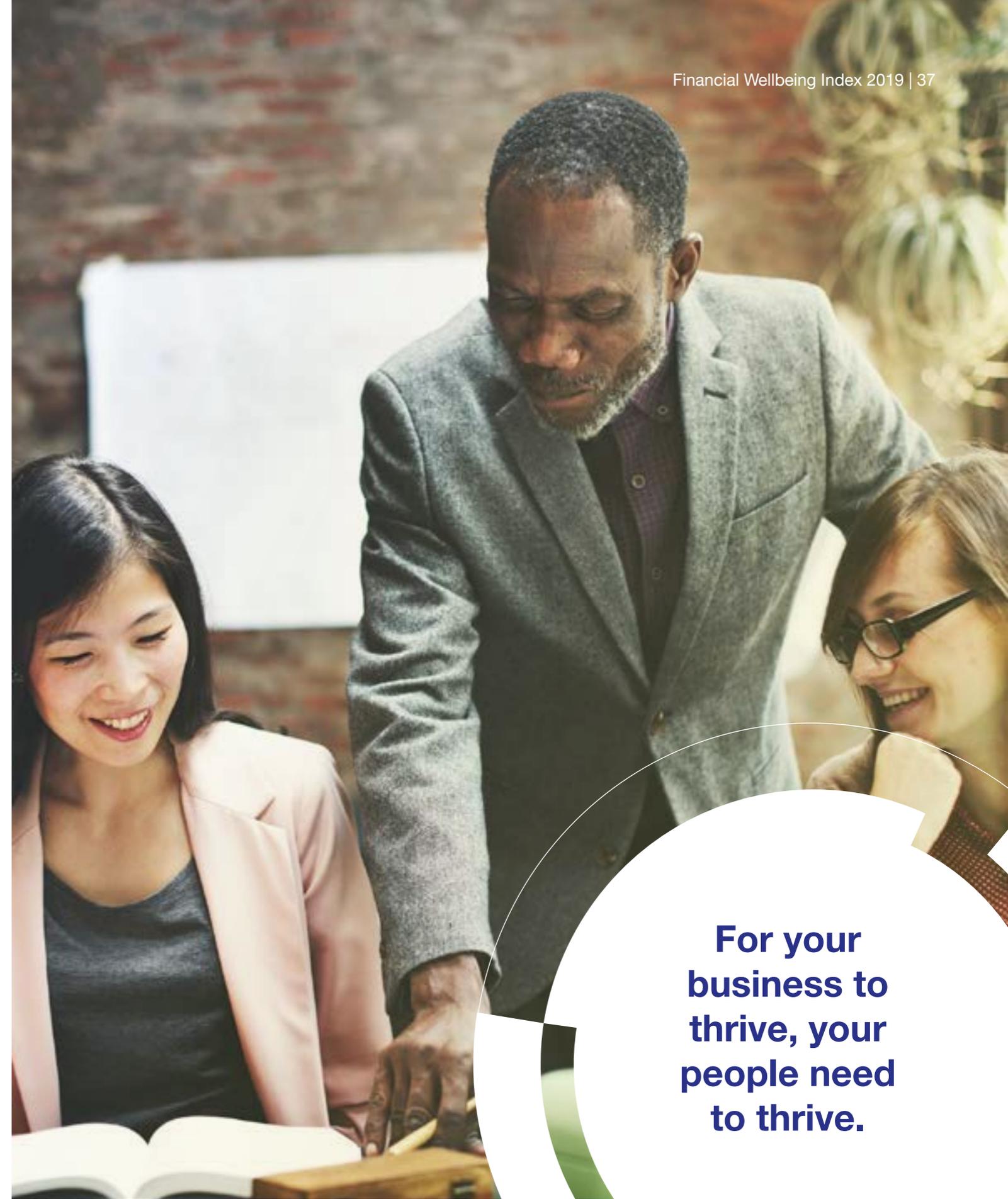
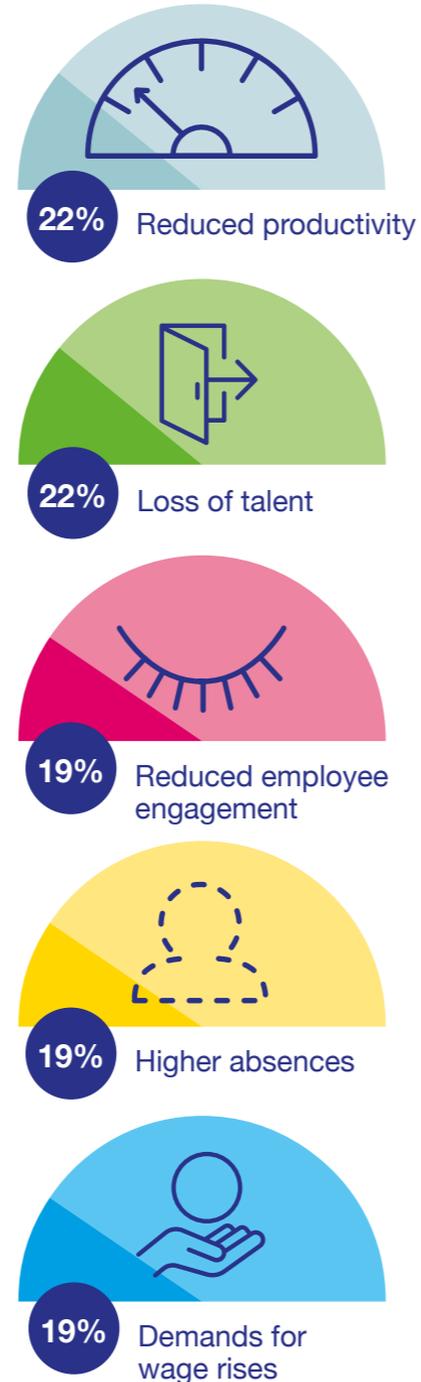
## The impact on employers

Money worries are not simply left at the office door, as our data shows. It is important that businesses realise that employee financial wellbeing is interwoven with their business performance, and therefore recognise the need to give employees the help they need to improve the state of their finances.

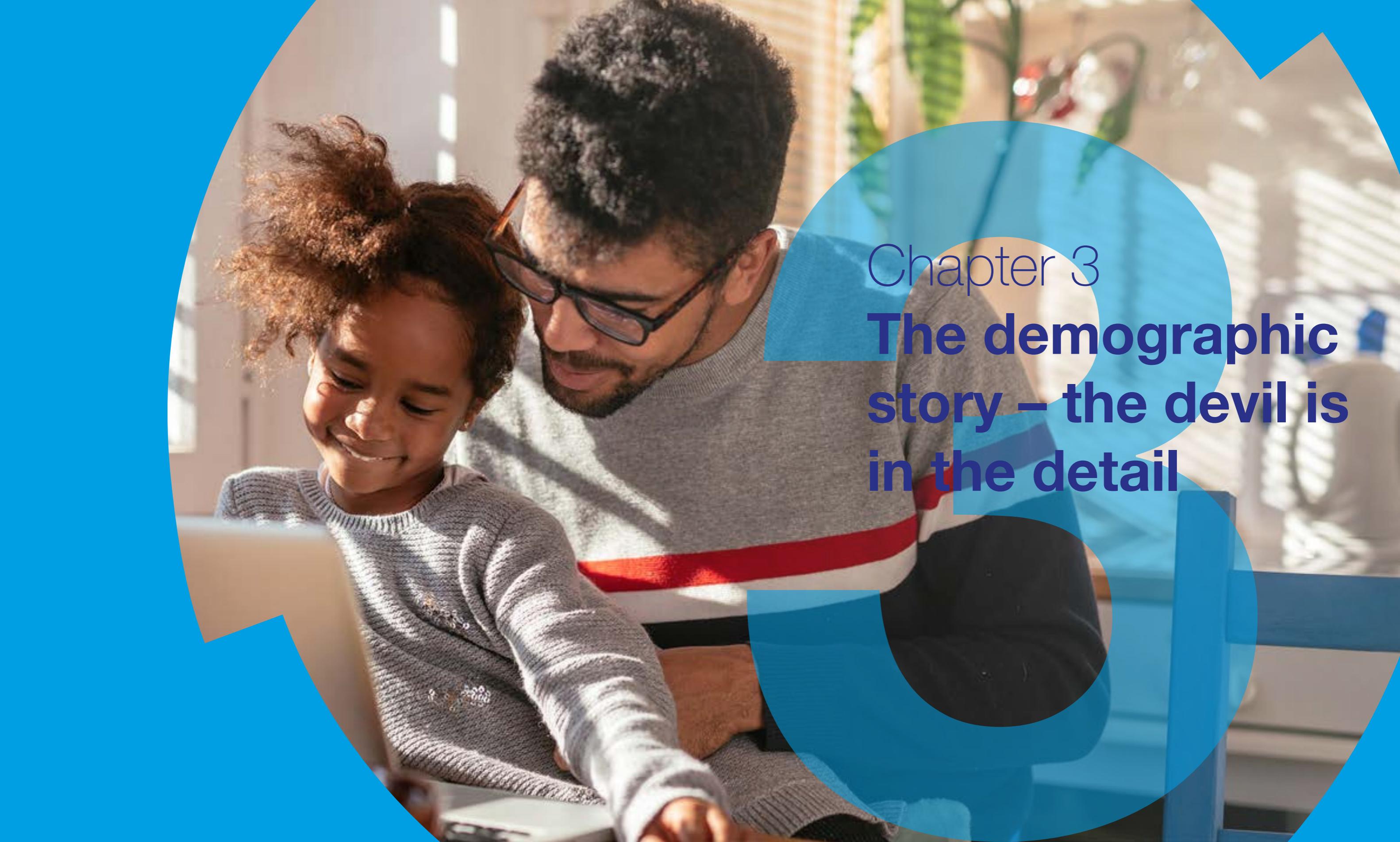
The findings reveal that 13% of employers identify poor financial wellbeing as the biggest single cause of employee stress, and employers that fail to give employees the required support are undermining their broader business strategy.

This is also demonstrated by the fact that around half of employers (48%) recognise that fewer people are retiring from their organisation than they would like, (48%) saying the rate of retirement in their organisation is increasing their people costs, and 45% saying that the rate of retirement in their organisation is negatively impacting their succession plans.

### Top 5 business challenges associated with poor financial wellbeing



**For your business to thrive, your people need to thrive.**

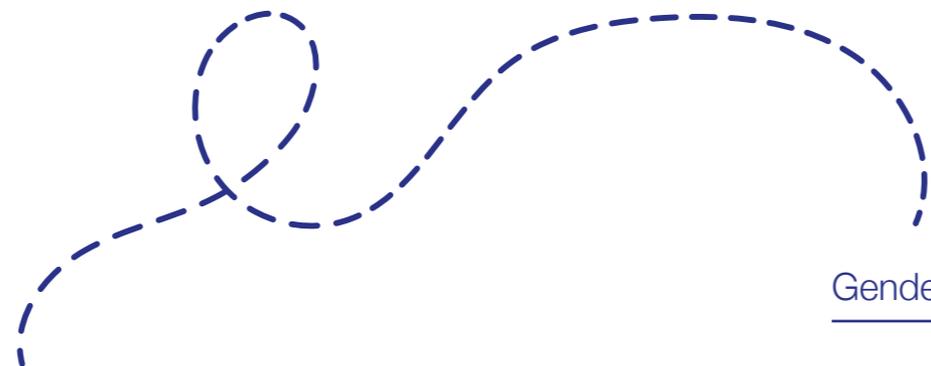
A photograph of a man with glasses and a beard, wearing a grey sweater with a red and white stripe, leaning over a young girl with curly hair. They are both looking at a laptop screen. The scene is set in a bright, indoor environment with sunlight filtering through blinds. The image is framed by a large blue circle with a white outline, and there are other blue circular shapes overlaid on the right side.

## Chapter 3

# **The demographic story – the devil is in the detail**

48% of women say that they feel unprepared for retirement compared to 25% of men.

A third of women say that they're not confident that they'll be able to achieve their long-term financial goals, nearly twice that of their male co-workers.



## The demographic story - the devil is in the detail

Delving into the demographics, there is a significant variation in the challenges facing different employee groups; financial wellbeing is not only about debt or pension engagement.

This means that there is no quick fix or one strand approach to financial wellbeing.

As employers look to tackle the issue in the workplace, it is important that it begins with measurement and insight followed by strategies tailored to provide the right solutions for those employees.

Gender

The overall index score reveals that **women continue to lag far behind men when it comes to financial wellbeing.**

This pattern is similar when it comes to making their money last until payday – **26% vs 13%.**

They also trail their male counterparts when it comes to more long term financial planning. **Half (48%) of women say that they feel unprepared for retirement compared to a quarter of men (25%)** and **a third of women say that they are unconfident that they will be able to achieve their long-term financial goals, nearly twice that of their male co-workers (19%).**

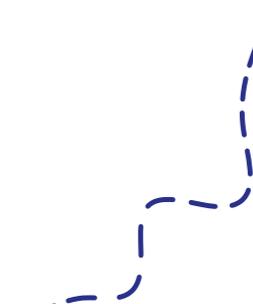
Part of this struggle is down to a lack of understanding about the world of financial products and those best suited for specific goals. **Only a third of women (35%) say they are confident in choosing the most suitable financial product(s)** for their long-term savings goals. This figure is **50% among men.**

**However, women are much more informed when it comes to tax.** While 70% of men don't know what tax allowances and reliefs are available to them, the corresponding figure for women is 55%.



**Overall Index Score Women vs. Men**

We find that women are twice as likely to worry about meeting their day-to-day living costs as their male counterparts – women 16% vs men 7%.



Income

**As income rises, we see the financial wellbeing score increase.**

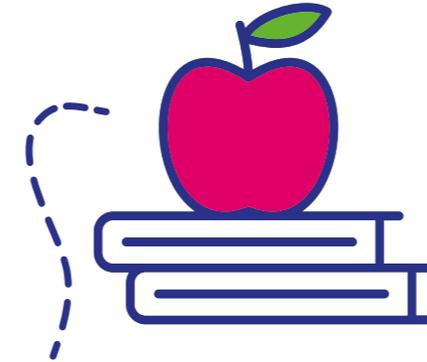
Those at the bottom of the income scale score half as well when it comes to the issue of protection. **Those earning £10k – £20k (33.1) vs over £100k (73.0).**

While just 2% of those in this top income bracket have made no preparations for an unexpected financial event, this dramatically rises to 46% among those at the lower end, who are also the most vulnerable.

There is also a notable gap in financial planning. On average, **just 35% of those earning under £30k have a financial plan** to help them achieve their future goals, **compared to 53% of those earning between £30k and £60k.**

How well employees understand tax

Annual income:



Education

Similarly to income, **we see the financial wellbeing score generally increase as education levels rise.** Those with a degree outperform the national average (**54.5 vs 53.6**), however it is those with an MBA that do so significantly (**59**) and more so those with professional qualifications (**63.8 vs 53.6**).

Millennials

**There is a significant gap between the index score of millennials and those employees aged over 55 – 50.6 vs 62.1, although millennials are not that far below the UK score.**

This younger cohort are much more worried about money, with 90% admitting that this affects them while they're at work.

Around one in five millennials (17%) say they are not confident knowing where to get help or advice if they have debt issues, compared to one in ten (9%) of those aged over 55.

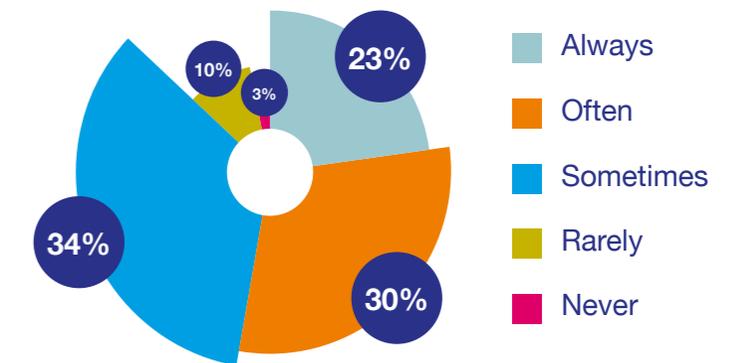
A third (36%) of millennials have made no preparations for an unexpected financial event, and **just 34% have a savings pot for emergencies.**

**Just 12% of millennial employees have made a current will.** It is this age demographic however, that perform best when it comes to **budgeting**

**and planning, scoring 51.8** in this category compared to 46.2 for those 35-54, and 49.4 for those aged 55+.

More than half of millennials (52%) have a financial plan to help them achieve their future goals and 29% have updated it in the last 12 months.

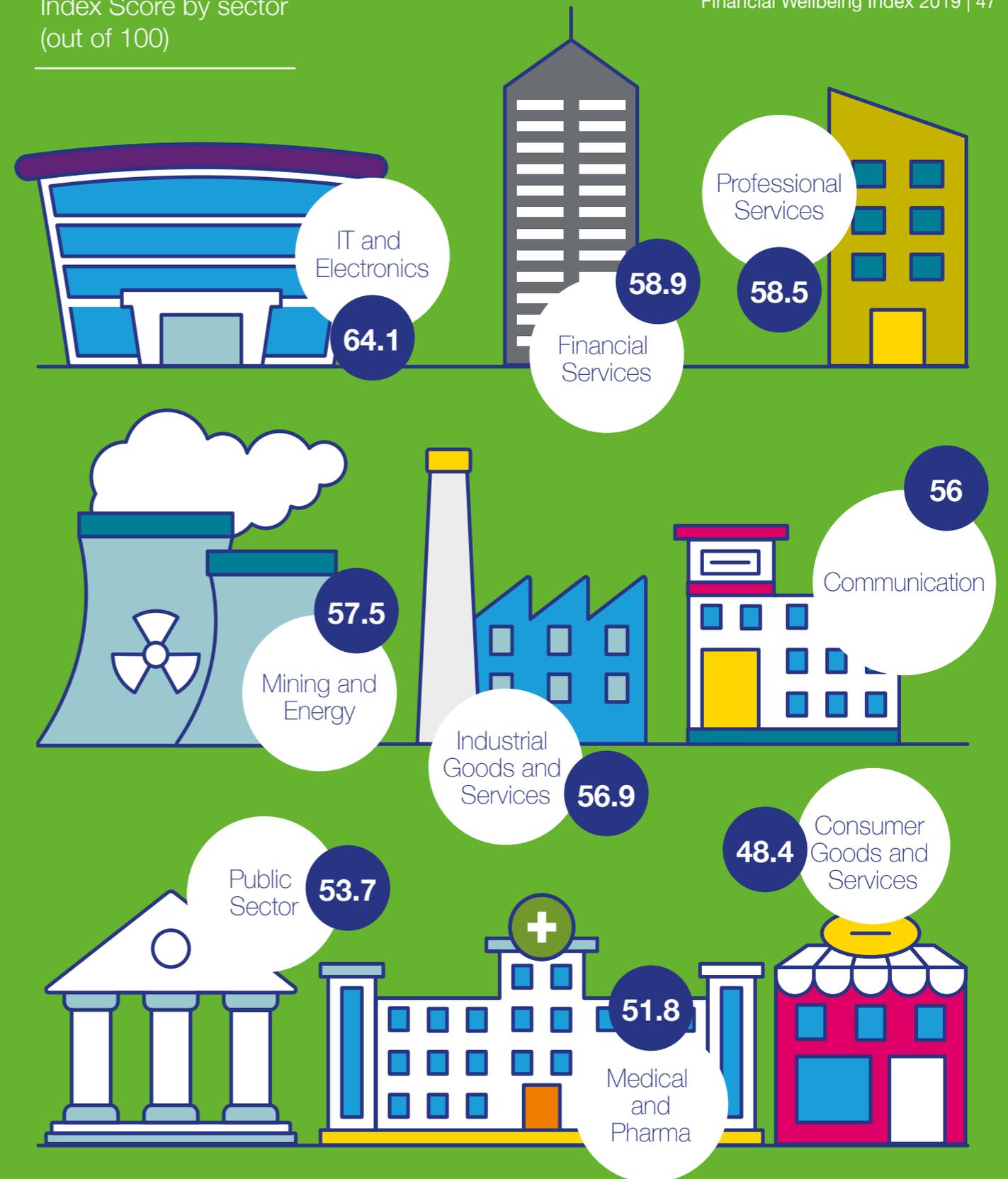
How often do millennials worry about money?





Chapter 4  
**Sector  
insight**

Index Score by sector  
(out of 100)



## Sector insight

While there is little geographic difference when it comes to employee financial wellbeing, the variance across sectors is high, as is employer provision.

According to employees themselves, **those working in the Consumer Goods and Services sector are revealed to be struggling the most**, while those in the **IT and Electronics sector are performing the best**. The other sectors that outperform the UK average are Financial Services (58.9), Professional Services (58.5), and Mining and Energy (57.5).

Those in the IT and Electronics sector are performing the best, with a score of 64.1 compared to the UK average of 53.6.

When it comes to **money worries**, it is those working in the **Consumer Goods and Services sector that suffer the most, with 49% worrying about their finances** either always or often. This is significantly above the national average of 39%. It is employees in the IT and Electronics sector who are the most confident about making financial decisions (85%). This is followed by Financial Services (76%), and Professional Services (75%).

From the perspective of employers, the IT and Electronics sector comes out top when asked about the financial wellbeing of their employees (75.9), with public sector workers ranked as having the lowest level of financial wellbeing (62.8). Perhaps unsurprisingly, it is employers in Financial Services that perceive their workers to have the greatest level of confidence when making decisions about their money (76%).

Those working in the Consumer Goods and Services sector are revealed to be struggling the most, while those in the IT and Electronics sector are performing the best.

# Helping people thrive

## The role of employers

Employers across the UK have been crying out for **a definitive measure of financial wellbeing** and for some way to **pinpoint key areas and employees who need help**. The Close Brothers Financial Wellbeing Index provides both. The UK Financial Wellbeing Index is 53.6 and so it is clear that there is a real need for improvement across all seven areas of financial wellbeing, but more specifically in the lowest scoring areas of Protection (42.5), Budgeting and Planning (48.8), and Tax (48.5).

Whilst our study found that organisations do understand that their employees worry about money, they significantly overestimate their financial wellbeing, an overall score of 70.5 vs the employees' score of 53.6.

This disconnect perhaps goes some way to explain why, with 45% of employers currently providing some level of financial wellbeing programme, it's clearly not reaching every employee or fixing their overall financial wellbeing issues. **A third (30%) of all staff say their employer is not at all helpful when it comes to improving their financial wellbeing** and a further **27% say what is provided is of little benefit**. It's probably not surprising that the top five employee benefits (in addition to reward and pension) are: **discount vouchers for lifestyle expenditure (17%); financial advice (13%**, although only 6% funded/part funded by the employer); **retirement seminars (12%); employee assistance programmes (12%); and workplace loans (6%)**.

Organisations  
are already feeling the strain of  
the lack of financial wellbeing on  
multiple fronts.

This includes: **reduced productivity (22%); loss of talent (22%); higher short-term and long-term absences (both 19%); reduction in retirees (17%); and higher healthcare costs (13%)**.

But these issues are easy to identify and address. By using the Financial Wellbeing Index inside an organisation, it is simple to see the employee groups that need most help, and which of the seven areas of financial wellbeing to target. **Companies can also benchmark against the UK, their sector and their own Index score year on year**.

One size, one product, or a provider focussing on just one issue doesn't fit all and won't fix the problem; not at organisational level or for individual employees. So, to truly improve financial wellbeing the solution needs to be tailored to the organisation and the specific needs of their people and be across all seven areas of personal finance. To support the needs of all employees the solution needs to include three things: **financial education to raise awareness and confidence**, enabling employees to develop the tools they need to deal with the complexities of their financial lives; **access to financial advice for those that need extra help**; and **access to savings and investment solutions** so people can implement their own plans alongside their workplace pension.

The result is a more positive and healthy life for staff and a more engaged, productive workforce for businesses.

It's simple;  
when employees are happy,  
organisations thrive.

# Methodology

## The Research

Unless otherwise stated, the data referred to within the report is based on surveys conducted among 1,003 employers with 200 or more employees, and 5,003 employees from companies with 200 or more employees. The research was carried out on behalf of Close Brothers Asset Management by Opinium between the dates of 29 October and 11 November 2018.

## The Index

The Employee Financial Wellbeing Index examines the pillars of financial wellbeing and measures how financially fit employees in the UK feel in eight key categories. These are money worries, budgeting and planning, debt, protection, savings and investments, retirement, properties and mortgages, and tax. Each category was assigned a score out of 100, according to a scale developed by Close Brothers Asset Management. An average of each category score delivers the overall index figure.

For the employer comparison, a multi-response question was asked to establish employers' perception of employee financial wellbeing across the key categories outlined above. Each of the responses delivered a score out of 100. An average of these scores was then taken to generate the overall figure.

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