

# Are your employees in good financial shape? Evidence from a Fortune 25 company

# **July 2022**

# Andrea Hasler, Annamaria Lusardi, Nikolas Orellana, and Alessia Sconti

Global Financial Literacy Excellence Center (GFLEC), The George Washington University School of Business

This work was conducted with financial support from Edelman Financial Engines (EFE). The George Washington University's Global Financial Literacy Excellence Center (GFLEC) collected data from a Fortune 25 company.

Business



**ABSTRACT:** 

Workplace financial education is crucial for helping working adults improve their financial well-being. This report shows the results of a six-week challenge called Fast Track to Financial Health, a joint project between Edelman Financial Engines (EFE) and the George Washington University's Global Financial Literacy Excellence Center (GFLEC). The project aimed to gain critical insights into the financial well-being of employees at a Fortune 25 company. This unique initiative created a financial health score (the FinHealth Score) and provided personalized counseling and access to educational resources based on that score. Data gathered prior to the program showed middle-aged employees (35–54) and minorities to be among the groups most lacking in financial well-being. Moreover, female employees are less knowledgeable about financial topics and the most likely to have used EFE's financial services in the past. Splitting the sample across different levels of financial exposure revealed that EFE users have a higher level of financial literacy and better financial health. Although the employees plan for retirement and have precautionary savings, 38% declared they feel anxious about their finances and retirement savings. This result is persistent even among employees who have used EFE services in the past. The report concludes that offering workplace financial wellness programs can help with employee retention and overall satisfaction.





# Are your employees in good financial shape? Evidence from a Fortune 25 company<sup>1</sup>

Andrea Hasler, Annamaria Lusardi, Nikolas Orellana, and Alessia Sconti

# 07/27/2022

#### ABSTRACT

Workplace financial education is crucial for helping working adults improve their financial well-being. This report shows the results of a six-week challenge called Fast Track to Financial Health, a joint project between Edelman Financial Engines (EFE) and the George Washington University's Global Financial Literacy Excellence Center (GFLEC). The project aimed to gain critical insights into the financial well-being of employees at a Fortune 25 company. This unique initiative created a financial health score (the FinHealth Score) and provided personalized counseling and access to educational resources based on that score. Data gathered prior to the program showed middle-aged employees (35–54) and minorities to be among the groups most lacking in financial well-being. Moreover, female employees are less knowledgeable about financial topics and the most likely to have used EFE's financial services in the past. Splitting the sample across different levels of financial exposure revealed that EFE users have a higher level of financial literacy and better financial health. Although the employees plan for retirement and have precautionary savings, 38% declared they feel anxious about their finances and retirement savings. This result is persistent even among employees who have used EFE services in the past. The report concludes that offering workplace financial wellness programs can help with employee retention and overall satisfaction.

<sup>&</sup>lt;sup>1</sup>This work was conducted with financial support from Edelman Financial Engines (EFE). The George Washington University's Global Financial Literacy Excellence Center (GFLEC) collected data from a Fortune 25 company.

# **LIST OF CONTENT**

EXECUTIVE SUMMARYpage 3
MOTIVATIONpage 4
STUDY DESIGNpage 6
RESULTSpage 9
- Who participated in the program?page 9
- Are your employees in good financial shape?page 11
- How do those who had greater financial exposure fare?page 24
- How do the employees compare to a national sample?page 29
- What role does job satisfaction play?page 32
CONCLUSIONpage 35

#### **EXECUTIVE SUMMARY**

Financial education in the workplace is crucial for helping working adults deal with financial stress, improve their financial well-being, and build financial resilience. A joint project between Edelman Financial Engines (EFE) and the George Washington University's Global Financial Literacy Excellence Center (GFLEC) was designed to gain insight into employees' financial well-being, provide them with resources designed to improve their financial knowledge (and thus well-being), and measure their progress. Together with a Fortune 25 company (the "sample company"), EFE launched a six-week challenge called Fast Track to Financial Health, which GFLEC's research team evaluated with a sophisticated survey tool they created.

The project ran from April (Financial Literacy Month) through mid-June 2022. To create a benchmarking mechanism to define and measure financial well-being, GFLEC's research team used data from the National Financial Capability Study to establish an empirical assessment in the form of a financial health score (the FinHealth Score). This score served as the backbone of the Fast Track to Financial Health program. The score determined the personalized counseling and educational resource needs of Fast Track to Financial Health program participants. It served as a baseline that enabled us to assess the program's impact, with both short-term effects and anticipated changes in financial decision-making being considered.

EFE made resources available to employees who joined the program. The employees could choose to watch webinars, meet with a counselor, or read written materials. The challenge consisted of a minimum of six interactions with the webinars, reading material, and/or meetings. The research team conducted an impact evaluation of the program based on a before-and-after design. For this purpose, a similar online survey was administered through Qualtrics before and after the six-week challenge to investigate participants' financial wellbeing, attitudes, confidence, and decision-making.

This report focuses on the five main findings of the pre-survey:

1) Financial literacy levels and well-being among the sample company's employees are higher than the average American adult population. Most respondents have emergency funds, are able to make ends meet, are not financially fragile, manage their debt effectively, and plan for retirement. Respondents who previously used EFE services show higher levels of financial literacy and better financial behavior than EFE non-users.

2) The sample company's employees tend to have high education and income levels and tend to be predominantly White and male. The age distribution is bimodal with two humps, around age 30 and 55.

3) The sample company's most financially vulnerable employees (i.e., those with the lowest financial well-being) are middle-aged (35–54) and non-White. Female employees are less knowledgeable than males about financial topics and are more likely to have used EFE financial services in the past.

4) Even with relatively high financial literacy levels and good financial circumstances, about 40% of the employees declared that they feel anxious when they think about their finances and worry about running out of money in retirement. This result is persistent even among employees who previously used EFE services.

5) Finally, there is a strong link between financial literacy and satisfaction with employeroffered benefits and compensation, as well as overall job satisfaction. Thus, offering workplace financial wellness programs could help with employees' retention and overall satisfaction.

#### **MOTIVATION**

The latest P-Fin Index data release showed that people spend, on average, seven hours per week thinking about and dealing with financial issues. Three of those hours occur at work. Financially literate people are less likely to spend time thinking about their personal finances. However, financial literacy is very low worldwide (Klapper and Lusardi, 2020).<sup>2</sup> Only one in three adults understand the basic concepts of inflation, compound interest, and

<sup>&</sup>lt;sup>2</sup> Klapper, L., Lusardi, A. (2020) "Financial Literacy and Financial Resilience: Evidence from Around the World," Financial Management.

risk diversification (the three questions designed by Lusardi and Mitchell, 2014, that measure knowledge of these concepts are known as the "Big Three").<sup>3</sup> Knowledge of these three concepts turns out to be a good delineator between those who engage in financially savvy behavior and those who do not. In other words, higher levels of knowledge translate to better financial behaviors and then better financial well-being (Kaiser et al., 2021<sup>4</sup>; Yakoboski et al., 2020<sup>5</sup>).

Through the workplace, employers can reach the largest share of the adult population; and because education should be continued throughout people's lives, the workplace is an ideal place to offer it (OECD, 2022<sup>6</sup>). Moreover, employers are uniquely positioned to be aware of employees' life events or behaviors that may be signals of or be associated with financial difficulties (for example, requests for advance payments, diversions of part of their salary to creditors, marriage, and childbirth). For this reason, employers and other stakeholders are

<sup>5</sup> Yakoboski, P. J., Hasler, A., Lusardi, A. (2020) "Financial Literacy and Wellness Among African-Americans: New Insights from the Personal Finance (P-Fin) Index," *The Journal of Retirement.* Summer 2020.

<sup>&</sup>lt;sup>3</sup> Lusardi, A., Mitchell, O.S. (2014) "The Economic Importance of Financial Literacy: Theory and Evidence,", *Journal of Economic Literature*, March 2014, 52(1), pp. 5-44. To measure financial literacy, Lusardi and Mitchell (2007) created three simple questions to assess understanding of the fundamentals of personal finance. These questions are known worldwide as the Big Three and investigate how well people understand inflation, compound interest, and risk diversification concepts necessary for financial decision making. Administration of these questions has revealed that financial knowledge is poor throughout the world (with only 2.1 percent of countries qualifying as top performers), particularly among the young, women, and the elderly (OECD, 2014). The Big Three questions are mainly used to assess financial literacy among adults.

<sup>&</sup>lt;sup>4</sup> Kaiser, T., Lusardi, A., Menkhoff, L., Urban, C., (2020) "Financial education affects financial knowledge and downstream behaviors." NBER Working Paper Series No. 27057. This paper is the first meta-analysis of its kind and involves 76 Randomized Control Trials (RCTs, which are known as the gold standard to determine causality) in more than 30 countries and 6 continents and reveals that financial literacy affects behaviors and the way it's taught affects the results. Higher expertise of instructors and longer courses (about 20-40 hours) are the most effective ways to improve financial literacy and behavior.

<sup>&</sup>lt;sup>6</sup> The Organization for Economic Co-operation and Development (OECD) is an international organization that works to build better policies for better lives. Their goal is to shape policies that foster prosperity, equality, opportunity and well-being for all. One of their main activities relates to financial consumers and financial education across countries. The policy handbook by the OECD is available at the following link and includes suggestions on how to build a successful workplace financial wellness program using different methods and a customized approach to the employees https://www.oecd-ilibrary.org/docserver/b211112e-en.pdf?expires=1656457029&id=id&accname=guest&checksum=7060A785B46BE6CD0C6EDE510C4FA8A2

uniquely positioned to equip employees with the financial knowledge, skills, and behaviors needed to attain financial well-being.

Financial well-being is a multidimensional concept that includes both objective and subjective measures. By investing in employees' financial knowledge, employers indirectly improve their employees' immediate and long-term financial well-being. The financial well-being of employees should matter to employers because it reduces financial anxiety, leading to higher productivity and retention.<sup>7</sup> It decreases the amount of work time people spend dealing with financial issues (from seven work hours among those who are financially illiterate to just one work hour among those who are financially literate). Additionally, increased financial well-being can lead to greater employee satisfaction, motivation, and sense of loyalty to their employer. In other words, investing in employees' financial well-being pays off.

Following OECD guidelines and previous evidence suggesting the effectiveness of a multidimensional and personalized approach to engaging participants (Sconti, 2021<sup>8</sup>), EFE proposed a financial wellness initiative involving several different learning approaches: reading materials, webinars, and the opportunity to meet one-on-one with a financial counselor.

# **STUDY DESIGN**

Prior to the launch of the Fast Track to Financial Health six-week challenge, we administered a questionnaire consisting of five sections, with the first section collecting information about

<sup>&</sup>lt;sup>7</sup> For further details, please look at the following report https://gflec.org/wp-

 $content/uploads/2020/08/TIAA\_GFLEC\_Report\_FinancialRoundtable\_August2020\_02.pdf?x73402$ 

<sup>&</sup>lt;sup>8</sup> Sconti, A., (2021) "Digital vs. in-person financial education: What works best for Generation Z?" *Journal of Economic Behavior & Organization*, Vol. 194, February 2022, 300-318. This paper compares the effects of two randomly assigned treatments (lessons with a financial advisor and digital courses) to understand which method is more effective at increasing the financial literacy of Gen Z. Both are effective three weeks later, but a follow-up study reveals that the effects persist three months later only for treatments involving a financial advisor.

the socioeconomic characteristics of the employees participating in the program; the second and third sections collecting information about participants' financial behavior, attitudes, and well-being; the fourth section collecting information about participants' financial knowledge; and the final section collecting information about participants' motivation and job satisfaction. The results provided a financial well-being baseline for employees participating in the program. We collected information from a total of 2,792 participants.

Because there is no set formula or definition for measuring financial well-being, the research team used the results of the questionnaire to develop the FinHealth Score. The score provided a summary of financial well-being and allowed us to match EFE's financial resources to the needs of the participants. The FinHealth Score served as the backbone of three components of the Fast Track to Financial Health program and its evaluation:

- 1) An initial assessment to generate a baseline score among employees.
- 2) The provision of personalized counseling and access to educational resources based on that score.
- 3) Assessment of the impact of the intervention with a focus on both short-term effects and future anticipated changes in financial decision-making.

The FinHealth Score was constructed by looking at the presence or absence of financial health. Financial health is assessed by considering five financial circumstances or behaviors:

- a) Ability to manage debt<sup>9</sup>
- b) Ability to make ends meet<sup>10</sup>
- c) Level of financial fragility<sup>11</sup>

<sup>&</sup>lt;sup>9</sup> Not too much debt is a dummy variable equal to 1 if respondents respond "strongly disagree," "somewhat disagree," or "neither agree nor disagree" to the statement "I have too much debt right now," 0 otherwise.

<sup>&</sup>lt;sup>10</sup> *Make ends meet* is a dummy variable that takes a value of 1 if respondents respond "Not at all difficult" to the question (0 otherwise) "In a typical month, how difficult is it for you to cover your expenses and pay all your bills?" 1 Very difficult, 2 Somewhat difficult, 3 Not at all difficult, 98 Don't know.

<sup>&</sup>lt;sup>11</sup> *Financial Fragility* is a dummy variable that takes the value of 1 if respondents indicate "probably not" or "certainly not" to the question (0 otherwise) "How confident are you that you could come up with \$2,000 if an unexpected need arose within the next month?" 1 I am certain I could come up with the full \$2,000, 2 I could probably come up with \$2,000, 3 I could probably not come up with \$2,000, 4 I am certain I could not come up with \$2,000, 98 Don't know.

Financial well-being

- d) Possession of emergency (or rainy day) funds<sup>12</sup>
- e) Planning for retirement<sup>13</sup>

The relatively simple structure of the FinHealth Score makes it an efficient tool for matching respondents with resources customized to their level of financial health. These resources include basic educational resources (related to debt management, budgeting, wealth management, and retirement planning) and advanced resources (related to investing, insurance, and tax planning), which may help alleviate more problematic symptoms of poor financial health. The FinHealth Score is based on the above-mentioned five circumstances or behaviors, but we combine them to form a score that takes a value of 1, 2, or 3. If a participant experiences no symptoms of poor financial health, i.e., they are not financially fragile, they have figured out how much to save for retirement, they have emergency savings, they are able to make ends meet, and they are able to manage their debt, they have a FinHealth Score of 3 and are classified as experiencing good financial health. A respondent with this FinHealth Score was matched with advanced resources covering topics such as investing and insurance. People exhibiting one or two symptoms of poor financial health have a FinHealth Score of 2 and are classified as having fair financial health. Their financial situation is not critical, but they need to close some gaps in their short- and/or long-term money management practices, so were matched with a mix of basic and advanced resources. Finally, if people showed between three and five symptoms of poor financial health, they have a FinHealth Score of 1. Their financial situation was more critical and they were classified as having poor financial health. Like the good and fair financial health cohorts, they received targeted educational resources aimed at improving their particular financial situation and money management practices.

<sup>&</sup>lt;sup>12</sup> *Emergency fund* is a dummy variable that takes the value of 1 if respondents answer "Yes" to the question "Have you set aside emergency or rainy-day funds that would cover your expenses for three months in case of sickness, job loss, economic downturn, or other emergencies?" 1 Yes, 2 No, 98 Don't know.

<sup>&</sup>lt;sup>13</sup> *Retirement planning* is a dummy variable that takes the value of 1 if respondents answer "Yes" to the question (0 otherwise) "Have you ever tried to figure out how much you need to save for retirement?" 1 Yes, 2 No, 98 Don't know.

Employees were incentivized to engage with at least six different types of resources during the six-week challenge. The educational resources consisted of reading material, webinars, and face-to-face meetings with a financial counselor. The counselor received a profile of the participant to help them prepare for the meeting. In addition, each employee was invited to print out a copy of their financial health score. Their score is conveyed via a red, yellow, or green stoplight image to avoid the use of evaluative language (poor, fair, good) that could negatively impact perception and engagement, and the score sheet included information about the topics the respondent should focus on, based on their performance. The counselors do not have direct access to the questionnaire in order to preserve the integrity of the evaluation design and to prevent them from being tempted to "teach to the test".

#### RESULTS

#### Who participated in the program?

All participants of the six-week challenge are part of a Fortune 25 firm's salaried population. As shown in Table 1, the majority of the sample consists of males (67%), Whites (69%), those with at least a bachelor's degree (89%), and those with an annual income of 100K and more. Interestingly, the age distribution in our sample is bimodal with two humps, around age 30 and 55 (Figure 1).

Ν	Mean	Std. Dev.	Min	Max
2792	.318	0.466	0	1
2792	.473	0.499	0	1
2792	.209	0.407	0	1
2792	.326	0.469	0	1
2792	.667	0.471	0	1
2792	.692	0.462	0	1
2792	.069	0.253	0	1
2792	.048	0.214	0	1
2792	.149	0.357	0	1
2792	.042	0.201	0	1
2792	.018	0.131	0	1
2792	.09	0.286	0	1
2792	.413	0.493	0	1
	N 2792 2792 2792 2792 2792 2792 2792 279	NMean2792.3182792.4732792.2092792.3262792.6672792.6622792.0692792.0482792.0422792.0422792.0182792.092792.413	NMeanStd. Dev.2792.3180.4662792.4730.4992792.2090.4072792.3260.4692792.6670.4712792.6920.4622792.0690.2532792.0480.2142792.1490.3572792.0180.1312792.0180.1312792.090.2862792.4130.493	NMeanStd. Dev.Min2792.3180.46602792.4730.49902792.2090.40702792.3260.46902792.6670.47102792.6620.46202792.0690.25302792.0480.21402792.0480.21402792.0480.21402792.0430.20102792.0430.20102792.0180.13102792.090.28602792.4130.4930

Table 1: Summary statistics of participant demographics

Financial well-being		Page 10			7/27/22	
Post-graduate degree	2792	.479	0.500	0	1	
Income < \$25K	2792	.004	0.065	0	1	
Income \$25K-49K	2792	.016	0.125	0	1	
Income \$50K-74K	2792	.044	0.204	0	1	
Income \$75K-99K	2792	.135	0.342	0	1	
Income >\$100K	2792	.783	0.412	0	1	
Big 3 correct	2792	.753	0.432	0	1	

Note: All data are from the Edelman Financial Engines April 2022 survey. The variable household income includes the total amount of a household's annual income, including wages, tips, investment income, public assistance, and income from retirement plans. The education variable highest degree obtained includes the categories *High school or less*, indicating that the respondent's highest degree received is a high school diploma; some college, indicating that respondents have attended a post-secondary institution and earned, at most, a two-year degree (i.e., an associate's degree); bachelor's degree, indicating that respondents have earned a four-year degree; post-graduate degree, indicating that respondents have a degree beyond a bachelor's degree. Big 3 correct is a dummy variable equal to 1 if the respondent correctly answers the three basic financial literacy questions (Big Three), which measure understanding of interest rate, inflation, and risk diversification, 0 otherwise.



Figure 1: Age distribution across the employee sample

Note: Figure 1 reports the age distribution across the Fortune 25 company employees' sample.

The characteristics of the employee sample shown above are important to keep in mind when interpreting the data in the subsequent subsections since they are generally associated with higher financial literacy levels, which in turn affect behavior. Of the employees surveyed, 73% claimed to be the most knowledgeable in their household about saving, investing, and debt, and 22% stated that they and their partner are equally knowledgeable. For this reason, the fact that 75% of the employees were able to correctly answer the Big Three questions is not surprising.

#### Are your employees in good financial shape?

Understanding the financial health of employees is critical to employers who are interested in offering financial wellness programs. To measure employees' financial health, we used the FinHealth Score described in section 3. The average FinHealth Score of the employees was 2.32, indicating that those who took part in the six-week challenge engage in one or two costly money management practices out of five (in other words, they exhibit one or two of the five symptoms of poor financial health).

Table 2 below reports the sample distribution across the three financial health cohorts. Forty-five percent of the sample is classified as having good financial health. In other words, they are not financially fragile, they have emergency funds, they have figured out how much to save for retirement, they are able to make ends meet, and they are able to manage their debt. A similar percentage of the sample (41%) are classified as having a fair FinHealth Score. Employees in this category exhibited at least one or two of five possible symptoms of poor financial health. Moreover, even though the sample is mainly composed of well-paid and highly educated employees, 14% of the sample was classified as having poor financial health (the Poor FinHealth cohort), meaning they display three to five symptoms of poor financial health. This cohort has a high percentage of low-income, middle-age, female, non-White, less-educated, and non-financially literate employees.

		33 00101 03	
	(1) Poor FinHealth Cohort FH 0-2 (3-5 symptoms)	(2) Fair FinHealth Cohort FH 3-4 (1-2 symptoms)	(3) Good FinHealth Cohort FH 5 (0 symptoms)
Total sample	13.65	40.90	45.45
Aae			
Young (18-34 years)	13.39	45.11	41.51
Middle (35-54 years)	16.44	41.06	42.50
Old (55+ years)	7.72	34.13	58.15
Gender			
Male	10.96	41.19	47.85
Female	19.21	39.96	40.83
Household income			
Less than \$25K	41.67	50.00	8.33
\$25-49K	65.91	29.55	4.55
\$50-74K	35.25	45.90	18.85
\$75K-\$99K	19.36	47.75	32.89
\$100K+	10.29	39.55	50.16
Race/Ethnicity			
White, non-Hispanic	11.76	39.36	48.89
Black, non-Hispanic	30.73	44.27	25.00
Hispanic	23.88	49.25	26.87
Asian, non-Hispanic	11.75	43.41	44.84
Other, non-Hispanic	11.86	42.37	45.76
Highest degree obtained			
High school or less	38.78	42.86	18.37
Some college	28.29	40.24	31.47
Bachelor's degree	14.04	44.80	41.16
Post-graduate degree	9.64	37.59	52.77
Financial literacy			
Not financially literate	26.48	50.22	23.30
Financially literate (Big 3			
correct)	9.42	37.84	52.74
Observations	381	1142	1269

Table 2: Sample distribution across cohorts

Note: all data are from the Edelman Financial Engines June 2022 survey. The variable *household income* includes the total amount of a household's annual income, including wages, tips, investment income, public assistance, and income from retirement plans. The education variable *highest degree obtained* includes the categories *High school or less*, indicating that the highest degree received is a high school diploma; *some college*, indicating that respondents have attended a post-secondary institution and earned, at most, a two-year degree (i.e., an associate's degree); *bachelor's degree*, indicating that respondents have a degree beyond a bachelor's degree. The proportion of *financially literate* represents respondents who correctly answered the three basic financial literacy questions (Big 3), which assess understanding of interest rate, inflation, and risk diversification.

Table 3 reports results from four multivariate regression analyses, which reinforce the results of the univariate analysis shown in Table 2. By using regressions, we are able to analyze the effect of one demographic variable on a respondent's FinHealth Score while holding all other variables constant. This is important since variables such as gender, education. and income all potentially play a role in the FinHealth Score.

	(1)	(2)	(3)	(4)
	FinHealth	Poor FinHealth	Fair FinHealth	Good FinHealth
		cohort	cohort	cohort
VARIABLES	(1-3 scale)	(3-5 symptoms)	(1-2 symptoms)	(0 symptoms)
Age (BL: Young 18–				
34 years)				
Middle (35-54	-0.060**	0.041***	-0.021	-0.020
years)				
	(0.030)	(0.015)	(0.022)	(0.022)
Old (55+ years)	0.135***	-0.029*	-0.078***	0.106***
	(0.035)	(0.016)	(0.027)	(0.026)
Gender (BL: Male)				
Female	0.008	0.016	-0.039*	0.023
	(0.028)	(0.014)	(0.021)	(0.020)
Race/Ethnicity (BL:				
White)				
Black	-0.257***	0.110***	0.037	-0.147***
	(0.056)	(0.034)	(0.039)	(0.034)
Hispanic	-0.169***	0.048	0.073	-0.121***
	(0.054)	(0.032)	(0.045)	(0.038)
Asian	-0.060*	0.014	0.033	-0.046*
	(0.035)	(0.017)	(0.027)	(0.026)
Other	-0.023	-0.001	0.024	-0.023
	(0.062)	(0.030)	(0.047)	(0.046)
Highest degree				
obtained (BL: High				
school or less)				
Some college	0.128	-0.052	-0.023	0.076
	(0.107)	(0.066)	(0.076)	(0.065)
Bachelor's degree	0.189*	-0.107*	0.025	0.082
	(0.102)	(0.064)	(0.073)	(0.062)
Post-graduate	0.272***	-0.123*	-0.025	0.149**
degree				
	(0.103)	(0.064)	(0.074)	(0.063)
Household income				

### Table 3: Regressions investigating employees' financial health status

(BL: Less than				
\$25K)				
\$25-49K	-0.524***	0.356***	-0.188*	-0.168**
	(0.123)	(0.087)	(0.099)	(0.069)
\$50-74K	-0.308***	0.156**	-0.004	-0.152**
	(0.106)	(0.064)	(0.077)	(0.067)
\$75-99K	-0.091	0.030	0.030	-0.061
	(0.094)	(0.052)	(0.067)	(0.063)
\$100K+	0.069	-0.031	-0.007	0.038
	(0.088)	(0.048)	(0.063)	(0.060)
Financial literacy				
Big 3 correct	0.311***	-0.094***	-0.123***	0.217***
	(0.033)	(0.019)	(0.024)	(0.022)
Constant	1.878***	0.293***	0.536***	0.171**
	(0.135)	(0.082)	(0.094)	(0.083)
Observations	2,792	2,792	2,792	2,792
R-squared	0.145	0.107	0.025	0.105

Note: All data are from the Edelman Financial Engines April 2022 survey. The dependent variable FinHealth indicates a respondent's financial health based on a score from 1 to 3 derived from a respondent's answer to questions assessing their financial health. Symptoms of poor financial health are difficulty making ends meet (bill payments), being financially fragile, lacking emergency funds, being overindebted, and engaging in poor retirement planning. The FinHealth variable takes a value of 1, indicating poor financial health, if a respondent exhibits three, four, or five symptoms of poor financial health, a value of 2 if a respondent has one or two symptoms of poor financial health, and a value of 3 if a respondent has no symptoms of poor financial health. Poor FinHealth cohort is a dummy variable that equals 1 if the respondent has FinHealth equal to 1, 0 otherwise. Employees included in this cohort received a red stoplight image at the end of the baseline survey as an indicator of their performance. Fair FinHealth cohort is a dummy variable that equals 1 if the respondent has FinHealth equal to 2, 0 otherwise. Employees included in this cohort received a yellow stoplight image at the end of the baseline survey as an indicator of their performance. Good FinHealth cohort is a dummy variable that equals 1 if the respondent has FinHealth equal to 3, 0 otherwise. Employees included in this cohort received a green stoplight image at the end of the baseline survey as an indicator of their performance. The variable household income includes the total amount of a household's annual income, including wages, tips, investment income, public assistance, and income from retirement plans. The education variable highest degree obtained includes the categories *High school or less*, indicating that the respondent's highest degree received is a high school diploma; some college, indicating that respondents have attended a post-secondary institution and earned, at most, a two-year degree (i.e., an associate's degree); bachelor's degree, indicating that respondents have earned a four-year degree; post-graduate degree, indicating that respondents have a degree beyond a bachelor's degree. Big 3 correct is a dummy variable equal to 1 if the respondent correctly answers the three basic financial literacy questions (Big Three) that assess understanding of interest rate, inflation, and risk diversification, 0 otherwise. BL stands for baseline and indicates the baseline value of categorical variables. Robust standard errors in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Overall, the univariate findings discussed above are confirmed by the regression results. Of particular interest is the strong and robust correlation between financial literacy and the FinHealth Score. Higher levels of financial literacy are associated with a higher probability of sound financial management. Employees who correctly answer the Big Three questions are 31 percentage points (p.p.) more likely to have better financial health status and 22 p.p. more

likely to be included in the Good FinHealth cohort compared to those who are not financially literate. Employees who are closer to retirement age, White, with higher levels of education have a higher probability of being in the Good FinHealth cohort compared to their young, non-White, and less educated colleagues.

Previous evidence suggests that higher levels of education are positively correlated with higher levels of financial literacy and personal financial management (Lusardi and Mitchell, 2014).<sup>14</sup> Figure 2 shows the relationship between education levels and the FinHealth Score in more detail. The higher the level of education, the higher the FinHealth Score. People with a bachelor's degree or a post-graduate degree show fewer symptoms of poor financial health. In other words, they are less likely to engage in costly financial management practices. In particular, a huge fraction of employees with a bachelor's degree (41%) or a post-graduate degree (52%) have a FinHealth Score of 3. Only 18% of their colleagues with a high school diploma or 32% with some college have the same FinHealth Score.

<sup>&</sup>lt;sup>14</sup> Lusardi, A., Mitchell, O.S. (2014) "The Economic Importance of Financial Literacy: Theory and Evidence,", *Journal of Economic Literature*, March 2014, 52(1), pp. 5-44.



# Figure 2: Financial Health by education

Note: Figure 2 reports FinHealth Score distribution across education levels. The variable *FinHealth* indicates a respondent's financial health based on a score from 1 to 3 derived from a respondent's answer to questions assessing their financial health. Symptoms of poor financial health are difficulty making ends meet (bill payments), being financially fragile, lacking emergency funds, being overindebted, and engaging in poor retirement planning. The FinHealth variable takes a value of 1, indicating poor financial health, if a respondent exhibits three, four, or five symptoms of poor financial health, a value of 2 if a respondent has one or two symptoms of poor financial health, and a value of 3 if a respondent has no symptoms of poor financial health. Poor FinHealth cohort is a dummy variable that equals 1 if the respondent has FinHealth equal to 1, 0 otherwise. Employees included in this cohort received a red stoplight image at the end of the baseline survey as an indicator of their performance. Fair FinHealth cohort is a dummy variable that equals 1 if the respondent has FinHealth equal to 2, 0 otherwise. Employees included in this cohort received a yellow stoplight image at the end of the baseline survey as an indicator of their performance. Good FinHealth cohort is a dummy variable that equals 1 if the respondent has FinHealth equal to 3, 0 otherwise. Employees included in this cohort received a green stoplight image at the end of the baseline survey as an indicator of their performance. The education levels included in the figure are *High school*, indicating that the highest degree received is a high school diploma; Some college, indicating that respondents have attended a post-secondary institution and earned, at most, a two-year degree (i.e., an associate's degree); Bachelor's degree, indicating that respondents have earned a four-year degree; Post-graduate degree, indicating that respondents have a degree beyond a bachelor's degree.

In the above section, we looked at the financial health of program participants in an aggregate way. Because the same FinHealth Score can be arrived at with different

combinations of financial behaviors or circumstances looking at the underlying money management behavior separately can shed more light onto the financial well-being of the employees. For this reason, in the following sections we go deeper into the details and look at each behavior separately.

	Ν	Mean	SD	Min	Max
Emergency fund	2792	.678	0.467	0	1
Not too much debt	2792	.753	0.431	0	1
Make ends meet	2792	.847	0.360	0	1
Retirement planning	2792	.699	0.459	0	1
Outside ret plan	2792	.546	0.498	0	1

#### Table 4: Summary statistics of participant financial behavior

Note: All data are from the Edelman Financial Engines April 2022 survey. *Emergency fund* is a dummy variable that equals 1 if respondents answer "Yes" to the question "Have you set aside emergency or rainy-day funds that would cover your expenses for 3 months in case of sickness, job loss, economic downturn, or other emergencies?" 1 Yes, 2 No, 98 Don't know. *Not too much debt* is a dummy variable equal to 1 if respondents answer "strongly disagree," "somewhat disagree," or "neither agree nor disagree" to the statement "I have too much debt right now," 0 otherwise. *Make ends meet* is a dummy variable that equals 1 if respondents answer "Not at all difficult" to the question (0 otherwise) "In a typical month, how difficult is it for you to cover your expenses and pay all your bills?" 1 Very difficult, 2 Somewhat difficult, 3 Not at all difficult, 98 Don't know. *Retirement planning* is a variable that equals 1 if respondents answer "Yes" to the question (0 otherwise) "Have you ever tried to figure out how much you need to save for retirement?" 1 Yes, 2 No, 98 Don't know. *Outside ret plan* is a variable that equals 1 if respondents answer "Yes" to the question (0 otherwise) "Do you have any other retirement accounts NOT through your current employer, like an IRA, Keogh, SEP, or any other type of retirement account that you have set up yourself or got through a previous employer?" 1 Yes, 2 No, 98 Don't know.

Financial inclusion is not an issue among the sample company's employees. Almost everybody has a checking account (98%), and at least a savings account, money market account, or CD (91%). In addition, more than half of the sample has (or somebody in their family has) a brokerage account that they can use for the purchase or sale of stocks and other securities (60%). In other words, they are well equipped in terms of access to financial institutions.

A good level of financial inclusion is followed by better money management both in the short and long term, as reported in Table 4. Eighty-five percent of the employees surveyed report that they are able to make ends meet and pay their bills on time. This is supported by the findings that 75% of the sample employees do not have too much debt and that 68% have

#### Page 18

rainy days funds. In addition, employees show relatively good long-term money management. Seventy percent of the employees taking part in the six-week challenge report that they are planning for retirement, and more than half of the sample are saving for retirement independently. To summarize, a large number of employees exhibited relatively good financial circumstances, which correlates with the high average FinHealth Score noted in the previous section. However, there is still room for improvement. Thirty-eight percent of the employees at the sample company report feeling anxious when thinking about their personal finances and are worried about running out of money during retirement. In addition, in using a credit card, 19% either: paid the minimum payment only, paid a late fee, paid a fee for exceeding their credit line, used their card for a cash advance in the 12 months prior to the survey, or they were charged interest on a carried balance.

The univariate analysis in Table 4 reports the average distribution of each financial behavior in the total sample of the sample company's employees. To reinforce the results presented above, in Table 5 we report the results of an investigation into the effect of one demographic variable on each financial behavior, while holding all other variables constant. Results from the multivariate analysis suggest that older, highly educated, high-income, and financially literate employees are better able to engage in sound wealth management. In line with previous evidence, the data collected show that higher financial literacy is directly linked to better financial behaviors. Table 5 shows that financially literate employees are more likely to set aside emergency funds (16 p.p.), manage their debt well (14 p.p.), make ends meet (13 p.p.), and plan for retirement both through their employer (24 p.p.) and independently (18 p.p.). In addition, female employees are more likely to plan for retirement than their male colleagues.

	(1)	(2)	(3)	(4)	(5)
	Emergency	Not too	Make ends	Retirement	Outside ret
VARIABLES	fund	much debt	meet	planning	plan
Age (BL: Young					
18–34 years)					
Middle (35-54	-0.077***	-0.020	-0.036**	0.080***	0.113***
years)					
<b>5 5</b>	(0.020)	(0.020)	(0.016)	(0.021)	(0.022)

Table 5: Regressions investigating positive financial behavior

Financial well-being Page 19				7/27/22	
Old (55+ years)	0.030	0.054**	-0.002	0.162***	0.189***
Gender (BL: Male)	(0.025)	(0.022)	(0.010)	(0.025)	(0.020)
Female	0.002	0.010	0.010	0.031*	-0.003
Race/Ethnicity (BL: White)	(0.019)	(0.018)	(0.015)	(0.019)	(0.020)
Black	-0.211***	-0.136***	-0.063*	-0.041	-0.114***
Hispanic	(0.039) -0.126***	(0.038) -0.009	(0.033) -0.011	(0.036) -0.116***	(0.037) -0.087**
Asian	(0.042) -0.019	(0.038) 0.056*** (0.021)	(0.033) -0.026	(0.041) -0.155*** (0.02()	(0.041) -0.057** (0.02()
Other	(0.024) -0.017 (0.042)	(0.021) -0.080* (0.043)	-0.027	(0.026) -0.006 (0.041)	-0.036
Highest degree obtained (BL: High school or	(0.042)	(0.043)	(0.034)	(0.041)	(0.040)
Some college	0.086	0.015	0.042	0.095	0.035
bonne contege	(0.074)	(0.075)	(0.070)	(0.076)	(0.073)
Bachelor's degree	0.127*	0.046	0.085	0.141*	<b>ັ</b> 0.098໌
C	(0.072)	(0.071)	(0.067)	(0.074)	(0.070)
Post-graduate degree	0.166**	0.081	0.076	0.180**	0.165**
	(0.072)	(0.072)	(0.068)	(0.074)	(0.071)
Household income (BL: Less than \$25K)					
\$25-49K	-0.273***	-0.045	-0.259***	-0.179*	-0.090
	(0.082)	(0.098)	(0.092)	(0.092)	(0.088)
\$50-74K	-0.129*	-0.015	-0.064	-0.111	-0.110
	(0.073)	(0.073)	(0.071)	(0.073)	(0.073)
\$75-99K	0.004	0.018	0.103*	0.009	-0.049
	(0.064)	(0.064)	(0.060)	(0.064)	(0.065)
\$100K+	0.048	0.079	0.141**	0.089	0.054
	(0.060)	(0.060)	(0.058)	(0.061)	(0.062)
Financial literacy					
Big 3 correct	0.164***	0.136***	0.129***	0.237***	0.180***
	(0.023)	(0.022)	(0.020)	(0.023)	(0.023)
Constant	0.441***	0.528***	0.581***	0.255***	0.189**
	(0.092)	(0.091)	(0.089)	(0.093)	(0.090)
Observations	2,792	2,792	2,792	2,792	2,792

R-squared	0.102	0.062	0.090	0.144	0.105
Note: All data are fro	m the Edelman Fir	nancial Engines	April 2022 survey.	Emergency fund is	a dummy variable
that equals 1 if respo	ondents answer "Y	es" to the follow	wing question: "Hav	ve you set aside em	ergency or rainy-
day funds that would	d cover your exper	nses for 3 mont	hs, in case of sickn	ess, job loss, econo	mic downturn, or
other emergencies?'	' 1 Yes, 2 No, 98	Don't know. N	lot too much debt	is a dummy varia	ble equal to 1 if
respondents respon	d "strongly disag	ree," "somewh	at disagree," or "r	neither agree nor	disagree" to the
statement "I have too	much debt right n	ow," 0 otherwis	se. Make ends meet is	s a dummy variable	that takes a value
of 1 if respondents re	espond "Not at all c	lifficult" to the o	question (0 otherwi	ise) "In a typical mo	onth, how difficult
is it for you to cover	your expenses an	d pay all your ł	oills?" 1 Very difficu	ılt, 2 Somewhat dif	ficult, 3 Not at all
difficult, 98 Don't kr	ow. Retirement pl	<i>anning</i> is a var	iable that equals 1	if respondents and	swer "Yes" to the
following question	(0 otherwise): "H	ave you ever	tried to figure out	t how much you	need to save for
retirement?" 1 Yes, 2	No, 98 Don't know	. Outside ret pla	<i>in</i> is a variable that	equals 1 if respond	ents answer "Yes"
to the following ques	tion (0 otherwise):	"Do you have a	ny other retiremen	t accounts NOT thro	ough your current
employer, like an IRA	A, Keogh, SEP, or ar	ny other type of	retirement accoun	t that you have set	up yourself or got
through a previous e	employer?" 1 Yes, 2	2 No, 98 Don't	know. The variable	household income	includes the total
amount of a househ	old's annual incom	me, including v	vages, tips, investn	nent income, publi	c assistance, and
income from retiren	ient plans. The ed	ucation variable	e highest degree ob	tained includes the	categories: High
school or less, indicat	ing that the highes	t degree receive	ed is a high school o	liploma; some colleg	<i>je</i> , indicating that
respondents have a	ttended a post-see	condary institu	tion and earned, a	it most, a two-yea	r degree (i.e., an
associate's degree);	bachelor's degree,	indicating that	it respondents hav	e earned a four-y	ear degree; post-
<i>graauate aegree</i> , inc	licating that respo	ndents have a	degree beyond a t	bachelor's degree.	Big 3 correct is a
dummy variable equ	al to 1 if the respor	ident correctly	answers the three t	Dasic financial litera	cy questions (Big
I nree) on the interes	st rate, inflation, an	a risk alversin	cation, 0 otherwise.	BL stands for base	line and indicates
the baseline value of	categorical variabl	es. Robust stand	uard errors in parer	itneses. *** p<0.01,	<sup>™</sup> p<0.05, <sup>*</sup> p<0.1

In addition, we focus on confidence, worries about personal finances, and the resulting financial anxiety. Lack of confidence may lead employees to miss financial opportunities. Worries about savings and running out of money during retirement may lead to financial anxiety and an overall reduction in financial well-being. An interesting result, shown in Table 6, indicates that even though employees have relatively good financial standing, they still feel high levels of anxiety.

	Ν	Mean	SD	Min	Max
Financial fragility	2792	.069	0.278	0	1
Hours with finance	2792	3.45	7.647	0	168
problems (general)					
Hours with finance	2792	1.48	5.202	0	80
problems (work)					
Anxiety (>=8 hours)	2792	.11	0.312	0	1
Feeling anxious	2792	.386	0.487	0	1
<b>Retirement worries</b>	2792	.371	0.483	0	1
Savings worries	2792	.17	0.376	0	1

Table 6: Summary statistics on financial confidence and anxiety

Note: All data are from the Edelman Financial Engines April 2022 survey. *Financial Fragility* is a dummy variable that takes the value of 1 if respondents indicate "probably not" or "certainly not" to the question (0 otherwise) "How confident are you that you could come up with \$2,000 if an unexpected need arose within the next month?" 1 I am certain I could come up with the full \$2,000, 2 I could probably come up with \$2,000, 3 I

could probably not come up with \$2,000, 4 I am certain I could not come up with \$2,000, 98 Don't know. *Hours with finance problems (general)* is a variable that takes a value of 0 to 168 to answer the question "How much time do you typically spend thinking about and dealing with issues and problems related to your personal finances? Please report approximate hours per week." *Hours with finance problems (work)* is a variable that takes a value of 0 to 80 to answer the question "How many of these hours occur during work? Please report approximate hours per week." The dummy variable *Anxiety* takes the value of 1 if the respondent reported feeling anxious for eight hours or more a week, 0 otherwise. The dummy variable *Feeling anxious* takes the value of 1 if the respondent answers 5, 6, or 7 on a seven-point scale with 1 meaning strongly disagree and 7 meaning strongly agree to the statement (0 otherwise) "Thinking about finances can make me feel anxious." The dummy variable *Retirement worries* takes the value of 1 if the respondent answers 5, 6, or 7 on a seven-point scale with 1 meaning strongly disagree and 7 meaning strongly agree to the statement (0 otherwise) "Thinking about finances can make me feel anxious." The dummy variable *Retirement worries* takes the value of 1 if the respondent answers 5, 6, or 7 on a seven-point scale with 1 meaning strongly disagree and 7 meaning strongly agree to the statement (0 otherwise) "I if the respondent answers 5, 6, or 7 on a seven-point scale with 1 meaning strongly disagree and 7 meaning strongly agree to the statement (0 otherwise) "I if the respondent answers 5, 6, or 7 on a seven-point scale with 1 meaning strongly disagree and 7 meaning strongly agree to the statement (0 otherwise) "I worry about running out of money in retirement." The dummy variable *Savings worries* takes the value of 1 if the respondent answers 4 or 5 on a five-point scale with 1 meaning not at all and 5 meaning completely to the statement (0 otherwise) "I am concerned that the money that

Considering that most of them have a good level of financial knowledge, high income, and engage in sound financial behaviors, the results reported in Table 6 are not trivial. Almost 40% declared that thinking about their finances can make them feel anxious. In addition, 11% spend more than eight hours per week, the equivalent of a workday, dealing with financial issues. Even though they have savings and plan for retirement, 37% are worried about running out of money in retirement and 17% worry that their savings will not last. However, time spent thinking about personal finances increases employees' financial stress and only 44% of the sample are satisfied with their personal finances. In addition, data show that 15% of the employees agree or strongly agree with the statement "My finances control my life." Moreover, 15% of the sample used at least one type of alternative financial service (money orders, check cashing services, pawn shop loan, auto title loans, payday loans, paycheck advances, or tax refund advances) in the five years prior to the survey. These services are provided outside traditional banking institutions and are commonly used by low-income individuals who cannot otherwise access liquidity. Using alternative financial services indicates that they either do not understand the products and their associated costs or they are in a very dire situation. Introducing a financial wellness program can make a difference by focusing on improving confidence and reducing costly financial practices.

Table 7 reports the regression findings. Overall, we find that the employees who are most anxious and worried about their personal finances tend to be middle-aged and older, female, Black, low-income, less-educated, and financially illiterate. Female employees spend one hour less than male employees thinking about their personal financial issues and problems

#### Page 22

related to their personal finance in the workplace but are still more likely to experience financial anxiety (10 p.p.). They also worry more about running out of money during retirement (8 p.p.) and about low levels of savings (6 p.p.) than their male colleagues.

	(4)	(2)	(0)	(1)	
	(1)	(2)	(3)	(4)	(5)
	Hours with	Hour	Feeling	Retirement	Savings
	finance	with	anxious	worries	worries
	problems	finance			
	(general)	problems			
VARIABLES		(work)			
Age (BL: Young					
18–34 years)					
Middle (35-54	-0.301	0.144	-0.011	0.113***	0.046***
years)					
	(0.411)	(0.247)	(0.022)	(0.021)	(0.017)
Old (55+ years)	-0.665*	-0.417**	-0.026	0.132***	-0.007
	(0.349)	(0.212)	(0.027)	(0.026)	(0.019)
Gender (BL:					
Male)					
Female	-1.169***	-0.445**	0.098***	0.083***	0.061***
	(0.365)	(0.219)	(0.021)	(0.021)	(0.017)
Race/Ethnicity					
(BL: White)					
Black	2.648*	0.697	-0.034	0.009	0.011
	(1.425)	(0.563)	(0.038)	(0.039)	(0.033)
Hispanic	0.621	0.296	0.034	0.094**	0.047
ľ	(0.621)	(0.391)	(0.045)	(0.045)	(0.037)
Asian	-0.013	0.397	-0.041	-0.052**	0.008
	(0.278)	(0.310)	(0.026)	(0.025)	(0.019)
Other	-0.007	1.167	-0.046	-0.045	0.015
	(0.462)	(0.876)	(0.045)	(0.044)	(0.036)
Hiahest dearee	C J	C J	C )	( )	( )
obtained (BL:					
Hiah school or					
less)					
Some college	1.405	0.176	-0.114	-0.100	-0.062
8-	(1.105)	(1.351)	(0.077)	(0.079)	(0.069)
Bachelor's	0.670	-0.513	-0.092	-0.115	-0.051
degree					
	(0.859)	(1.303)	(0.074)	(0.075)	(0.067)
Post-graduate	0.777	-0.326	-0.137*	-0.157**	-0.076
Post-graduate	0.///	-0.326	-0.13/**	-0.12/	-0.076

<b>Table 7: Regres</b>	sions investig	ating the driv	vers of the en	nployee's co	nfidence

7/27/22

degree					
	(0.965)	(1.344)	(0.075)	(0.076)	(0.067)
Household					
income (BL: Less					
than \$25K)					
\$25-49K	3.048**	3.908*	0.027	-0.143	0.361***
	(1.531)	(2.151)	(0.101)	(0.098)	(0.088)
\$50-74K	2.077	0.617	0.130*	0.086	0.162**
	(1.947)	(1.025)	(0.078)	(0.078)	(0.063)
\$75-99K	0.266	0.599	0.025	0.041	0.075
	(1.027)	(0.845)	(0.070)	(0.068)	(0.052)
\$100K+	-0.729	-0.230	-0.021	-0.015	-0.002
	(0.808)	(0.795)	(0.066)	(0.064)	(0.048)
Financial					
literacy					
Big 3 correct	-2.154***	-1.378***	-0.109***	-0.091***	-0.068***
	(0.481)	(0.320)	(0.024)	(0.023)	(0.020)
Constant	5.169***	2.904**	0.576***	0.473***	0.219***
	(1.197)	(1.469)	(0.097)	(0.097)	(0.082)
Observations	2,783	2,742	2,792	2,792	2,792
R-squared	0.046	0.043	0.043	0.045	0.063

Note: All data are from the Edelman Financial Engines April 2022 survey. *Hours with finance problems (general)* is a variable that takes a value of 0 to 168 depending on a respondent's answer to the question "How much time do you typically spend thinking about and dealing with issues and problems related to your personal finances? Please report approximate hours per week." Hours with finance problems (work) is a variable that takes a value of 0 to 80 depending on a respondent's answer to the question "How many of these hours occur during work? Please report approximate hours per week." The dummy variable *Feeling anxious* takes the value of 1 if the respondent answers 5, 6, or 7 on a seven-point scale with 1 meaning strongly disagree and 7 meaning strongly agree to the statement (0 otherwise) "Thinking about finances can make me feel anxious." The dummy variable *Retirement worries* takes the value of 1 if the respondent answers 5, 6, or 7 on a seven-point scale with 1 meaning strongly disagree and 7 meaning strongly agree to the statement (0 otherwise) "I worry about running out of money in retirement". The dummy variable *Savings worries* takes the value of 1 if the respondent answers 4 or 5 on a five-point scale with 1 meaning not at all and 5 meaning completely to the statement (0 otherwise) "I am concerned that the money that I have or will save won't last." The variable household income includes the total amount of a household's annual income, including wages, tips, investment income, public assistance, and income from retirement plans. The education variable highest degree obtained includes the categories High school or less, indicating that the respondent's highest degree received is a high school diploma; some college, indicating that respondents have attended a post-secondary institution and earned, at most, a two-year degree (i.e., an associate's degree); bachelor's degree, indicating that respondents have earned a four-year degree; postgraduate degree, indicating that respondents have a degree beyond a bachelor's degree. Big 3 correct is a dummy variable equal to 1 if the respondent correctly answers the three basic financial literacy questions (Big Three), which assess understanding of interest rates, inflation, and risk diversification, 0 otherwise. BL stands for baseline and indicates the baseline value of categorical variables. Robust standard errors in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Those who are more likely to be worried about retirement are closer to retirement age. Had these individuals started saving earlier in their life and in higher amounts, their situation

would be different. In line with previous evidence, results in Table 7 suggest that investing in financial education can positively affect sound financial behaviors such as planning for retirement and building precautionary savings. Consequently, financially literate people, on average, spend fewer hours thinking about their personal finances or worrying about their financial future. In fact, financially literate employees are less likely to experience any kind of financial anxiety. On average, they spend 2.2 hours less thinking about their personal finances than their financially illiterate counterparts and 1.4 hours less while working. In other words, basic financial knowledge prevents people from feeling anxious about their financial circumstances (11 p.p.) and their future prospects. For example, it could reduce the number of employees worried about running out of money during retirement (9 p.p.) or not having enough savings for the future (7 p.p.).

# How do those who had greater financial exposure fare?

In line with previous literature, this report sheds light on the strong relationship between financial literacy and sound financial decision-making. The reason financial literacy is so important is that it is strongly linked to sound money management behavior, which ultimately leads to greater financial well-being.

Table 8 presents summary statistics separately for the entire set of EFE services users and for those using professional management, which is EFE's highest level of service. We find that those who have participated in EFE's financial education initiatives scored higher on the FinHealth Score than those who have not. In fact, out of 1,411 EFE services users, only 10% are in the Poor FinHealth cohort compared to 17% of non-users. This simple correlation means that education might have a positive effect on the FinHealth Score.

Table 8: Summary statistics	of participant	financial exposure
-----------------------------	----------------	--------------------

	Ν	Mean	SD	Min	Max
Professional	2792	.192	0.394	0	1
Management					
Any EFE users	2792	.505	0.500	0	1

Note: All data are from the Edelman Financial Engines April 2022 survey. The dependent variable *Professional management* is a dummy variable that equals 1 if the respondent answers "Professional management" to the

question "Are you currently using or enrolled in any of the following Edelman Financial Engines services: 1 Online advice, 2 Professional management, 98 Don't know, 4 None the above," 0 otherwise. The dependent variable *Any EFE users* is a dummy variable that equals 1 if the respondent answers "Online advice," "Professional management," or "Personal advisor" to both of the following questions (0 otherwise): "Are you currently using or enrolled in any of the following Edelman Financial Engines services?" and "Have you previously engaged with Edelman Financial Engines educational resources?"

By splitting the sample according to different levels of financial exposure, it is clear that higher levels of exposure lead to higher levels of financial literacy and sound behavior.

Table 9: Summary statistics of EFE financial exposure of sample company						
	(1)	(2)	(3)	(4)		
	Mean	Mean	Mean	Mean		
	sample	sample	sample	sample		
	company	company	company	company		
	Total	Professional	Any EFE	EFE		
	sample	Management	services users	non-users		
Financial Health						
FinHealth	2.318	2.284	2.240	2.228		
Good FinHealth	.455	.420	.507	.400		
Fair FinHealth	.409	.443	.391	.427		
Poor FinHealth	.136	.135	.101	.172		
Fin an sial Fun asura						
Financial Exposure	750	770	010	(01		
FINLIT BIg 3 correct	./53	.//8	.813	.691		
Behavior						
Emergency fund	.678	.620	.701	.654		
Not too much debt	.753	.721	.772	.733		
Make ends meet	.847	.826	.870	.822		
Retirement planning	.699	.782	.811	.583		
Confidence						
Financial fragility	.069	.052	.059	.079		
Feeling anxious	.386	.430	.366	.405		
Retirement worries	.371	.452	.388	.353		
Savings worries	.17	.186	.161	.179		
Observations	2792	537	1411	1381		

Note: All data are from the sample company's data. The dependent variable *FinHealth* indicates a respondent's financial health based on a score from 1 to 3 derived from a respondent's answer to questions assessing their financial health. Symptoms of poor financial health are difficulty making ends meet (bill payments), being financially fragile, lacking emergency funds, being overindebted, and engaging in poor retirement planning. The *FinHealth* variable takes a value of 1, indicating poor financial health, if a respondent exhibits three, four, or five symptoms of poor financial health, a value of 2 if a respondent has one or two symptoms of poor financial health, and a value of 3 if a respondent has no symptoms of poor financial health. *Poor FinHealth cohort* is a

dummy variable that equals 1 if the respondent has FinHealth equal to 1, 0 otherwise. *Employees included in* this cohort received a red stoplight image at the end of the baseline survey as an indicator of their performance. *Fair FinHealth cohort* is a dummy variable that equals 1 if the respondent has FinHealth equal to 2, 0 otherwise. Employees included in this cohort received a vellow stoplight image at the end of the baseline survey as an indicator of their performance. Good FinHealth cohort is a dummy variable that equals 1 if the respondent has FinHealth equal to 3, 0 otherwise. Employees included in this cohort received a green stoplight image at the end of the baseline survey as an indicator of their performance. Emergency fund variable takes the value of 1 if respondents answer "Yes" to the question "Have you set aside emergency or rainy-day funds that would cover vour expenses for 3 months, in case of sickness, job loss, economic downturn, or other emergencies?" 1 Yes, 2 No, 98 Don't know. Not too much debt is a dummy variable equal to 1 if respondents respond "strongly disagree," "somewhat disagree," or "neither agree nor disagree" to the sentence "I have too much debt right now," 0 otherwise. *Make ends meet* is a dummy variable that takes a value of 1 if respondents answer "Not at all difficult" to the question (0 otherwise) "In a typical month, how difficult is it for you to cover your expenses and pay all your bills?" 1 Very difficult, 2 Somewhat difficult, 3 Not at all difficult, 98 Don't know. Retirement *planning* is a variable which takes the value of 1 if respondents answer "Yes" to the question (0 otherwise) "Have you ever tried to figure out how much you need to save for retirement?" 1 Yes, 2 No, 98 Don't know. Financial Fragility is a dummy variable that takes the value of 1 if respondents indicate "probably not" or "certainly not" to the question (0 otherwise) "How confident are you that you could come up with \$2,000 if an unexpected need arose within the next month?" 1 I am certain I could come up with the full \$2,000, 2 I could probably come up with \$2,000, 3 I could probably not come up with \$2,000, 4 I am certain I could not come up with \$2,000, 98 Don't know. The dummy variable *Feeling anxious* takes the value of 1 if the respondent answers 5, 6, or 7 on a seven-point scale with 1 meaning strongly disagree and 7 meaning strongly agree to the statement (0 otherwise) "Thinking about finances can make me feel anxious." Retirement worries takes the value of 1 if the respondent answers 5, 6, or 7 on a seven-point scale with 1 meaning strongly disagree and 7 meaning strongly agree to the statement (0 otherwise) "I worry about running out of money in retirement." The dummy variable Savings worries takes the value of 1 if the respondent answers 4 or 5 on a five-point scale with 1 meaning not at all and 5 meaning completely to the statement (0 otherwise) "I am concerned that the money that I have or will save won't last."

In fact, Table 9 shows that 81% of those exposed to any of EFE's financial services can correctly answer all of the Big Three. In addition, EFE users show better financial behaviors compared to those not exposed to EFE's financial education. They save more both for precautionary reasons and for retirement, they make ends meet easily, and are able to manage their debt well. As a result, EFE users are less financially fragile and feel less anxious thinking about their finances compared to EFE non-users. However, on average, they are still worried about running out of money in the future. Employees who were using the professional management service provided by EFE show higher FinHealth Scores but they seem to be struggling with financial anxiety. Nonetheless, correlation is not causation. There could be other factors affecting this relationship and we cannot exclude reverse causality at this stage. The aim is to analyze the above relationship in more depth in a subsequent report.

Even among highly educated and financially knowledgeable employees, a gender gap in financial literacy level emerges, with the female employees less likely to correctly answer

#### Page 27

the Big Three questions. A regression analysis on financial exposure (Table 10) shows that women are 14 p.p. less likely to correctly answer the Big Three questions compared to their male colleagues. An important factor in explaining the gender gap in financial knowledge is confidence. Bucher-Koenen, et al. (2021) found that one-third of the gender gap in financial knowledge can be explained by a lack of confidence among women.

	(1)	(2)	(3)
	Big	Professional	Any
VARIABLES	3 correct	management	EFE users
Age (BL: Young 18–34		×	
years)			
Middle (35-54 years)	0.001	0.061***	0.146***
	(0.019)	(0.017)	(0.022)
Old (55+ years)	0.054***	0.090***	0.276***
	(0.021)	(0.022)	(0.027)
Gender (BL: Male)			
Female	-0.144***	0.036**	0.049**
	(0.018)	(0.017)	(0.021)
Race/Ethnicity (BL: White)			
Black	-0.184***	0.081**	0.083**
	(0.035)	(0.034)	(0.036)
Hispanic	-0.121***	-0.024	-0.039
-	(0.038)	(0.033)	(0.041)
Asian	-0.127***	-0.003	-0.054**
	(0.023)	(0.021)	(0.027)
Other	-0.027	-0.048	-0.018
	(0.038)	(0.033)	(0.047)
Highest degree obtained			
(BL: High school or less)			
Some college	0.149**	-0.033	-0.048
	(0.069)	(0.062)	(0.074)
Bachelor's degree	0.332***	-0.026	-0.002
C C	(0.066)	(0.060)	(0.070)
Post-graduate degree	0.445***	-0.061	0.029
	(0.066)	(0.061)	(0.071)
Household income (BL:			
Less than \$25K)			
\$25-49K	-0.158**	-0.060	-0.093
	(0.077)	(0.068)	(0.091)
\$50-74K	0.044	-0.025	0.019

# Table 10: Regressions investigating financial exposure before the 6-week challenge

\$75-99K \$100K+	(0.072) 0.124** (0.063) 0.222*** (0.059)	(0.051) 0.041 (0.047) 0.065 (0.044)	(0.071) 0.087 (0.062) 0.111* (0.058)
Financial literacy	(0.005)		(0.000)
Big 3 correct		0.029	0.128***
		(0.019)	(0.023)
Constant	0.273***	0.098	0.164*
	(0.087)	(0.070)	(0.087)
Observations	2,792	2,792	2,792
R-squared	0.182	0.020	0.076

Note: All data are from the Edelman Financial Engines April 2022 survey. Big 3 correct is a dummy variable equal to 1 if the respondent correctly answers the three basic financial literacy questions (Big Three) on interest rate, inflation, and risk diversification, 0 otherwise. The dependent variable Professional management is a dummy variable that equals 1 if the respondent answers "Professional management to the following question (0 otherwise): "Are you currently using or enrolled in any of the following Edelman Financial Engines" services:" 1 Online advice, 2 Professional management, 98 Don't know, 4 None the above. The dependent variable Any EFE users is a dummy variable that equals 1 if the respondent answers "Online advice", "Professional management", or "Personal advisor" to both of the following question (0 otherwise): "Are you currently using or enrolled in any of the following Edelman Financial Engines services"; and "Have you previously engaged with Edelman Financial Engines educational resources?" The variable household income includes the total amount of a household's annual income, including wages, tips, investment income, public assistance, and income from retirement plans. The education variable highest degree obtained includes the categories: High school or less, indicating that the highest degree received is a high school diploma; some college, indicating that respondents have attended a post-secondary institution and earned, at most, a two-year degree (i.e., an associate's degree); bachelor's degree, indicating that respondents have earned a four-year degree; postgraduate degree, indicating that respondents have a degree beyond a bachelor's degree. BL stands for baseline and indicates the baseline value of categorical variables. Robust standard errors in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table 10 highlights an interesting result: women are more likely than men to have joined EFE's financial education initiatives (4 p.p.). Evidence from the literature shows that across races, White peers outperform non-White peers both in knowledge and in savvy financial behavior. This is especially true when comparing Whites to Blacks and Hispanics. However, Blacks specifically are 8 p.p. more likely to have previously used EFE's financial education initiatives compared to their White colleagues. Evidence from the data shows that Black women, i.e., those who are among the most financially vulnerable group, are more likely to have engaged in EFE's financial services than White female employees. The same is true for people closer to retirement age (27 p.p.) and middle-aged employees (15 p.p.) compared to their younger colleagues. A similar pattern occurs for professional management users but at a lower magnitude. Those who have used any EFE services in the past are 13 p.p. more likely

to answer the Big Three questions correctly compared to non-users. They also perform better in terms of long-term financial behavior. Promoting financial wellness programs in the workplace seems to be effective in increasing financial knowledge and reaching the most vulnerable groups (i.e., young, female, and minority employees).

### How do the employees compare to a national sample?

Although we have a sample affected by adverse selection, we can still compare the incidence of financial anxiety, possession of emergency savings, and extent of retirement planning and over-indebtedness among our sample to nationally representative samples. We do so by comparing the data we collected to data from the National Financial Capability Study (NFCS) and the TIAA Institute-GFLEC Personal Finance Index (P-Fin Index).

To compare the sample company's employees to the nationally representative sample, we use data from the 2018 NFCS and restrict the sample to only employed households (full time, part time or self-employed), those between 20 and 71 years old, and those with incomes higher than or equal to \$75K. Table 11 reports the distribution of the 2018 NFCS subsample compared to the sample company's employees.

Table 11: Summary statistics of	of the restricted sample	from the 2018 NFCS
	(1)	(2)
	Mean	Mean
	sample company	NFCS
Financial Health		
FinHealth	2.318	2.248
Good FinHealth	.455	.414
Fair FinHealth	.409	.42
Poor FinHealth	.136	.166
Financial Exposure		
FinLit Big 3 correct	.753	.538
Participating in Fin Edu	.505	.269
Behavior		
Emergency fund	.678	.697
Not too much debt	.753	.521
Make ends meet	.847	.752

Page 30

Retirement planning	.699	.698
Confidence and Anxiety		
Financial fragility	.069	.074
Feeling anxious	.386	.449
Retirement worries	.371	.491
Savings worries	.17	.264
Observations	2792	3675

Note: Data in column 1 reports the sample company's data. Data in column 2 are from the National Financial Capability Study 2018 survey. The dependent variable FinHealth indicates a respondent's financial health based on a score from 1 to 3 derived from a respondent's answer to questions assessing their financial health. Symptoms of poor financial health are difficulty making ends meet (bill payments), being financially fragile, lacking emergency funds, being overindebted, and engaging in poor retirement planning. The FinHealth variable takes a value of 1, indicating poor financial health, if a respondent exhibits three, four, or five symptoms of poor financial health, a value of 2 if a respondent has one or two symptoms of poor financial health, and a value of 3 if a respondent has no symptoms of poor financial health. Poor FinHealth cohort is a dummy variable that equals one if the respondent has FinHealth equal to 1, 0 otherwise. Employees included in this cohort received a red stoplight image at the end of the baseline survey as an indicator of their performance. Fair FinHealth cohort is a dummy variable that equals 1 if the respondent has FinHealth equal to 2, 0 otherwise. Employees included in this cohort received a yellow stoplight image at the end of the baseline survey as an indicator of their performance. Good FinHealth cohort is a dummy variable that equals 1 if the respondent has FinHealth equal to 3,0 otherwise. Employees included in this cohort received a green stoplight image at the end of the baseline survey as an indicator of their performance. Emergency fund is a dummy variable that takes the value of 1 if respondents answer "Yes" to the following question: "Have you set aside emergency or rainy-day funds that would cover your expenses for 3 months, in case of sickness, job loss, economic downturn, or other emergencies?" 1 Yes, 2 No, 98 Don't know. Not too much debt is a dummy variable equal to 1 if respondents respond "strongly disagree," "somewhat disagree," or "neither agree nor disagree" to the statement "I have too much debt right now," 0 otherwise. Make ends meet is a dummy variable that takes a value of 1 if respondents respond "Not at all difficult" to the question (0 otherwise) "In a typical month, how difficult is it for you to cover your expenses and pay all your bills?" 1 Very difficult, 2 Somewhat difficult, 3 Not at all difficult, 98 Don't know. Retirement planning is a variable that takes the value of 1 if respondents answer "Yes" to the question (0 otherwise) "Have you ever tried to figure out how much you need to save for retirement?" 1 Yes, 2 No, 98 Don't know. The dummy variable *Feeling anxious* takes the value of 1 if the respondent answers 5, 6, or 7 on a seven-point scale with 1 meaning strongly disagree and 7 meaning strongly agree to the statement (0 otherwise) "Thinking about finances can make me feel anxious." Retirement worries takes the value of 1 if the respondent answers 5, 6, or 7 on a seven-point scale with 1 meaning strongly disagree and 7 meaning strongly agree to the statement (0 otherwise) "I worry about running out of money in retirement." The dummy variable Savings worries takes the value of 1 if the respondent answers 4 or 5 on a five-point scale with 1 meaning not at all and 5 meaning completely to the statement (0 otherwise) "I am concerned that the money that I have or will save won't last." The dummy variable Participating in Fin Edu takes the value of 1 if the respondent has participated in any financial education initiatives.

Results shown in Table 11 suggest that households with the same demographic characteristics as the sample company's employees have the same financial health status distribution across cohorts and similar financial anxiety levels. Compared to the NFCS sample, the sample company's employees are more financially literate and better at managing their debt than the representative national subsample (75% vs 54% and 75% vs 52% respectively). The sample company's employees follow a similar pattern in terms of

#### Page 31

savings and planning for retirement compared to the representative sample. But their perception of their money management is much better than that of their peers in the nationally representative sample: 17% of the sample company's employees think their money will not last and 37% are worried about running out of money in retirement compared to 26% and 49% of the NFCS subsample, respectively. The higher knowledge and savvier behavior of the sample company's employees may be correlated to higher financial exposure and benefits they have received from their firm (50% vs. 26%). Moreover, participation in the six-week challenge was voluntary, so it could be that those interested in financial topics are not only more knowledgeable, i.e., likely to correctly answer the Big Three questions, but also more interested in participating in the program. We also compared the sample company employees' level of financial anxiety with the P-Fin Index data and find that, based on the number of hours respondents spent thinking about financial issues, the sample company employees are less anxious than the nationally representative P-Fin Index sample. On average, the sample company employees reported spending 3.5 hours a week dealing with financial issues while the nationally representative sample reports 4.2 hours; the sample company's employees also spend less time thinking about financial issues at work (1.5 hours) compared to their national counterparts (1.7 hours). Similar levels of financial anxiety are confirmed by a variable that classifies a respondent as financially anxious if they spend more than eight hours a week thinking about their financial issues. Ten percent of the sample company's employees are classified as financially anxious, spending the equivalent of one day of work feeling anxious compared to 12% of the P-Fin Index sample. On average, about 40% of the sample company's employees and respondents in the 2018 NFCS subsample feel anxious just thinking about their personal finances. In addition, 17% of the sample company's employees indicated that that their level of debt prevents them from adequately addressing other financial priorities compared to 22% of the P-Fin Index sample.

The comparison between the sample company's employees and comparable respondents from nationally representative samples sheds light on common financial issues and is important to the development of tailored and scalable financial wellness programs that can improve financial well-being across similar population groups.

# What role does job satisfaction play?

Finally, job satisfaction is crucial to keeping employees engaged and productive. Gallup's State of the Global Workplace: 2021 Report highlights the costs of disengagement. Considering a global employee engagement rate of 20% to 34%<sup>15</sup> in the U.S. and Canada, the cost is very high both in terms of productivity, turnover rates, and replacement costs.<sup>16</sup> One way to increase engagement in the workplace is to promote continued learning. The sixweek challenge proposed by EFE represents a concrete opportunity to engage employees. In the last section of the questionnaire, we adopted three questions from the 2018 General Social Survey (GSS)<sup>17</sup> to measure the perceptions employees have of their job security, their level of satisfaction with benefits, and their compensation compared to peers outside the company. Then, we aggregated them into an overall indicator of job satisfaction based on at least one highest score out of the three questions.

The survey shows that more than 50% are satisfied with at least one out of the three measures of benefits, job security, and compensation (Table 12). However, only 44% of the sample company's employees think that their job is secure, only one out of three are satisfied with the benefits their employer provides, and about two out of three are happy with their compensation.

10010 1					
	Ν	Mean	SD	Min	Max
Job security	2792	.441	0.497	0	1
Benefits	2792	.361	0.480	0	1
Compensation	2792	.592	0.491	0	1
Job satisfaction	2792	.542	0.498	0	1

Table 12: Summary statistics of participant job satisfaction

<sup>&</sup>lt;sup>15</sup> Gallup's definition of employee engagement includes the involvement and enthusiasm of employees in their work and workplace and it is measured with 12 items available at https://www.gallup.com/workplace/356063/gallup-q12-employee-engagement-survey.aspx.

<sup>&</sup>lt;sup>16</sup> For further details, see <u>https://www.gallup.com/workplace/351545/great-resignation-really-great-discontent.aspx</u> (last visited on June 29, 2022).

<sup>&</sup>lt;sup>17</sup> The General Social Survey (GSS) is a nationally representative survey of adults in the United States conducted since 1972. The GSS collects data on contemporary American society in order to monitor and explain trends in opinions, attitudes, and behaviors. Additional info, documents, and data are available at <u>https://gss.norc.org/About-The-GSS</u> (last visited on June 29, 2022).

Note: All data are from the Edelman Financial Engines April 2022 survey. *Job security* is a dummy variable that equals 1 if the respondent answers "Very True" to the following statement "My job security is good", 0 otherwise. *Benefits* is a dummy variable that equals 1 if the respondent answers "Very True" to the following statement "My fringe benefits are good", 0 otherwise. *Compensation* is a dummy variable that equals 1 if the respondent answers "Very True" to the following statement "My fringe benefits are good", 0 otherwise. *Compensation* is a dummy variable that equals 1 if the respondent answers 3, 4, or 5 on a scale of 1 to 5, where 1 = "much lower annual wages" 5 = "much higher annual wages" and 3 = "wages were the same" to the following question: "Do you believe your annual wages in the calendar year 2021 were higher or lower than those of employees with similar experience and job descriptions in other companies in your region?", 0 otherwise. *Job satisfaction* is a dummy variable that equals 1 if the respondent answers "Very True" to the statements "My job security is good" or "My fringe benefits are good"; or answers 5 on a scale of 1 to 5, where 1 = "much lower annual wages" 5 = "much higher annual wages" and 3 = "wages were the same" to the following question: "Do you believe your annual wages" and 3 = "wages were the same" to the following question: "Do you believe your annual wages" and 3 = "wages were the same" to the following question: "Do you believe your annual wages" and 3 = "wages were the same" to the following question: "Do you believe your annual wages in the calendar year 2021 were higher or lower than those of employees with similar experience and job descriptions in other companies in your region?", 0 otherwise.

Table 13 reveals that women are 8 p.p. more likely to be satisfied with benefits and 7 p.p. with their job but 4 p.p. less likely to consider their compensation fair. An open debate in labor literature provides similar results. Furthermore, we find a strong link between financial literacy and satisfaction with employer-provided benefits (6 p.p.), compensation (8 p.p.), and overall job satisfaction (5 p.p.). All non-White employees have worse job security and job satisfaction than their White counterparts. In particular, Asian employees are 18 p.p. less likely to report job satisfaction than their White colleagues. Thus, offering workplace financial wellness programs could help with employee retention and overall satisfaction.

Table 15. Regressions investigating the employees job satisfaction				
	(1)	(2)	(3)	(4)
VARIABLES	Job security	Benefits	Compensation	Job satisfaction
Age (BL: Young 18–				
34 years)				
Middle (35-54	-0.077***	0.090***	0.025	-0.020
years)				
	(0.023)	(0.021)	(0.023)	(0.023)
Old (55+ years)	-0.027	0.176***	0.031	0.034
	(0.028)	(0.026)	(0.027)	(0.027)
Gender (BL: Male)				
Female	0.033	0.082***	-0.043**	0.065***
	(0.021)	(0.020)	(0.021)	(0.021)
Race/Ethnicity (BL:				
White)				
Black	-0.070*	-0.015	-0.110***	-0.075*
	(0.038)	(0.038)	(0.039)	(0.039)
Hispanic	-0.049	-0.113***	0.014	-0.067
	(0.043)	(0.038)	(0.044)	(0.044)
Asian	-0.117***	-0.119***	-0.057**	-0.181***

Table 13: Regressions investigating the employees' job satisfaction

Financial well-being		Page 34		7/27/22
Other	(0.027) -0.095** (0.045)	(0.025) -0.105** (0.042)	(0.028) -0.100** (0.047)	(0.027) -0.129*** (0.047)
Highest degree obtained (BL: High school or less)		(0.012)		
Some college	0.120 (0.077)	0.122* (0.067)	0.111 (0.078)	0.123 (0.077)
Bachelor's degree	0.003 (0.074)	0.123** (0.063)	0.113 (0.075)	0.068 (0.074)
Post-graduate degree	0.002	0.120*	0.111	0.057
Household income (BL: Less than \$25K)	(0.074)	(0.063)	(0.076)	(0.075)
\$25-49K	0.101 (0.096)	0.101 (0.086)	-0.039 (0.100)	0.197** (0.097)
\$50-74K	0.247*** (0.073)	0.179*** (0.063)	0.005 (0.079)	0.245*** (0.073)
\$75-99K	0.090 (0.062)	0.105** (0.052)	0.001 (0.070)	0.109* (0.064)
\$100K+	0.151*** (0.058)	0.158*** (0.048)	0.043 (0.066)	0.191*** (0.060)
Financial literacy				
Big 3 correct	0.032 (0.024)	0.060*** (0.022)	0.076*** (0.024)	0.053** (0.024)
Constant	0.322*** (0.092)	-0.028 (0.075)	0.407*** (0.097)	0.279*** (0.092)
Observations R-squared	2,792 0.024	2,792 0.047	2,792 0.022	2,792 0.036

Note: All data are from the Edelman Financial Engines April 2022 survey. Job security is a dummy variable that equals 1 if the respondent answers "Very True" to the following statement "My job security is good", 0 otherwise. Benefits is a dummy variable that equals 1 if the respondent answers "Very True" to the following statement "My fringe benefits are good", 0 otherwise. *Compensation* is a dummy variable that equals 1 if the respondent answers 3, 4, or 5 on a scale of 1 to 5, where 1 = "much lower annual wages" 5 = "much higher annual wages" and 3 = "wages were the same" to the following question: "Do you believe your annual wages in the calendar year 2021 were higher or lower than those of employees with similar experience and job descriptions in other companies in your region?", 0 otherwise. Job satisfaction is a dummy variable that equals 1 if the respondent answers "Very True" to the statements "My job security is good" or "My fringe benefits are good"; or answers 5 on a scale of 1 to 5, where 1 = "much lower annual wages" 5 = "much higher annual wages" and 3 = "wages were the same" to the following question: "Do you believe your annual wages in the calendar year 2021 were higher or lower than those of employees with similar experience and job descriptions in other companies in your region?", 0 otherwise. The variable household income includes the total amount of a household's annual income, including wages, tips, investment income, public assistance, and income from retirement plans. The education variable highest degree obtained includes the categories: High school or less, indicating that the highest degree received is a high school diploma; some college, indicating that respondents have attended a post-secondary institution and earned, at most, a two-year degree (i.e., an associate's degree); *bachelor's degree*, indicating that respondents have earned a four-year degree; *post-graduate degree*, indicating that respondents have a degree beyond a bachelor's degree. *Big 3 correct* is a dummy variable equal to 1 if the respondent correctly answers the three basic financial literacy questions (Big Three) on the interest rate, inflation, and risk diversification, 0 otherwise. BL stands for baseline and indicates the baseline value of categorical variables. Robust standard errors in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

#### **CONCLUSION**

The joint project between Edelman Financial Engines and the George Washington University's Global Financial Literacy Excellence Center (GFLEC) consisted of an innovative financial counseling and education program, a six-week challenge called Fast Track to Financial Health, that GFLEC's research team evaluated using a sophisticated survey tool. The goal of the project was to gain insights into employees' financial well-being while providing them with valuable financial counseling and resources tailored to address critical needs. Employees' participation in EFE's six-week challenge was voluntary. The challenge began in April 2022 and ended in mid-June. It consisted of a minimum of six interactions with webinars, reading material, and/or meetings with a financial counselor. The research team conducted an impact evaluation of the program based on a before-and-after design. Using an online survey tool through Qualtrics, they created the FinHealth Score, which is a benchmark to define and measure financial well-being. The score takes a value of 1, 2, or 3 and indicates a respondent's financial health based on the number of "symptoms" of poor financial health displayed. Poor financial health is correlated with difficulty making ends meet (bill payments), financial fragility, lack of emergency funds, over-indebtedness, and poor retirement planning. It takes a value of 1 if the respondent has three, four, or five symptoms of poor financial health, a value of 2 if the respondent has one or two symptoms of poor financial health, and a value of 3 if the respondent has no symptoms of poor financial health.

The FinHealth Score is important for three reasons. First, it provides a baseline score. Second, personalized counseling and educational resources are provided based on that score. Third, it enables assessment of the impact of this intervention. Employees who took part in the six-week challenge had an average FinHealth Score of 2.32, meaning they

#### Page 36

exhibited one or two symptoms of poor financial health. Pre-survey findings showed that financial literacy levels and well-being among the employees of the sample company were higher than among the average American adult population. In line with previous evidence, higher financial knowledge positively correlates with better financial behaviors. Most of the respondents in the sample have emergency funds, are able to make ends meet, are not financially fragile, and engage in savvy debt management and retirement planning. Employees who used EFE services prior to the challenge showed higher levels of financial literacy and better financial behavior than EFE non-users. This is not surprising given the demographics of the employees, who have higher levels of education and income. Middle-aged (35–54) and minority employees are among the most vulnerable (i.e., have lower financial well-being). Moreover, a gender gap emerges with female employees among those who are least knowledgeable about financial topics but also the most likely to have used EFE financial services in the past. In addition, splitting the sample across different levels of financial literacy and better financial topics but also the most likely to have used EFE financial exposure, we find that EFE users have a higher level of financial literacy and better financial health status.

Although the sample company's employees are in relatively good financial shape, there is still room for improvement. Employees do plan for retirement and do have precautionary savings, but about 40% declare they feel anxious when they think about their finances and worry about running out of money in retirement. This result is persistent even among employees who used EFE services in the past. Finally, there is a strong link between financial literacy and satisfaction with employer-provided benefits, compensation, and job satisfaction. Thus, offering workplace financial wellness programs could help with employee retention and overall satisfaction.

A second report will compare results before and after the six-week challenge. We will look at the effect of this innovative financial education program on financial well-being and forward-looking behaviors. In addition, we will have insights for employers interested in adopting this sort of program. We will also focus on the relationship between financial education and personal agency, i.e., an individual's perception of their ability to attain their goals (known as "locus of control"). We will investigate the relationship (if any) between locus of control and engagement in financial wellness initiatives in the workplace. Through financial wellness programs, employers can provide financial education to the largest share of the adult population, improving the well-being of people, including the most vulnerable groups, throughout their adult lives.



**Edelman Financial Engines** 

www.edelmanfinancialengines.com

# GLOBAL FINANCIAL LITERACY EXCELLENCE CENTER

Global Financial Literacy Excellence Center The George Washington University School of Business Duquès Hall, Suite 450 2201 G Street NW Washington, DC 20052 Tel: 202-994-7148

gflec@gwu.edu | www.gflec.org