Financially Stressed Employees Could Be Costing You

June 12, 2013 (PLANSPONSOR.com) - Financial stress continues to be a pervasive issue in the workplace with 83% of employees reporting they are under financial stress.

Financial Finesse's third annual research study on employee financial stress found financial stress is most pervasive among key demographics that make up a large percentage of the American workforce.

From January 1 through the end of May, **women ages 30 to 44 with household incomes less than $60,000 and children to support were nine times more likely to face high or overwhelming financial stress (53% reported serious financial stress)** than men ages 55 to 64 with household incomes greater than $100,000 and no minor children (at just 6% under serious financial stress).

Women overall are nearly twice as likely to report high or overwhelming levels of financial stress as men. And, contrary to popular belief, being married does not increase financial stress, but having children appears to be a major driver of financial stress, with nearly double the percentage of employees who indicated they had minor children reporting overwhelming financial stress than those without children.

Liz Davidson, CEO and founder of Financial Finesse, pointed out that companies with a large percentage of their workforce in vulnerable demographics are likely facing significant costs of which they may not even be aware. Davidson said while "there is no line item on a company's income statement that totals the cost of financially stressed employees, hundreds of studies have shown that financial stress causes serious medical conditions and higher health care costs for employers."

She added that all employers are different in terms of how much money they are losing due to this problem, and the best way they can estimate the financial impact of employee financial stress is to look at the demographics of their workforce, and then delve into "warning signs" like a high percentage of 401(k) plan loans and hardship withdrawals, garnishments, or pay advances. The firm's research found 51% of employees reporting overwhelming financial stress have taken a loan or hardship withdrawal from their retirement plan, putting them at risk of not being able to achieve retirement security.

Davidson said Financial Finesse sees that employees who are dealing with high or overwhelming levels of financial stress are stressed out by their short-term, day-to-day financial situations. They are considerably less worried about external factors like the economy, and are instead focused on how to make ends meet and feeling near constant pressure about their ability to pay the bills. Among those with overwhelming financial stress,

- 82% indicated they do not have an emergency fund to cover unexpected expenses,
- 80% said they do not have a handle on their cash flow,
- 49% are not able to pay their bills on time each month, and
- 80% are uncomfortable with their debt levels.

"Employers who have high levels of employee financial stress **are best served by financial wellness programs which focus on basic money management issues,** since the source of stress is predominantly short-term, day-to-day concerns," said Greg Ward, director of the firm's Think Tank of Certified Financial Planner professionals that is responsible for monitoring employee financial stress and analyzing its causes. Ward noted, however, that employers with low levels of employee financial stress usually need proactive financial planning since their employees are concerned about how to invest effectively in an uncertain economy to grow their wealth over the long term.

In the firm's research, those who report having no financial stress have excellent day-to-day money management skills, but still have serious financial vulnerabilities. You would think those who report having no financial stress would be fully prepared for retirement, fully insured with a will or trust in place, and basically have all their ducks in a row, but that is not the case. Thirty-nine percent are not confident their investments are allocated appropriately, 41% do not understand the tax implications of their investments and retirement accounts, and 46% are not maximizing available tax credits and deductions to reduce their tax liability.

Financial Finesse's financial stress research report can be obtained here.

Rebecca Moore editors@plansponsor.com