

## **WORKPLACE FINANCIAL EDUCATION PROVIDED BY NFCC MEMBER CREDIT COUNSELING AGENCIES**

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Many employers are providing financial education programming for their employees. These programs are delivered either by the employer or by an outside provider, such as a financial services or a financial planning company. Other organizations also deliver workplace financial education, such as credit counseling agencies. This paper presents the results of a survey of member credit counseling agencies of the National Foundation for Consumer Credit (NFCC) regarding their workplace financial education efforts. This study detailed the extent to which NFCC member credit counseling agencies are delivering financial education to employees in the workplace. It also described the content of these programs and explores common characteristics of model workplace financial education programs.

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The need for effective financial education has never been greater (Detweiler, 1998). In many job sectors, benefits have declined and workers have increasingly come to realize they need to save to have economic security (Office of Investor Education, 1999). "In theory, this presents Americans with an opportunity to take charge of their financial destinies, but in practice, more often than not, Americans find themselves floundering because they do not know what to do" (Office of Investor Education, 1999, p. 14). Today, as in the past, employees are left to plan for their financial futures on their own.

Research findings have related stress from worrying about financial matters to lowered employee productivity. It has been estimated that 15 to 20% of the workforce currently suffers from financial

difficulties so severe that their job performance is negatively effected (Garman, Leech, & Grable, 1996). The figure is 40 to 50% in some workplaces. Yet, according to a survey by *Plan Sponsor* (Aschkenasy, 1997), only 17% of large private-sector employers that sponsor 401(k) retirement plans offer financial education on day-to-day finances and 12% offer education on debt management.

Research indicates that employees who receive financial education gain confidence in making financial decisions and make changes related to savings and investments (Kratzer, Brunson, Garman, Kim, & Joo, 1998). Results of the *1998 Retirement Confidence Survey* conducted by the Employee Benefit Research Institute reveal that workers who received retirement savings education were significantly more confident about their level of living in retirement versus those who did not. Results of the survey clearly demonstrated the need for continued broad-based education efforts designed to make retirement savings a priority for individuals. For example, among workers who attended seminars or received educational material about savings and retirement planning through their employer in the past year, 43% reported that this material led them to make changes to the amount they contribute to a retirement savings plan. In addition, 41% of workers said that employer-provided information led them to begin contributing to a retirement savings plan (EBRI, 1998). For many individuals, "the right information at the right time can be critical to

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helping them turn their financial lives around” (Detweiler, 1998, p. 12).

Employers are offering financial education in the workplace as part of their employee benefits programs (Kratzer, et. al, 1998). Expenditures of time, energy, and money to develop and expand workplace financial education (WFE) programs make the most sense from an employer’s point of view when it can be shown that doing so has a beneficial impact on job productivity. Recent evidence is coming to light that shows just such a relationship (Joo, 1998; Joo & Garman, 1998a).

The NIPFEE matrix re-defines financial education much more broadly than has traditionally been the case<sup>3</sup>. The matrix encourages organizations to provide comprehensive workplace financial education for the following reasons: 1) to educate workers about saving and investing for retirement, 2) to help workers make satisfactory choices among employee benefits, 3) to make personal assessments about credit and money management, and 4) to understand how to use consumer protection laws (Garman & Bagwell, 1999). Research shows that American workers are beginning to demand just such a variety of financial education topics (Joo & Garman, 1998b; Kim, Bagwell, Garman, & Goodman, 1998). Workers responding in these studies indicated a broad-based range of desired topics, including budgeting, estate and tax planning, purchasing homes and insurance, and getting out of debt, among others.

If expenditures on workplace financial education are effective, then it remains up to the employer to determine whether to use internal resources or an external provider to accomplish the task (Gorbach, 1997). It is estimated that external providers furnish financially based educational programming to some 20% of the nation’s employers (Garman, 1998a).

The member credit counseling agencies of the non-profit National Foundation for Consumer Credit (NFCC) are frequently asked to provide financial education programming in the workplace. The NFCC is a national network of non-profit agencies. NFCC member agencies typically provide consumer credit education, budget and debt counseling, and debt repayment programs to individuals and families.

Many of the NFCC member agencies have education departments offering programs to the community. Such departments typically offer education for employees. The NFCC’s public information and education programs have grown over the past decade (National Foundation for Consumer Credit, 1999). Each year their educators make over 60,000 educational presentations in their communities.

This study was designed to explore the characteristic nature of workplace financial education programs as delivered by a sample of external providers. The extent to which NFCC member credit counseling agencies are delivering financial education to employees and the content of these programs will be described. In addition, this study describes common characteristics of model workplace financial education programs.

## **Method**

### Sample and Data Collection

The sampling frame was comprised of the National Foundation for Consumer Credit membership list as published in their annual *Directory of Member Agencies*. Data for this study were collected by means of a questionnaire mailed during fall 1998 and winter 1999 to the Directors of Education at 191 member offices of the NFCC throughout the United States and Canada. A 7-item survey was developed to assess the demand for workplace financial education programming provided by external, not-for-profit providers and to determine the typical content of such programs. Education directors at these 191 offices were asked to indicate the number of employers for which their office provided workplace financial education, to remark on the content of these education efforts, and to assess programs which they felt were examples of model programs in workplace financial education. Of the 191 surveys initially mailed, 19 were later returned as undeliverable, reducing the number of potential responses to 172. Completed surveys were ultimately received from 102 NFCC member credit counseling agencies. These respondents represented a response rate of 59%.

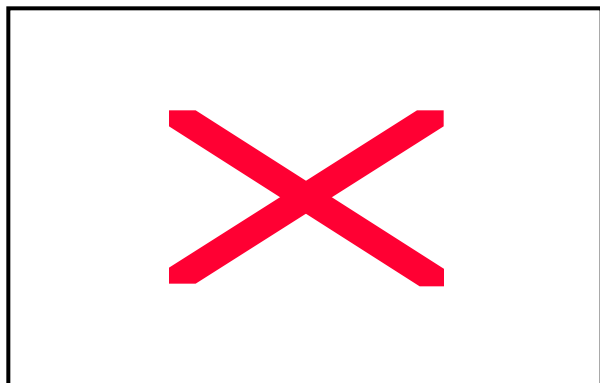
## **Results**

Of the 102 responding NFCC members, 89 (87%) indicated that they provide workplace financial education programming to at least one local employer. As can be seen from Figure 1, nearly 83% of NFCC member credit counseling agencies

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<sup>3</sup> NIPFEE matrix available via Internet: <http://www.chre.vt.edu/pfee>

who provide such workplace financial education do so for four or more employers in their immediate geographic areas. The data in Figure 1 suggest that in many communities nationwide the demand is



high among employers for high quality workplace financial education programming for their workers.

**Figure 1. Number of Employers Receiving Workplace Financial Education Programming From NFCC Members**

Table 1 presents the responses regarding the content of the workplace financial education programs offered to employers by those NFCC member credit counseling agencies providing such programming. As can be seen, the vast majority of programming involves credit and money management and the legal aspects of consumer protection. In addition, a smaller number of the credit counseling agencies offer workers educational programs on retirement planning and making wise choices among available employee benefit options. Some agencies also offered instruction in other areas of financial education, such as consumer protection, retirement planning, and employee benefit choices.

Table 1  
Number of Offices Providing Programming in Four Main Content Areas

Content Area	Responding Offices	Percent of Responding Offices (N=89)
Credit and Money Management	86	97
Consumer Protection Laws	36	40
Retirement	17	19
Employee Benefit Choices	5	6

Note. Since each office could indicate multiple content areas, percentages add to more than 100.

Table 2 shows the incidence of each individual content area as a proportion of all workplace financial education efforts engaged in by the responding offices. Many of the responding offices provided programming in more than one area thus the total number of programs listed in Table 2 exceeds the sample size. Programming on credit management programs comprises 60% of the total efforts of the agencies. In addition, consumer protection laws make up another 25% of programs. Retirement accounts for 12% while the final 3% of programming efforts consist of employee benefit choices. Credit and money management clearly comprise a large portion of their total programming efforts. While this pattern is not surprising given the fundamental mission of NFCC member credit counseling agencies, it does illustrate a pressing and distinct need for both employers and outside providers of financial education to redefine workplace financial education in a broader, more comprehensive fashion. Why? Workers who have money and credit problems cannot fully participate in contributing to their retirement plans.

Table 2  
Total Programming Efforts

Content Area	Responding Offices	Percent of Total Programs (N=144)
Credit and Money Management	86	60
Consumer Protection Laws	36	25
Retirement	17	12
Employee Benefit Choices	5	3

It is common today that employees are being made responsible for managing their own retirement portfolios (Overby, 1998). The continuing shift from defined-benefit retirement plans to defined contribution plans will ensure that this trend continues. With defined contribution plans such as 401(k) plans, employees must often decide to invest and then choose among different investments, while bearing the investment risk that goes along with those decisions. The increasing popularity of defined contribution plans requires that employees learn the basics of investing and become disciplined about contributing to their plans (Office of Investor Education and Assistance, 1999). Workplace financial education efforts should provide workers with the knowledge that they need to meet their challenges.

There is a developing trend among employers and financial education providers to help workers to find money to fund their retirement plans (Garman, 1998b). Helping workers understand their employee benefits package is one possible source of funds to help workers in this regard. Intelligent use of employer-sponsored benefit packages can often free up substantial amounts of cash that can then be converted into contributions to a retirement fund. Employers and other providers of workplace financial education should make special efforts to help workers develop the ability to both fund their retirement packages and enable them to manage their thus enriched retirement portfolios wisely.

#### How is Workplace Financial Education Delivered to Employees?

The respondents in this study generally identified two patterns in current workplace financial education (WFE) programming. WFE tends to either be offered by NFCC member credit counseling agencies to employees during the workday or at nights or on weekends. Programs offered during the workday tend to be offered at multiple times so workers on different shifts may attend. Often these programs are offered between shifts so that workers may either come early or stay late to participate. Lunch hour seminars are also common, with 1 to 2 topics covered during each seminar. Some employers provide lunch for their workers at such seminars, while others treat it as simply a “brown-bag” affair. However, recognizing that programs offered during the evening hours or on weekends can be inconvenient for the worker to attend, incentives are sometimes offered by employers to encourage participation. Credits toward the next pay increase and overtime pay were specifically mentioned as examples of such incentives offered by employers.

#### **Summary and Conclusions**

The results of this study of workplace financial education provided by member credit counseling agencies of the National Foundation for Consumer Credit indicate that these agencies are actively providing such education for employers in communities all across America.

NFCC member credit counseling agencies most often teach credit and money management units together with consumer protection education. However, a small proportion teach units on investment education and familiarizing workers with the nature of their employee benefit package. This is evidence of a need among employers to

redefine workplace financial education along much broader lines. Many employers also are trying to make it easy for their employees to attend financial education seminars and workshops, and some are providing workers with incentives to do so. A growing number of employers are coming to understand the importance of providing their employees comprehensive workplace financial education. Financial education providers such as members of the National Foundation for Consumer credit can play a pivotal role in helping employers help their employees. And many employers are doing something about it by asking non-profit credit counseling agencies to deliver financial education programming to their workers.

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