The links between finances and health

Voya Financial® Case Study

Voya Financial is proud to be a retirement provider servicing the needs of Higher Education plan sponsors and their employees. In our efforts to improve the financial security of all Americans, we research emerging savings and retirement trends. A trend we have been monitoring closely is the linkage between finances and health. While they seem like separate issues, they affect each other in multiple ways. For example, poor financial health (i.e. debt, lack of savings) can affect physical well-being and work productivity through stress and other factors. Additionally, the absence of a sound financial plan can adversely impact an individual's healthcare options in their retirement years. The good news is that Voya has potential solutions available to help improve employees' holistic well-being. Read on to find out more about these topics and how Voya can help.

The benefits of financial wellness

When most people think of the term “wellness,” thoughts of physical health and fitness come to mind. However, financial wellness can be just as important — especially because it can affect overall wellbeing. Plan sponsors are increasingly looking to their benefits packages as a means to leverage a more productive and healthy workforce, with employee wellbeing emerging as a priority. Financial wellness programs — which may include a variety of innovative products, professional services, and financial education tools — can help employers improve their finances by:

- **Reducing absenteeism and sick-time usage**
- **Minimizing 401(k) loan usage**
- **Reducing financial-related stress among employees**
- **Improving productivity through reduction in ‘presenteeism’**

Financial Wellness can affect overall wellbeing.

These programs offer tremendous potential for an employer to improve the financial fitness of its employees with the potential to enjoy a substantial return on investment.

How employees benefit

There is a strong correlation between a person’s financial and physical health. Financial stress is significant in the majority of people’s lives: **75%** of those surveyed[1] named money as their number one source of stress. Also, 1 in 4 American workers are seriously financially distressed[2], constituting more than 30 million workers who may be absent from or distracted at work as a result[3]. In addition to the direct health consequences of high stress levels, stress can also lead to unhealthy coping behaviors, such as tobacco and alcohol use, and decreased physical activity[4].

However, as prevalent as financial stress is across different demographics and income levels, so is the desire to increase money management skills. According to a global study, **90%** of consumers would like to improve their money management skills[5]. A high quality financial wellness program, along with help from a financial advisor, can help employees increase their financial capability (and overall health) by offering opportunities to:

- Improve basic money management skills and financial decision making.
- Increase savings for short-term expenses and emergencies, as well long-term retirement plans and investments.
- Decrease stress and improve physical and mental health.
- Support job stability and satisfaction.
- Improve credit scores.
- Decrease credit costs and debt burdens.

How plan sponsors benefit

With money-related issues being the leading cause of stress for Americans, equipping employees with tools and resources to increase their financial resiliency can reduce the financial challenges that often lead to stress. In fact, a study[6] of participants in an employer based financial wellness study found that **72%** of participants felt less financially stressed after enrolling in a financial wellness program.

felt less financially stressed after enrolling

$348
in reduced operating costs per sick day, per employee

$5,000
in employer savings from limiting personal financial distractions in the workplace

In addition to increasing employee levels of financial knowledge

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The High Cost of Low Wellbeing

When it comes to reducing health care costs, employee wellbeing has a direct impact on a company’s bottom line. Employees who are thriving in overall wellbeing have **41% lower health-related** costs compared with employees who are struggling and **62% lower costs** compared with employees who are suffering.

through financial education strategies, access to tangible tools and financial products can effectively respond to and prevent the events that cause financial stress. And, employees with greater financial wellbeing are healthier in general, as decreased financial stress helps to reduce the detrimental physical and mental health effects of stress[7]. For employers, this can translate into reduced operating costs[8] — on average, **$348** per sick day, per employee.

Furthermore, workers who reduce their financial stress also reduce workplace distractions and loss of productivity. Estimates of potential employer savings from limiting personal financial distractions in the workplace can be as high as **$5,000**- per employee, per year[9]. Employees who are more focused at work perform better and are less likely to experience a workplace accident.

Components of workplace-based financial wellness programs

Today, plan sponsors can choose from newly emerging financial wellness programs to offer their employees a benefit that goes beyond financial education training and retirement packages. These programs are designed to address the complex factors that make up an individual's financial wellness, including short-term interventions to reduce the stresses of daily living as well as long-term planning to ensure financial security.

In addition to offering comprehensive financial support, financial wellness programs must also be designed so that they are easily accessible by users, generate high levels of initial enrollment, and maximize ongoing levels of engagement. In general, employees are less interested in general financial education and more interested in participating in specific and relevant topics of interest to their situation — including debt management, retirement, and investment planning[10]. Therefore, these programs ultimately succeed by offering a range of options, services, and innovative tools that employers can choose from to meet the specific needs of their respective workforce.

The path forward

Financial wellness programs offer tremendous potential for an employer to improve the financial wellbeing of its employees while benefitting from a substantial return on investment. To discuss this topic further, please contact Amy Goodale, Vice President and Client Relationship Director, at (860) 580-1653 or amy.goodale@voya.com. ■

Quick Facts

1 in 4 American workers report that they are seriously financially distressed

4 in 5 American workers report some degree of financial stress

Poor money management and insufficient emergency savings are the leading causes of financial stress

1 American Psychological Association. (2012, January 11). Stress in America: Our health at risk. Retrieved from: http://www.apa.org/news/press/releases/stress/2011/final-2011.pdf

2 Garman, T., et. al. (2005, March 23). Financial Distress Among American Workers Final Report: 30 Million Workers in America—One in Four—Are Seriously Financially Distressed and Dissatisfied Causing Negative Impacts on Individuals, Families, and Employers. Personal Finance Employee Education Foundation. Retrieved from: http://pfeef.org/wp-content/uploads/2015/01/Financial-Distress-Among-American-Workers.pdf

3 ibid.

4 Krueger, P., & Chang, V. (2008). Being poor and coping with stress: health behaviors and the risk of death. American Journal Of Public Health, 98(5), 889 896.

5 Metlife (2011), op. cit.

6 Emerge Financial Wellness. (2013, February 5). Update: Program Success and Employee Satisfaction.

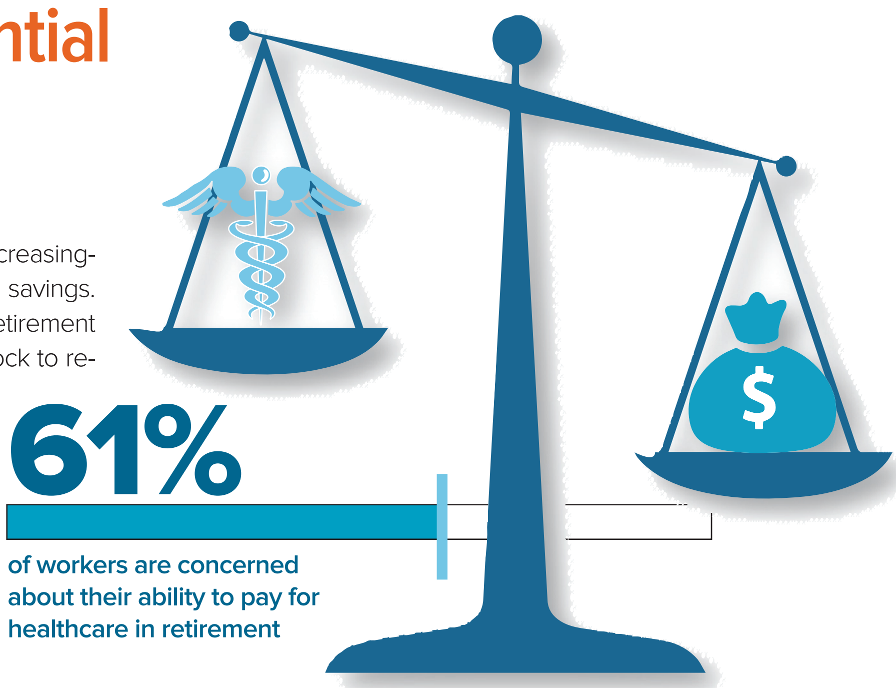
7 Prawitz, A.D., & Garman, E.T. (2009, April), It's time to create a financially literate workforce to improve the bottom line. Benefits Compensation Digest, Volume 46, Number 4, pages 1, 11-14.

8 Robison, J., op. cit.

9 Kadlec, D. (2012, July 19) Proof that workplace financial education works. TIME Magazine online. Retrieved from: http://business.time.com/2012/07/19/new-evidence-says-workplace-financial-education-effective/

10 Joo, S. (2000). op.cit.

Healthcare — an essential component of sound retirement planning



As people approach retirement, one thing they become increasingly concerned about is healthcare and how it affects their savings. Often overlooked as an essential component of a sound retirement plan, unplanned healthcare costs can come as quite a shock to retirees. According to the Voya Retire Ready Index study, 61% of workers are concerned about their ability to pay for healthcare in retirement.

Considering the continuing rise in healthcare costs (outpacing inflation), workers and retirees should determine an appropriate strategy as soon as possible — the earlier the better. Unfortunately, many people believe that Medicare will take care of their healthcare needs in retirement. However, that is not the case at all. In fact, Medicare is not a monolithic program; there are separate parts to it (A, B, C, & D) that retirees need to understand:

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MEDICARE PARTS

+ Medicare Part A
Health coverage for hospital or nursing facility admissions.

+ Medicare Part B
Health coverage for doctor visits, preventive care, and outpatient services.

+ Medicare Part C*
Health coverage offered by private health insurance companies, many of which offer more choice in benefits, copays, and premiums.

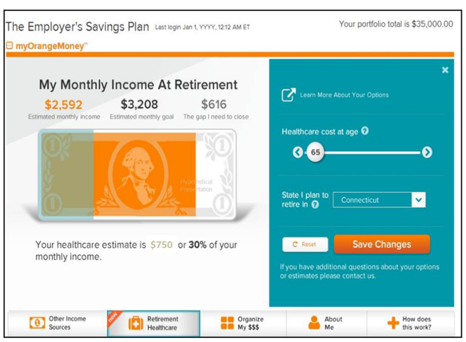
+ Medicare Part D
Health coverage for prescription drugs.

**Medicare part C is also known as "Medicare Advantage."*

Although each type of Medicare plan offers coverage for different needs, they do not necessarily cover all healthcare costs that retirees will experience after age 65. For example, Medicare parts A & B generally cover 80% of the amount of a hospital stay or doctor office visit. This means that the patient is responsible for 20% — which can add up to a substantial amount for high-cost and/or frequent visits and treatment.

Developing a strategy

According to the Voya Retire Ready Index study, employees ranked healthcare expenses as their **No. 1** concern regarding future financial security. Therefore, it's important for workers and retirees to realize that developing a strategy for dealing with healthcare costs in their golden years is just as important as any other component of their retirement plan. Once they account for this, they can move forward with saving and investing appropriately.



To do this, workers and retirees will need to estimate (preferably long before retirement) their future healthcare needs. When going through this exercise, people should also consider how other expenses will affect their strategy, such as inflation and aging. Of course, predicting all future health and economic events is impossible — but building an effective plan is not. By thinking about how a savings and investment portfolio translates into monthly income in retirement, people can begin to see the big picture and how healthcare factors in.

Helpful online tools

In addition to working with an expert financial advisor, employees can use helpful online tools such as myOrangeMoney®, which provides a holistic picture of their retirement outlook. Recent updates to **myOrangeMoney®** include a new "Retirement Healthcare" feature that enables plan participants to use an age slider to see how healthcare expenses can change over the years and affect their monthly retirement income. Users can also input and compare additional healthcare and other cost factors such as Health Savings Account (HSA) amounts and expected income at Social Security age.

Put planning into practice

As retirees approach age 65, it is time to put much of the planning into practice. At least a few months before signing up for Medicare, retirees should work with their financial advisor to assess all of their options for future healthcare needs — focusing on existing financial resources and the multiple Medicare options available. Important things to consider include:

- Are current physicians or hospitals/facilities within the various Medicare and private insurance coverage networks?
- What changes, if any, will there be to current copay, coinsurance, and premium amounts?
- How could past personal or family medical history potentially affect health expenses in retirement?

Through careful planning for all aspects of retirement, thinking about the various income sources needed, and estimating the possible expenses that could arise — employees and retirees can work toward reaching retirement readiness and pursuing a secure financial future. ■

To learn more, please contact: **Amy Goodale,** Vice President and Director of Client Relations at (860) 580-1653 or via email at amy.goodale@voya.com. For company information, visit voya.com.

Not FDIC/NCUA/NCUSIF Insured	Not a Deposit of a Bank/Credit Union	May Lose Value	Not Bank/Credit Union Guaranteed	Not Insured by Any Federal Government Agency