Does Your Employer Help With 'Financial Wellness'? - Transcript

Tom Mullooly: In Episode 179 we talk about how more companies are helping employees with their financial wellness. Is that a good thing?

Welcome to The Mullooly Asset Show. I'm your host Tom Mullooly, and this is episode number 179. Thanks for tuning in.

Article in The Wall Street Journal today, February 10, 2020, written by Bailey McCann, mentions different ways that employers are helping their employees with financial wellness. So let's talk about some of the things that they covered.

There were a couple of interesting ideas. The first one that they talked about were payroll advances. I don't necessarily know that, that's such a good idea. If you need to consistently get payroll advances, there's something wrong. The other thing that they discussed under payroll was payday loans, which hopefully none of you watching this video are getting mixed up in because the interest rates on these payday loans can be pretty high, sometimes as high as 36%, depending on your credit score.

The next area that they talked about in the article was auto-funding emergency savings accounts. The employee can choose when they're setting up, how much money they want to have auto-deducted into some kind of emergency stash. The cash in these accounts can be accessed any time. Some employers actually do a match. The cool thing about this is that once you reach whatever threshold you set, say you want to have $2,000, or whatever the number is, it stops, and then if you dip into it, it starts again. It sounds very interesting.

The other thing that they talked about in this area were hardship loans from retirement accounts. This is not an employee benefit. Hardship loans, first of all, the criteria for qualifying for a hardship loan, you basically have to be on the verge of getting evicted from your home. They're very hard to get, they've got to be repaid, they're usually is a committee that has to review your case and decide if you're truly in a hardship place. Who wants to go through that? Unless you're in a hardship.

Another area they discussed where auto-enrollment in 401K. Now, this is actually a good thing, and auto-enrolling employees, new employees, into a 401K has actually increased the level of participation in plans that offer this. The idea with auto-enrollment is, once you start at a new company you're in the plan and you actually have to opt-out to get out of the plan. That's just the opposite of the way it used to be. You had to sign up to get into the plan. Auto-enrollment does sound like a good thing.

Other areas they talked about that haven't really gotten any kind of traction are things like student loan repayments, including some kind of employer match. Over in the UK they have a program called NEST. This is actually really a good idea, and we talked about this on a previous video. NEST stands for the National Employment Savings Trust. The whole idea is that you have to basically have some kind of savings or emergency stash before you can enroll or contribute into a retirement plan. Basically saying like, hey, we don't want you to get enrolled in a retirement plan without having some kind of savings account because then you'll be raiding your retirement account just for day to day expenses.

The big question I think that I took away from reading this article, and you may also is, how much do you want your employer to actually know about your business? Can you imagine if you have some kind of employee savings, some emergency savings account, and you have to tap into it. If your employer can see this, that's a red flag. If you're getting payday advances, another red flag. So I think these ideas are really good, they need to be a little more thought through.

One other thing that the article did mention is that these plans are no replacement for just giving your employees more money. Just giving them pay raises. I think a little more education would help people. I think another thing for people to look at, whether you're an employer or an employee, is more conversation, more dialogue. And I look at this and say, hey, if I'm an employer here in the suburbs, in Monmouth County, in particular, if someone goes out for a cup of coffee it's $4. If they go out for lunch they have to leave the office, get in their car, go buy something, bring it back. It's going to be, on average, $8, $9, $10 a day. Do the math. If you're an employer, offer your employees free coffee. Give them... how expensive is it to get a K-cup machine and let them pick out whatever kind of coffees they want to have at the office. Give them an opportunity to get lunch for free, whether it's in the building or some kind of credit to go get lunch.

You add that up, that's going to be $3,500 or $4,000 a year, based on this. It gives people the ability to not always feel pinched and they can make their own decisions about putting money away into an emergency savings account so that they don't have to take payday loans and they don't have to take advances on their raise or an advance on their paycheck. We have to draw a line at some point where, how much is the employer going to be responsible for? Do we have to take care of the healthcare and the retirement and your emergency savings fund, as an employer? I don't know. I think educating employees and all participants is really the first place that we have to get started.

That's my little soapbox for episode number 179. Thanks for tuning in.