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Financial Education in the Workplace:

An Analysis of Motivations, Benefits and Barriers

November 26, 2008

Presentation Overview

- Background information about the research
- Primary motivations for employers to provide financial education
- Reasons why employers are reluctant to provide financial education
- Opportunities and policy recommendations



The New America Foundation

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 - Education
 - Energy and Environment
 - Family and Children
 - Fiscal Policy
 - Foreign Policy
 - Health Policy
 - Ownership and Assets
 - Political Reform
 - Retirement Security
 - Telecom and Technology
 - Trade and Globalization



Financial Education Challenges

- Low demand from consumers
- Lack of evidence about best practices and effectiveness
- No national infrastructure to coordinate and ensure effective practices
- Weak financial education distribution system for children and adults



Rationale: Workplace Education

- Inability of many consumers to make critical personal financial decisions
 - Financial decisions becoming more complex
- Lack of success teaching financial literacy in high school
- Workplace reliably concentrates adults into somewhat homogeneous groups



Background and Methodology

- Purpose of research
- Methodology
 - Review of current academic
 - Special Gallup-NFIB survey
 - Analysis of Penn. & Wisconsin surveys
 - Interviews with employers & third-party providers



Benefits to Employers

- ERISA Compliance
- 401(k) non-discrimination
- Employee morale
- Attract and retain workers
- Social responsibility
 - Results of small- and medium-sized companies



Employer Reluctance

- Benefits already 1/3 cost of labor
- Health insurance keeps rising
- Competition holds labor costs down
- Few employees value financial ed.
- Productivity difficult to relate to any single stressor
- Non-retirement related financial ed. *not* a qualified benefit (taxable to worker)



Cost of to Employers

- Cost is dependent on
 - Scope of education
 - Type of delivery
 - Who delivers it
- Companies have both explicit and implicit costs.



Opportunity

- Favorable evidence shows great value in providing financial education to the less well compensated component of the workforce
- Lower-compensated more difficult to reach
 - Less educated are less interested
 - But greatest need and greatest potential
 - Incentives and compulsion work
 - Viral marketing is most effective
 - Single workshop not effective



Workplace Policy Ideas

- Amend tax code to qualify financial ed.
- Pilot programs to reach lower-paid
 - Experiment with best practices
 - Begin with committed employers
- SRO for 3rd party providers
 - Code of ethics
 - Competence to teach
 - Effective disclosure
- Long-term: Tax credits for effective implementation, inversely progressive



Additional Policy Ideas

- Mandate integrated education in K-12 linked to standardized tests and provide funding for teacher training.
- Create opportunities for adults to receive “just-in-time” financial education.
- Support public awareness campaigns that create demand for financial education.
- Expand evaluation of financial education activities
- Establish a Financial Services Corps to ensure access to financial planning services
- Create national standards for financial education.
- Require states to provide financial education to TANF recipients.





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