What is Financial Literacy? How Heartland Institute Can Help

Financial Literacy is not another trendy catch phrase. It reflects a serious concern among government, private and public sector organizations deeply concerned with disturbing trends in the fiscal behavior of average Americans. This movement for a financially literate society is based on the overriding belief that Americans *can't do* better if they *don't know* better. Knowing better does not cure all ills related to poor fiscal behavior, but it is where we must begin.

The Government Accountability Office (GAO) has defined financial literacy as "The ability to understand financial choices, plan for the future, spend wisely, and manage the challenges that come with life events such as job loss, saving for retirement, or a child's education." (GAO-05-93SP) In order to assist the development of a national financial literacy movement, Title V of *The Fair and Accurate Credit Transitions Act*, also known as the *Financial Literacy and Education Act*, created the *Financial Literacy and Education Commission*. Comprised of 20 federal agencies, the commission is charged with coordinating federal efforts to develop a national strategy to promote financial literacy in the United States.

The nonprofit Heartland Institute of Financial Education has adopted this mission. Focusing on the workplace, the Heartland Institute partners with colleges and universities nationally to offer financial wellness courses on-site to America's workforce.

Resources:

[1] Money Stress Strikes Millions of Americans

[2] Social Science and Medicine

[3] Financial Distress Among American Workers

[4] Chicago Tribune

[5] Financially Distressed Consumers

[6] Hewitt Associates: ROI on Financial Education for Your Employees

[7] Workplace Financial Education Improves Personal Wellness

[8] Money Stress Strikes Millions of Americans

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Financial Education

The Cost / Benefit to Employers

Heartland Institute of FINANCIAL EDUCATION

Financial Distress: A Direct Cost to Employers

It hurts your bottom line. How? Absenteeism, inattentiveness, irritability, reduced productivity – and that's the short list! Imagine how much time employees spend each week dealing with personal financial issues when they should be working. In a Virginia Tech study, 1 in 3 workers report money worries often hamper job performance and personal financial distress is ranked by workers as their **number one** source of stress.[1] The study also showed:

...34% of workers rate their financial stress as high to extreme;

...and 80% of workers report using work time to deal with financial issues.

Employees with financial distress are not only distracted, they take company time to discuss finances with creditors, collection agencies, and co-workers. Human Resource departments spend unnecessary time assisting employees with payroll advances and distributions from 401(k)s. And that's not all. Financial distress has an indirect cost to employers as well.

Financial Distress: And the Cost of Health Care

The higher an employee's debt-to-income ratio, the more likely they are to be in poor health.[2] Economic stress does impact physical health: headaches, inability to concentrate, nausea, high blood pressure and insomnia. In fact, "A large proportion of those who are financially distressed, 40 - 50%, report that their health is directly impacted negatively by their financial worries."[3] In one study, respondents reported seeing a doctor because of health problems related to financial stress.[4]

...40 - 50% of workers report that their health is impacted negatively by their financial worries.

Employers stand to benefit tremendously from workers' improved financial well-being. Not only are there potential productivity benefits but it is also likely that health care costs associated with stress are reduced.[5] And all of this from a low-cost to no-cost benefit.

"A worker who is financially distressed is taking a direct bite out of the organization's profits."

-Money Stress Strikes Millions of Americans-

Financial Education: The Cost/Benefit to Employers

"The return on investment for employers who even slightly improve the financial well-being of employees is $450 per individual through lower absenteeism and more productivity." E. Thomas Garman, Professor Emeritus Virginia Tech, finds a 9 to 1 dollar return on investment for employer sponsored work-place financial education.[7] "A worker who is financially distressed is taking a direct bite out of the organization's profits. In fact, 4 out of 5 workers use work time to deal with financial issues." And there are other benefits as well. Of those who attended a workplace financial education course…

...34% reported that they started contributing to their 401(k) retirement plan.

...45% said they increased the amount of their retirement contribution.[8]

...56% reported their financial situation had improved.

...75% reported making better financial decisions.

These behavioral changes in workers translate into lower absenteeism, higher productivity, and potentially lower health care expense.