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 R.C. Brown, Virginia State University

2 Personal Financial Stress, Depression, and Workplace Performance

3 Cambridge Resource Group

4 Negative Impact of Poor Personal Financial Behavior on Employees

5 Association for Financial Counseling and Planning Education Journal

6 Social Science and Medicine

7 Financial Distress Among American Workers

8 Negative Impact of Poor Personal Financial Behavior on Employees

9 Financially Distressed Consumers

Heartland Institute of FINANCIAL EDUCATION

National Headquarters
8301 East Prentice Ave, Suite 312
Greenwood Village, CO 80111
Phone: **303-597-0197**
Fax: **303-369-3900**

www.hife-usa.org

Financial Education

And Primary Prevention

Heartland Institute of FINANCIAL EDUCATION

Financially Distressed Workers And Productivity Loss

It's not surprising. After all, workers spend 60% of their average day on the job. When financial problems arise, it is, as R.C. Brown of Virginia State University says, "in the workplace that they are likely to surface first".[1] And they surface in any number of troubling behaviors. Robert Weisman, Assistant Professor of Psychiatry at the University of Rochester School of Medicine, lists 13 common symptoms…

- expressions of boredom with everything
- vacillation in decision making
- distress over minor problems
- inattentiveness
- irritability
- procrastination
- feelings of persecution
- unexplainable dissatisfactions
- forgetfulness
- misjudgment of people and issues
- loss of trust
- loss of organization
- confusion about roles and duties[2]

Describe anyone you know? Most Human Resource professionals can think of any number of employees who fit this profile. It's no wonder that top executives have ranked the "toll on productivity caused by financial stress" as one of the "most critical unaddressed issues in the workplace today".[3]

Financially Distressed Workers And Primary Prevention

It just makes good sense. "Employers who believe in primary prevention find it credible (when dealing with drugs and alcohol in the workplace) to make help available to all employees experiencing problems impacting job performance. One of the new wellness trends is financial health programs."[4]

Helping employees cope with personal stress is key to a healthy organization. And what is more vital to employee health than financial well-being? "Sociological research data indicates that four factors strongly predict happiness and overall well-being in most cultures: health, economic security, employment, and family relationships. Essentially, people are happier when they are healthy, employed, in committed relationships, and financially secure."[5]

> **"Financial stress is rated by workers as their number one source of stress; concerns about personal finance are five times greater than those regarding health."**

In fact, studies in Social Science find that "individuals reporting higher levels of financial stress had higher levels of illness and physical impairment than others with lower financial stress levels. The higher an individual's debt-to-income ratio, the more likely they were to be in poor health."[6]

Financially Distressed Workers And Your Bottom Line

"Thirty million Americans (1 in 4) are seriously financially distressed and dissatisfied with their personal financial situation,"[7] states E. Thomas Garman of Virginia Tech University. And what does it mean to employers? It translates into…

- absenteeism
- tardiness
- lower employee morale
- substance abuse
- lack of focus on strategic goals
- use of employee assistance programs
- disability & worker compensation claims
- increased use of health care resources
- fighting with supervisors and co-workers[8]

Do employers have a responsibility to provide aid to financially distressed employees? The study, Financially Distressed Consumers, concludes: "Employers, in particular, have an important role to play in helping Americans improve their health and finances by offering targeted programs and incentives. After all, the workplace is where the employees spend the bulk of their time. Employers also 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 will be reduced."[9]