

## OPINION EXCHANGE

### EditorialOpinion

### Smart Money

Copyright. InsuranceTimes™ © 2003 by M&S Communications, Inc. All rights reserved. December 9, 2003

According to a recent survey released by the Financial Planning Association, Americans are slightly more confident in their financial future than they were a year ago. Fifty percent of Americans are somewhat confident in their financial future, up from 47 percent in 2002.

It seems the current economic climate has not had an overwhelming impact on Americans' thoughts about financial issues.

The "Financial Future" survey results indicate Americans are reluctant to leave their comfort zone when it comes to certain financial resources and behaviors.

Familiarity and use of personal banking services, tax and accounting services and insurance ranked high with at least 79 percent of respondents saying they were very or somewhat familiar with those services.

In comparison, at least half (50%) said they were very or somewhat familiar with investment management, estate planning and financial planning services.

Although nearly split down the middle with 48 percent saying the economic climate has changed their financial behavior and 51 percent saying it hasn't, those who have made adjustments tended to concentrate on behaviors that affect their daily lives. Changes in the way Americans budgeted, purchased and saved were at higher percentages, 81 percent, 82 percent and 72 percent, respectively, than investing and retirement plans.

"What we are seeing here is most Americans are waiting out the economy," says David Yeske, CFP, president of FPA. "They aren't making any sweeping changes, but they are careful to not take on any new products or services, which may mean more expenses for them."

•••••

*This message was produced by the Financial Planning Association, the membership organization for the financial planning community:*

Talk around the office water cooler often gravitates to one issue: money -- and the lack of it.

Whom do employees most often blame for their financial woes? Their employer.

However, the real issue is often not what employees earn, but what they keep. Many people don't know how to manage their money, how to spend it, how to save it. That's where employers can step in. By educating their employees and their families about how to better manage their money, employers can benefit their employees and the company in a number of ways:

- Improve productivity. Financially literate (thus more financially secure) employees are more focused, motivated, and enthusiastic on the job.

- Reduce employee stress. Financial problems are a major cause of job stress. Less stress means fewer injuries and lower health-care costs, improved employee/employer relations, and increased morale.

- Improve employee loyalty. Companies that help financially educate their employees are telling their employees they care about their welfare, which, in turn, inspires greater loyalty and hard work.

- Encourage participation in retirement plans. In the case of the popular 401(k) plan, 25 percent of eligible employees do not participate, mostly out of financial ignorance. And those who do participate often fail to invest in the plans wisely, leaving inadequate

resources for retirement and causing resentment toward the employer.

- Develop appreciation of non-cash benefits. Employers have turned to more flexible, non-cash employee benefits that require employees to design their own benefit packages. Financially literate employees are better able to understand and appreciate these benefits options.

- Increase acceptance of retirement packages. Financially secure employees are in a better position to accept early or partial retirement packages.

Educating employees about personal financial planning is not as groundbreaking as it may appear. Employers have made major efforts to educate employees about their personal health in order to reduce health-benefit costs. Why not improve their financial health?

How do companies go about financially educating their employees? They can put on financial planning seminars, offer individual sessions with qualified financial planners, or provide financial newsletters or other resource material. These seminars and resource materials should teach employees the fundamentals about money management (budgeting, credit cards, banking, debt management), investing, insurance, retirement and estate planning, and taxes.

For more information about educating employees, call the Institute of Certified Financial Planners at 1-800-282-PLAN.

For a modest investment, employers will find that financially literate employees return big dividends. □