

FOR IMMEDIATE RELEASE  
POSTED MONDAY, JUNE 21, 2006

**ATTENTION: PERSONAL FINANCE & BUSINESS**

CONTACT

E. Thomas Garman, President  
Personal Finance Employee Education Foundation, Inc.  
Fellow and Professor Emeritus, Virginia Tech University  
9402 SE 174<sup>th</sup> Loop  
Summerfield, FL 34491  
Web: [www.PersonalFinanceFoundation.org](http://www.PersonalFinanceFoundation.org)  
Telephone: (352) 347-1345

PRESS RELEASE

ORLANDO, FL, Monday, June 21, 2006 –

**EMPLOYERS WASTE \$750 TO \$2,000 ANNUALLY ON EACH EMPLOYEE'S  
POOR MONEY MANAGEMENT BEHAVIORS**

“Poor employee financial literacy costs employers at least \$750 in cash—for each employee—every year,” says Dr. E. Thomas Garman, president, Personal Finance Employee Education Foundation, Inc., and professor emeritus and fellow at Virginia Tech University where he directed the university’s National Institute for Personal Finance Employee Education.

Employers can expect \$450 in positive job outcomes and \$300 in lower health care costs for each employee who improves his or her financial behaviors and financial well-being. Employers offering flexible benefits accounts might realize additional savings of \$1,274 for improving employee financial literacy.

Research is increasingly confirming the view that financial distress can play a role in causing or aggravating various health disorders. Whatever the cause of distress, it can result in negative effects on one’s mental and physical health. As stress increases, perhaps from preoccupation with issues such as calls from debt collectors or unpaid debt and bills, individuals may experience a myriad of stress-related symptoms and illnesses.

A study of the negative health effects of financial distress upon a sample of 3,121 financially distressed adults found that more than 4 in 10 (42.4%) answered yes to the question “Do you feel your health has been affected by your financial problems?” Examples given included anxiety, insomnia, headaches, and depression, as well as an inability to afford or access recommended health maintenance practices and health care services.

Adults in poor health had the highest financial stress level while those in very good health had the lowest level. Each employee who is financially distressed and dissatisfied with his or her personal financial situation spends an extra \$300 of employer money on health care costs

annually, according to Garman's estimates using multiple research databases. Confirmatory research is underway.

Financially troubled employees are absent more than others and they waste more time at work dealing with personal financial problems. Typically, at least two-thirds of employees deal with financial matters at work. Award winning research at Virginia Tech found that this costs employers \$450 annually in productivity losses through absenteeism and work time wasted dealing with financial concerns.

For employers offering flexible benefits accounts, each financially literate employee who makes better choices among employer-sponsored benefits may save the company up to \$1,274 every year. An example follows. Francine FinancialLiterate earns \$50,000. She signs up for her employer's health care flexible spending account (cafeteria 125 plan) and contributes \$100 a month; and this saves her company \$92 in the employer's share of social security payments because the company's portion of those taxes need not be paid to the U.S. government ( $\$1,200 \times 0.0765$ ). Francine also signs up and pays \$5,000 annually to her company's child-care flexible spending account, and this saves her employer \$382 ( $\$5,000 \times 0.0765$ ). Francine found out that a newly offered employer-sponsored health insurance, with similar coverage to her present plan but with higher deductibles and co-pays, would cost her much less in premiums if she switched to the new consumer-driven policy, so she voluntarily changed plans. This policy also reduces her employer's portion of the premiums by \$800.

The savings for employers that offer flexible benefits accounts could amount to about \$1,274 ( $\$92 + \$382 + \$800$ ) per employee each year. This \$1,274 is "cash money" employers are leaving on the table. Actually they are "wasting it" by giving those monies to the U.S. government. The choice is the employer's: Either give the \$1,274 to the federal government as the company's portion of social security taxes or the company keeps it.

Research also shows that improvements in health status correlate with reductions in financial distress as well as with improvements in one's personal financial situation. This occurred in one research study because of participation in a credit counseling debt management program and client access to the company's financial literacy educational program.

A quality employer-sponsored basic financial education program that decreases employees' financial distress and increases financial satisfaction results in savings getting passed onto the employer through lower absenteeism and less work time wasted (\$450) and lower health care expenses (\$300).

Combining the \$300 in extra health care expenses and the \$450 in lost productivity with the \$1,274 in saved employer's social security taxes provides a potential annual savings to a company of \$2,024 every year for each employee who decreases financial distress and improves financial satisfaction ( $\$300 + \$450 + \$1,274 = \$2,024$ ). These are annual employer savings! "That's real money and employers who do something about it make greater profits for the company."

“It’s smart business,” says Garman “to provide employees access to targeted financial information, education and advice programs that enable them to improve their financial behaviors and well-being because financially well employees are the employer’s very best employees.”

“Don’t give employees a big raise,” says Garman, “instead, give them access to quality basic financial information, education and advice because it increases profitability.”

#### E. Thomas Garman

E. Thomas Garman is President of the Personal Finance Employee Education Foundation, Inc. (<http://www.PersonalFinanceFoundation.org>), a non-profit organization, based in Summerfield, Florida, and Fellow and Professor Emeritus at Virginia Tech University, where he concluded a long teaching career and served as executive director of the university’s National Institute for Personal Finance Employee Education. He currently serves as a senior advisor for the non-profit Heartland Institute of Financial Education (<http://www.hife-usa.org>).

He is a Distinguished Fellow in both the American Council on Consumer Interests and the Association for Financial Counseling and Planning Education. He directed seven national award winning research studies, and he has authored 200 academic research articles and 30 college textbooks, including *Personal Finance* (Houghton Mifflin) and *Consumer Economic Issues in America* (Thomson). His work has been featured in *Financial Counseling and Planning*, *Journal of Compensation and Benefits*, *HR Today*, *Employment Relations Today*, *Ticker*, *USA Today*, *Wall Street Journal*, *The Washington Post*, *Los Angeles Times*, *The Chicago Tribune*, *Reader's Digest*, *U.S. News & World Report*, National Public Radio, and *NBC Nightly News*. See <http://www.PersonalFinanceFoundation.org>.

###