

A Research Study Conducted by Virginia Tech:
Insights into Participation in Workplace Financial Education
At Southeastern Chemical Producer, Incorporated

EXECUTIVE SUMMARY

Introduction

One of the most rapidly growing areas within the employee benefits arena is workplace financial education. This is partly attributable to Department of Labor (DOL) guidelines, such as ERISA 404(c), and partly in response to employee needs in this area. Additionally, research findings relating stress to job productivity (Darby, 1997, Garman & Leech, 1997) has garnered interest from employers to quantify the value of providing workplace financial education. Research has indicated that participants in financial education gain confidence in making financial decisions and make changes related to savings and investments (DeVaney, Gorham, Beecham & Haldeman, 1995).

There are many reasons employers have offered financial education to employees:

- To increase participation in 401(k) plans
- To increase contribution levels as a percentage of salary
- To increase employee loyalty and morale
- To improve employers chances to retire early
- To reduce stress and increase productivity
- To satisfy ERISA 404(c) regulations
- To reduce the incidences of employee theft

Employers are also aware that one form of retirement education does not meet the needs of all employees. Many forms of workplace financial education are available – print materials, software, vendor seminars, and workshops. Some employees will not take advantages of any of these vehicles, while others pursue all avenues to increase their knowledge.

The primary purposes of Southeastern Chemical Producer, Inc.'s participation in this study were to determine reasons why some employees took advantage of workplace financial education workshops while others did not, to determine the value of educational workshops presented to employees, and to determine if there was a measurable increase in productivity as a result of better financial behavior.

Respondents were asked questions about the financial education programs in which they participated, in which workshop version they participated, and why they participated. Also, they were asked what changes were made as a result of the education. Those who did not attend were asked why they didn't participate. Respondents were also asked what additional financial education was desired, if any. The questionnaire sought information on financial well-being, financial behavior and attitudes, financial stress, and self-reported measures of workplace productivity.

The data derived from the questionnaires may be used to show differences between those who participated and those who did not. Since a pre- and post-test research procedure was not utilized, the data cannot actually attribute any differences specifically to the financial education workshops. Additional research with those who have not participated in workshops at the time of this survey and after they received financial education would further assist in understanding the impact and value of financial education in the workplace.

There were 181 responses to the 300 surveys sent out in May 1998 and 178 were usable for the study. Thus, the response rate was 60%. Of the 178 survey respondents, 100 (56%) attended one or more of the financial workshops.

“The EDSA Group® Money Basics” or “The EDSA Group® Money 101” was the workshop attended by the most participants. Fifty-seven of the participants attended one workshop, 32 attended two workshops, three persons attended three workshops, and five individuals attended all four of the workshops.

Almost all of the participants gave as their reason for attending the workshops, “to learn more about financial topics”.

To obtain information about the effectiveness of the financial education received, individuals were asked how they felt about the content of the workshops, and whether or not they had made changes in financial behavior as a result of what they had learned in the workshop(s).

Over 90% of the workshop participants said the workshops gave the information they wanted and that they were satisfied with the financial education.

Participants reported making the following financial behavior changes as a result of the education received:

- 75% said they felt they were making better financial decisions;
- 34% started contributing to the 401(k) plan;
- 45% increased the amount they were contributing to their 401(k);
- 75% said they were more confident in making investment decisions;
- 56% said their financial situation had improved because of the financial education; and
- 70% said they changed their investment strategy by diversifying or being more aggressive in their investment choices. Participants increased their contributions in Balanced Funds and Equity Funds, which have a higher rate of return on investment, and decreased their contributions to Fixed Accounts, which usually have a lower rate of return.

The main reason given for non-participation in the workshops was “the time conflicted with my schedule”.

RESULTS

The study looked for differences and similarities between those who attended the educational workshops, called participants, and those who did not attend the workshops, called non-participants.

Workshop participants were more likely to be older, in a first marriage, white, more educated, have higher income, and were closer to retirement than were non-participants.

On average, workshop participants had worked for Southeastern Chemical Producer, Incorporated for more years than had non-participants. They were more likely to participate in the 401(k) plan, to have participated for more years, contribute more dollars, and to have reached the maximum limit on participation. Workshop participants had more types of savings and more total savings than did non-participants. They were more likely to report that they were on track for retirement savings and felt they could live comfortably in retirement.

Non-participants were more likely to be concerned about current living expenses, having to cut expenses, and to have reached the maximum limit on a credit card.

Workshop participants had experienced fewer financial stressors in the last year, and reported better health, less financial stress, and had a higher self-perceived financial wellness score. Workshop participants also practiced more good financial behaviors.

Financial wellness also was highly correlated to better physical health.

Of the 178 respondents, 143 (81%) of these said they would be interested in attending financial education in the future. Fifteen topics were listed, and there were 623 responses for an average of 4.4 workshops desired by each individual. The workshop topics of highest interest were retirement planning, investing, understanding benefits, tax planning, and estate planning. Workshop participants expressed higher interest in topics such as college planning, budgeting, and getting out of debt.