

## **SOME BENEFITS OF WORKPLACE FINANCIAL EDUCATION**

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All people need to have sufficient information and education to achieve their financial goals. In recent years, workplace financial education has become a useful source of information on personal finances for millions of workers. Such education helps workers understand their retirement plans and it motivates them to save and invest. It also can encourage the wise selection of fringe benefits and as how to make a variety of informed financial decisions. This study was conducted to identify some of the benefits of workplace financial education immediately following the delivery of a seminar.

### **Procedures**

A 37-item questionnaire was distributed to workers to evaluate a financial education seminar upon completion of the two-hour presentation in May 1998 delivered by Jordan Goodman. The participants were workers at the corporate headquarters of Interpublic Group Advertising in New York City.

### **Findings**

Of 104 responding seminar participants, 69 were females and 35 were males. Nearly half of them were never married (48%) and 44 % were married. Eighty held more than a college degree. The average age was 36 with a range of 20 to 72. Forty-two percent of participants reported they had more than \$70,000 as annual household income. Twenty-two percent reported incomes between \$50,000 and \$70,000, and 34% earned less than \$50,000 annually.

A number of questions on current financial behaviors were asked. About one-quarter of those who responded to this survey (26%) had attended previous financial education workshops or seminars. More than three-quarters (78%) put their money into saving

and investment programs through their employer, even though 67% did not know how much they needed to save for a comfortable retirement.

### Participants' Financial Wellness

The participants reported that their financial wellness was about in the middle of a 10-point scale. Satisfaction with one's present financial situation was 5.7 on a 10-point scale. When asked about their feelings of retirement financial security, the average response was 5.5 on a 10-point scale.

### Seminar Ratings

The participants in the financial education seminar rated it on a 5-point scale, ranging from 1 for "poor" to 5 for "excellent." Several other questions asked the participant to rate the value of the seminar, including items on overall benefit, value of information, seminar materials, use of visual aids, instructor's delivery and style, time schedule, and location. The great majority rated the seminars on these factors as "excellent."

### Evaluation of Financial Education Seminar

Eight questions asked participants to evaluate the seminar, using a 5-point Likert agreement scale. Over ninety percent agreed with the following: that overall, the financial education seminar was beneficial; that the seminar helped their understanding of their employer's retirement benefits; that the seminar increased their appreciation of the fringe benefits offered by the employer; that they felt more comfortable making independent decisions about their finances due to the seminar; that the seminar met their needs and expectations; and that they were very satisfied with the financial education seminar.

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A statistical correlation was found between the workers' evaluation of the seminar and their personal financial wellness. The participants who were less satisfied with their present financial situation (reporting that they had lower financial wellness) and less satisfied with their efforts in retirement planning found the seminar more beneficial than those who reported higher financial wellness.

#### Intended Actions Regarding Personal Finances

Table 1 shows that most of the seminar participants intended to take positive actions as a result of the workplace financial education. Three-quarters or more of the seminar participants intended to put money into savings and investments other than employer-sponsored 401(k) plan, determine the amount they need to save for a comfortable retirement, and evaluate their contribution to the 401(k) plan. More than half reported that they intend to seek more financial information from their employer's human resources department and change the investments within their 401(k) plan. Nearly half reported that they intend to increase the amount of their contribution to the 401(k) plan and seek the services of a financial advisor. Importantly, the financial education seminar motivated one-quarter of the workers who previously were not participating in 401(k) plan to report that they intend to start.

Table 1  
Intended Actions Regarding Personal Finances

Questions	Yes (%)	No (%)	N/A (%)
Put money into savings and investments other than the 401(k) retirement plan	84	10	5
Determine how much needed for a comfortable retirement	83	11	4
Evaluate contribution to 401(k) plan	74	9	17
Seek more financial information from personnel in the Humana Resources department	59	33	8
Change the investments within 401(k) retirement plan	54	22	23
Increase contribution to 401(k) plan	46	21	33
Seek the services of a financial advisor	38	50	13
Not contributing to 401(k) now. Due to the seminar, plan	29	2	69

to start saving in the 401(k) plan.

#### Interest in Future Financial Education Topics

Ninety-nine desired to attend additional financial education seminar if provided by the employer. Their interests varied as shown in Table 2.

The most popular future seminar topics were investing (78%) and retirement planning (69%). Half or fewer of the participants were interested in future financial education on early retirement (48%), budgeting (46%), and cash management (43%). It appears from the wide range of interest in future seminar topics that workplace financial education should be more comprehensive than just retirement education to meet the expressed needs of workers.

Table 2  
Interest in Future Financial Education Topics

Topics	Yes (%)
Investing	78
Retirement Planning	69
Early Retirement	49
Budgeting	46
Cash Management	43
Life Insurance	36
College Planning	35
Tax Planning	35
Credit Management	31
Estate Planning	31
Rental Property Investments	30
Insurance Planning	30
Elder Parent Care	28
Educational IRAs	29
Education Funding	26
Living Trusts	19
Consumer Protection Laws	13

#### Conclusions

This research found a number of positive benefits for workers participating in a workplace financial education seminar. Participants assessed the seminar positively, and they reported that the education helped them to understand and appreciate their employer's fringe benefits. Most reported that they would take some positive personal finance actions as a result of the seminar. Most were interested in attending a wide range of additional financial education seminars, much more comprehensive than narrowly focused retirement education.

## References

Kim, J, Bagwell, D., & Garman, E. T. (1998). Evaluation of workplace personal financial education. *Proceedings of the Personal Finance Employee Education*, 2(1), 187-191, Roanoke, VA.