The four 'Cs' of financial wellbeing and how to achieve them

Would you like to save up to 200% of an employee's salary?

Make sure they don't leave.

The cost of replacing an employee can be as high as double their annual salary. Not included in that 200% bill is the ripple effect on team dynamics and remaining employees' workloads while the employer struggles to find an appropriate replacement.

In a world where finding and keeping top talent is becoming ever more difficult, businesses too often let talented employees slip through the net for very basic reasons. Those could include the range of development opportunities on offer to them, quality of leadership – and financial wellbeing.

The *MetLife Employee Benefit Trends Study 2017* found that 36% of employees are distracted at work due to financial worries, a huge increase on 2015 when it was 12%. That distraction not only means lower productivity at work. It also means staff are more likely to be tempted away by higher salaries elsewhere.

With pay increases failing to keep pace with inflation over recent years, perhaps the increase in financial worries is not surprising. But while pay might be the most obvious financial factor in the workplace, it's not the only one. Helping employees cope by changing how they behave towards their finances and building a culture of financial wellbeing can be the difference between encouraging an employee to stay and losing them to a competitor.

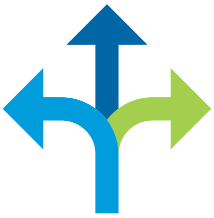
Every workforce is different, so understanding employees' specific needs is the first step to building an appropriate strategy and defining the right metrics to measure success.

However, no matter whether you have a financially-focused workforce of 50, or a multi-skilled staff of 5,000, there are four key areas that should form part of any financial wellbeing strategy. They are the 'four C's' :

Control: Effective day-to-day planning sits at the heart of good financial wellbeing. That means helping employees to understand and keep track of what's going in and coming out every month. But this isn't a one-off activity. In the same way that one visit to the gym once won't do much for an employee's physical wellbeing, getting an individual to review his or her finances once will have little or no effect. Control comes from building good financial planning habits over time

Capacity: Life rarely runs to plan and being able to absorb a financial shock, such as a period without work due to illness, is an essential part of financial wellbeing. Capacity means building up a savings safety net so that when the worst happens, there are funds available to cushion the blow. However, 39% of employees say that they can only just make their money last from payday to payday, making financial capacity a major challenge. Other employee benefits – such as income protection – can play a major part in giving employees peace of mind and means that their safety net doesn't have to be based on personal savings alone.

Confidence: Having control and capacity ultimately build confidence. If employees know their money is working well for them and they can cope if something unexpected happens, they can then start to plan for the future and set some savings goals. Most individuals will have a mix of short-term (saving for a holiday, or to cover Christmas), medium-term (a deposit on a house or project like a loft conversion), and long term (saving for retirement) savings goals.



Choices: Control, capacity and confidence empower individuals to know that they can live reasonably well, rather than simply existing. That gives them options about how their future – whether that's deciding to go on holiday or choosing their own retirement date – and the comfort factor of knowing they are in control.

There is also a fifth 'c': **Commitment**. And it takes two forms. The first is an employer's commitment to enabling employees to make behavioural changes. That can mean offering good quality financial benefits, as well as building a workplace culture that encourages employees to change the way they view their finances.

The second is the commitment made by employees themselves. Motivating individuals to put more of their hard-earned salary into a pension that they won't see for decades or persuading them to take a completely new approach to their finances is essential to achieving the four (or five) 'c's.

The net result of that commitment could mean that when a competitor comes calling with a slightly higher salary, the offer of money alone won't be sufficient to lure staff away. That has to be good for an employer's financial wellbeing, as well as that of its staff.

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