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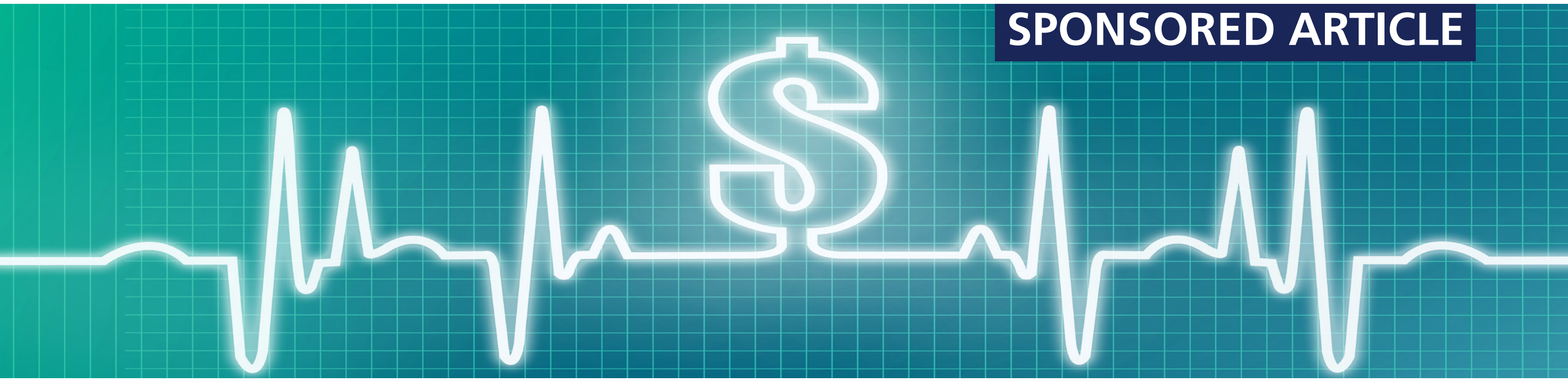

Why financial literary and financial wellness matter

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Even as the move to Defined Contribution (or 'DC') plans gains more and more traction across the US, the need for financial literacy and financial wellness education and programs has also increased considerably.

Financial literacy is the knowledge of topics related to personal finance, managing one's wealth, tax planning, investing, insurance, and saving for the future, in order to make effective decisions.

Financial wellness refers to the state of the financial health of an individual, in the context of their short and long-term financial needs.

For an individual, financial wellness could mean a variety of things - the ability to take better and informed financial decisions, having low or no debt, being able to save for specific goals, financial freedom to retire early or switch careers, or satisfaction with the current financial status.

Today, employers and plan providers offer financial wellness programs to support and facilitate the achievement of the employees' goals. These programs offer employees access to resources, financial advisors, and planning tools to manage their finances and risks such as loss of income or unexpected expenses.

Recent surveys of the working population in the US have revealed that a significant percentage of the workforce, especially millennials, is yet to start planning for retirement. Often, lack of knowledge or access to education or resources related to financial planning is the main reason why people tend to delay planning for the future.

Retirement industry experts stress on the need to customize financial wellness education content to suit the profile of the individual. For example, an employee with 30 more years of employment ahead has different requirements from someone who has only two years left. Personalized content and wellness plans, are, therefore, imperative, especially in the case of corporate wellness programs.

Participants could be adventurous or conservative and would require guidance based on their outlook and goals. For example, while investing, one employee may prefer low-risk options with better returns (such as government bonds), while another may invest 80% of his portfolio in high-risk stocks with volatile returns.

Over the years, surveys have revealed that money is a significant source of stress for employees. Financial wellness programs provide workers with knowledge to take better decisions and plan for the future. For employers, these programs offer an opportunity to help reduce their employees' financial stress and bring about a positive change in employee morale. ■

This is part one of a two-part article on financial wellness.
Read the second part on our website:
https://www.sparkinstitute.org/resources/sponsored-article/