Each month you can learn more about the articles in Absolute Advantage. Simply log on to WELCOA’s members only website to get more in-depth coverage of the topics that matter most to you. Find full-length interviews, expert insight, and links to additional information that will help you do your job better!

IN THIS ISSUE:

In this issue of Absolute Advantage, we are presenting content related to personal wellness and individual financial status. Because of the many events presently taking place in this country, not least of which include: the decline in personal savings rates; the increased reliance on credit cards; the questionable status of social security; and the profound shift by employers to defined contribution plans, we believe that financial wellness is a force that every worksite would be wise to incorporate.

WEB LINK
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Financial Wellness Goes Mainstream

Give others in your company the Advantage. Please route to: q Senior Management q Human Resources q Benefits Department q Fitness Center
Fiscally Fit...
Financial Wellness Goes Mainstream

This issue of *Absolute Advantage* is about financial wellness.

Although this topic has not been on the traditional wellness radar screen, we believe that it merits serious attention in light of the fact that the baby boom generation is preparing to transition into retirement over the next three decades. This demographic reality will create profound challenges and significant changes when it comes to how we address business and health in this country.

With this in mind, we have engaged two experts to serve as guest editors for this issue. Dr. Gregg Dimkoff is a professor of finance and the Director of the Certificate Program in Financial Planning at Grand Valley State University in Grand Rapids, Michigan. Along with Dr. Dimkoff, we have enlisted longtime contributor, Jeff Rubleski. Jeff is the regional sales team manager for Blue Cross Blue Shield of Michigan. Jeff is also a sought-after expert in the arena of financial wellness.

In this edition of *Absolute Advantage*, we’ll address such topics as the dismal state of personal finance in America as well as corporate America’s move to a defined contribution approach. In addition, we’ll take a look at the coming Social Security and Medicare crisis and what workplace wellness professionals can do to address these issues.

We hope that you enjoy this issue of *Absolute Advantage*—there’s no question that this topic is about to go mainstream in workplace wellness.

Yours in good health,

Dr. David Hunnicutt
President
WELCOME

Absolute Advantage is the interactive workplace wellness magazine that helps large and small employers link health and well-being to business outcomes. Absolute Advantage arms business leaders and wellness practitioners with leading-edge workplace wellness information straight from the field’s most respected business and health experts.

With its online component, Absolute Advantage provides the industry’s most current and accurate information. By logging on to the magazine’s interactive website, you can access a whole new world of health promotion—including in-depth interviews with national health promotion experts and insider’s information about industry products.

SUBSCRIPTION INFORMATION

For information about subscribing to Absolute Advantage, contact the Wellness Councils of America at (402) 827-3590 or via e-mail at wellworkplace@welcoa.org.

Abs•olute Ad•van•tage:

When a company can produce more than its competitors—even though they have the same amount of resources—it has an absolute advantage.

We believe wellness is that advantage.

EXECUTIVE EDITOR | David Hunnicutt, PhD

Dr. Hunnicutt is President of the Wellness Councils of America. As a leader in the field of health promotion, his vision has led to the creation of numerous publications designed to link health promotion objectives to business outcomes.

SENIOR EDITOR | Mike Perko, PhD

Dr. Perko has significant experience in worksite wellness. Currently the Chair of Health Education at the University of Alabama, Dr. Perko also serves on WELCOA’s Medical Advisory Board and often speaks on behalf of the Wellness Councils of America.

MANAGING EDITOR | Brittanie Leffelman, MS

Brittanie is the Director of Operations and manages major writing projects at WELCOA. With a Master’s Degree in Health Promotion, she regularly coordinates national health forums, major grants, and state and local wellness initiatives.

DIRECTOR OF MARKETING | William Kizer, Jr., MBA

As Director of Marketing, Bill is responsible for the design and oversight of WELCOA’s marketing programs. With a Master’s Degree in Business Administration, he communicates the value and benefits of WELCOA and its many products to organizations around the country.

DIRECTOR OF MEMBERSHIP | David Steurer, MEd

As WELCOA’s Director of Membership, David is responsible for recruiting and servicing member organizations throughout the United States. David’s background has been grounded in worksite wellness for the past 25 years.

DIRECTOR OF COMMUNITY AFFAIRS | Kelly Nix, MEd

As the Director of Community Affairs, Kelly is responsible for leading WELCOA’s cadre of locally-affiliated wellness Councils. In this capacity, Kelly coordinates the Well Workplace awards initiative as well as the Well City USA community health project.

DIRECTOR OF DESIGN & TECHNOLOGY | Justin Eggspuehler

A 2001 graphic design graduate from Iowa State University, Justin studied design in Rome, Italy before joining the WELCOA design staff. He is responsible for the layout and design of many publications including The Well Workplace newsletter and Absolute Advantage magazine.

MULTIMEDIA DESIGNER | Adam Paige

Adam joined WELCOA in early 2005. With corporate experience in design and videography, he brings a wealth of talent to WELCOA’s publication. In the capacity of a multimedia designer, Adam contributes to the publications of The Well Workplace newsletter and Absolute Advantage magazine.

Information in this publication is carefully reviewed for accuracy. Questions, comments, or ideas are welcome.

Please direct to Dr. David Hunnicutt, Executive Editor, at the address below.

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VOLUME 6, NUMBER 5

Organizational Founder, William Kizer, Sr.
DEFICIT DISEASE
ILLNESS AND PERSONAL FINANCES

By David Hunnicutt, PhD
It comes as no surprise that our personal financial health practices affect our individual health status. And, in light of the abysmal financial habits of the 80 million U.S. baby boomers, you can count on the fact that a lot of people in this country are going to get sick.

Now, you could argue that some of the poor health that will be experienced by the boomers will be a natural part of the aging process. After all, as the body gets older, the natural order is to breakdown.

This is, of course, true.

You could also make the argument that some of the coming sickness that will be experienced by the boomers will most assuredly be due to a lack of good preventive health practices like exercising regularly, eating healthfully, and getting regular check-ups. This is also quite accurate.

However, I’m willing to bet—and you can take this to the bank—much of the coming sickness in this country will be due to the unrelenting stress that will result from the abysmal financial practices of boomer nation.

In fact, our present financial practices—especially with respect to the use of credit cards—are so bad that we, as a country, now have a collective negative savings rate. And, given the reality that the baby boomers will be living to somewhere in their 80’s, it’s clear that people aren’t saving nearly enough for what could be 25 years in retirement.

Inevitably, these poor financial practices will come back to haunt a significant portion of the boomers—and it’s going to be a painful, stressful lesson for some 80 million U.S. citizens.

**So How Exactly Does Poor Personal Financial Practice Take A Toll On Individual Health?**

In a nutshell, we’re not sure.

One potential explanation is that illness occurs because poor financial practice leads to a lack of personal resources which ultimately results in the inability to afford good healthcare.

Another possibility is that illness comes to an individual and it drains their financial resources which then force them to live in less than ideal circumstances.

Recent studies have revealed that people who get into debt do indeed suffer from increased anxiety, greater emotional strain, and significantly more stress.

But one very real possibility (which few want to acknowledge) is that illness comes as a result of the increased long-term stress experienced by those with poor personal financial practices.

In fact, recent studies have revealed that people who get into debt do indeed suffer from increased anxiety, greater emotional strain, and significantly more stress.

Still, when you examine all of the research from end-to-end, the simple fact remains that we really don’t know why people who have less money get sick—the aforementioned are all potential explanations.

But we do know one thing.

People who struggle to make ends meet each month experience more illness than those who do not—the Whitehall Studies revealed this truth years ago.

That’s why we’ve dedicated this entire issue to financial wellness. Although this topic has received very little attention from the worksite wellness community, I’m convinced that things are about to change.

Indeed, with 80 million baby boomers preparing for retirement—and the vast majority now realizing that they are ill-prepared to make this transition—I’m willing to go out on a limb and guess that this societal concern is going to go to number one like a rocket.

The major question will be, “Can we get the engines started fast enough to stave off the financial—and ultimately health—disaster that looms on the horizon?” I hope that this issue of Absolute Advantage will help to ignite the discussion.
Deciphering Your Credit Score

By Gregg Dimkoff, PhD
very few numbers are both as important and as confusing as credit scores. It’s clear they are important. They are used by banks and other lenders to approve or deny loan applications and set interest rates. They also are used by merchants to help them decide whether or not to issue charge cards. Many landlords check credit scores of potential renters before approving them for leases. Employers, especially in certain professions where there is easy access to large sums of money—accountants and criminal justice system workers for example—check scores as part of their recruiting processes. Especially contentious is the nearly universal use of credit scores by insurance companies to set premiums for most lines of personal insurance including auto, homeowners, and life. While the practice is legal in most states, a few states prohibit insurers from doing so.

You may be surprised to learn that you don’t have just one credit score. In fact, you could have as many as two to three dozen if you are an active user of credit. You can even have several credit scores from the same credit reporting agency, and they may be significantly different from each other. For example, a banker told one of her customers that his credit score was 649. Even though the customer had nearly $100,000 of credit card debt, he strongly protested, arguing that the bank had made a mistake. He had applied for a loan from a mortgage company earlier in the day and had been given a document showing his credit score was 720-71 points higher than the bank was reporting. Both scores came from the same credit bureau, yet no one at the bank was able to explain the difference to him.
Its score differs from the others—ranging from 501 to 990—but the formula used is the same among the three agencies. VantageScore is not yet widely used, but the expectation is that it will be, making credit scores more uniform and reducing consumer confusion.

Because there are so many reporting agencies, each calculating several different scores based on different formulas producing scores falling within different numerical ranges, a consumer doesn't stand a chance trying to figure out what a particular score means. Correct interpretation requires a chart or table explaining how different scores affect interest rates.

No matter how scores are determined, all are based on individuals' credit reports. A credit report begins with identifying information such as the person's name, address, Social Security number, birth date, and how long information about the person has been in the particular credit bureau's data base. Financial information is shown next. The report lists all credit cards and for each shows the last known balance, total credit available, the most owed, and late payments. Also shown are closed credit card accounts. If an individual has public financial records such as bankruptcy filings, they are listed also. Finally, the report lists credit inquiries during the past two years. Don't expect the reports to agree. Because many lenders submit information to just one or two reporting agencies, a particular credit bureau may not have complete records.

Fair Isaac uses a proprietary formula to change all that information into credit scores. Credit report information is weighted approximately as follows:

- **35%** is based on payment history. Paying bills late and having bills sent out to debt collection agencies will hurt your credit score big time.
- **30%** is based on the amount of outstanding debt you have. Included is mortgage debt as well as consumer debt and credit card balances.
- **15%** is based on the length of time you’ve had credit. The longer you’ve had credit available to you, the more accurately a credit bureau can predict whether or not you will pay your bills on time.
- **10%** is based on the number of credit inquiries on your report. The more the number of reports and the more recent they are, the lower your score.
- **10%** is based on the type of credit you have.

Get a free copy of your credit report from each of the three major credit bureaus once every 12 months thanks to a recent amendment to the Fair Credit Reporting Act.

www.annualcreditreport.com
Every time one of the 20-30 facts contained in your credit report changes, your credit score will change at least a little. Credit report errors are common, so it’s generally a good idea to check the information periodically. You can get a free copy of your credit report from each of the three major credit bureaus once every 12 months thanks to a recent amendment to the Fair Credit Reporting Act. All you have to do is go to www.annualcreditreport.com, fill out the request form, and view your report on-line. You can also request copies by calling 1-877-322-8228. It’s usually a good idea to request a report from only one of the bureaus at a time instead of doing all three at once. That way you can spread your requests over 12 months, getting one report every 4 months or whenever you suspect credit reporting errors have occurred.

One limitation with credit reports is that they don’t show credit scores. Yet lenders heavily base their decisions on credit scores, not the reports. In contrast to the ease of getting your credit report, there is no way to get a free credit score. Sure, you can buy your credit score for less than $10 each from the credit bureaus, but they don’t make it easy to do so. Often they try to sell a bundle of services, one of which is your credit score. Included in the bundle are account monitoring services which look for unusual credit card activity, something almost all credit card issuers do on their own. The bundle can cost up to $50 per year.

Instead of fixating on your score, you should be more concerned with your credit report. After all, credit scores are based on information contained in the report. Accordingly, it’s a good idea to make sure the information is accurate by obtaining a free copy and checking for errors. Because you have so many different scores, shop around when looking for credit. Even a person with a low score might be able to get a better interest rate from a lender whose formula happens to give a higher score or whose loan standards are lower.

You can take several actions to improve your score. Here’s what will work:

- **Don’t close unused credit cards.** Your credit score goes down when you open new credit cards, so the damage to your score was already done the day you got the card. The lower the ratio of your card debt to total credit available, the lower your score. If you close unused cards, your debt usage ratio will rise causing your credit score to fall.

- **Keep your oldest accounts.** The longer you have a credit history, the higher your credit score. Closing an old credit card, for example, could reduce the length of your history.

- **Keep credit card usage to 25% or less to maximize your score.** Balances exceeding 75% of your total card limit are particularly bad.

- **Don’t open new credit cards.** Every time you get a new credit card, your score could fall by 10 points or more. The proper answer to the question, “Would you like to save 10% on your purchases today by opening a credit card?” is “Thanks, but no thanks!”

- **Pay your bills on time.** This aspect of your credit report accounts for 35% of your credit score. Don’t mess it up.

- **Try to minimize credit inquiries.** For example, applying for insurance quotes on-line can kick off several credit score inquiries. The greater the number of inquiries, the more the harm to your score. All inquiries in any 45 day period are counted as a single inquiry, and inquiries after 30 days generally are ignored by the formula.

By now you can agree that understanding credit scores is no easy task. Yet your score is the single most important measure of your financial wellness. It’s worth spending the necessary time to check your credit report and take actions to maximize your credit score.★

### About Gregg Dimkoff, PhD

Professor Gregg Dimkoff is a professor of finance and Director of the Certificate Program in Financial Planning at Grand Valley State University in Grand Rapids, Michigan. He holds both the C.L.U. and CFP® professional designations.

Professor Dimkoff has over 33 years of teaching experience with particular expertise in business finance, personal finance, insurance, and economics. His publications include four books and nearly 150 articles. He is a consultant for several companies and law firms, and is president and owner of GKD Financial Services, a financial planning and consulting firm. He has made hundreds of speeches and presentations on finance and economics-related topics. He also is a regular columnist for MiBiz, a bi-weekly West Michigan business publication, and The Lanthorn, the student-run GVSU weekly newspaper.

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Big Payoff For Small Business

By Andrew Ferdinand
Consumerism Is Driving The Benefits Market

As the cost sharing for group benefits continues to increase, employees have become more consumer-oriented, as they seek to spend their hard earned dollars on benefits offered through their employer. This trend also requires better education for both the employer and employee to understand how to get the best use from limited benefit dollars.

Implementation of a Section 125 Plan with either a Premium Only Plan (POP) or Flexible Spending Account (FSA) is a must these days with increased employee contributions, benefit deductibles, and percentage co-pays. We have also seen an increase in the implementation of Health Reimbursement Arrangements (HRAs) using a high deductible health plan with a customized cost sharing approach. Health Savings Accounts (HSAs) continue to gain popularity and they are experiencing steady growth, as employers become more familiar with their unique plan design requirements. All of these options can result in significant income tax savings for employees and payroll tax savings for employers.

Although the purpose of this article is not focused on group health benefits, as a Managing Agent for one of the largest independent Blue Cross Blue Shield Plans in the nation, we see higher health care premiums in a highly competitive marketplace have given way to new and creative health benefit designs. This includes new managed pharmacy packages using custom prescription drug formularies managed internally by the health insurance carriers.

All these new approaches do beg the question “how do our valued employees view their benefit package?” And, “how do we fulfill their day to day needs with a benefit package that works for them and the company?” In each client situation, there is a delicate balancing act we must play to ensure that what’s good for the company is also good for your valued employees. Ron Timm, Regional Vice President of Sales, Fort Dearborn Life Insurance Company, agrees “employers often find themselves struggling to find balance between the ever-increasing cost of health insurance and the need for competitive benefits that retain skilled and dependable workforce.”

Group Term Life Insurance— Solid Value, Affordable Cost

Beyond basic health care coverage (in the past) employees have come to expect a basic level of group term life coverage. Employees also welcome the option to buy additional voluntary term life insurance for themselves and their spouses. Group voluntary life benefits are usually a better value and can eliminate individual medical underwriting requirements if purchased through a group. According to Mr. Timm “group voluntary benefits offers a simple solution in that they cost very little for the employer and are surprisingly affordable for the employee.” However, due to the increasing costs of group health benefits market trends indicate a sharp decrease in the number of employers who offer even a basic level of group term life insurance ($10,000 to $20,000). This is basic coverage that can usually be offered on a guaranteed basis (no medical underwriting) which is a huge value to all employees.

An average small business with six employees may spend $360 per year for copy paper (about 10,000 sheets). The average cost to cover all six employees with $20,000 of group term life insurance (including AD&D) is about the same as the annual cost of copy paper.
I’m always frustrated when I hear of a member of my community who suddenly dies without any life insurance. Many times we find ourselves in the local school gym on the weekend holding a fundraiser for the family to cover funeral costs and other family debts. This does not have to be the case when a basic group term life policy can be purchased for as little as $5 per employee per month (usually with a dependent rider available for $1/month).

Business owners typically don’t know how inexpensive group term life insurance can be. An average small business with six employees may spend $360 per year for copy paper (about 10,000 sheets). The average cost to cover all six employees with $20,000 of group term life insurance (including AD&D) is about the same as the annual cost of copy paper.

In another example, small businesses might spend an average of $540 per month on telecommunications (according to a recent survey by the US Small Business Administration) while the cost of basic Short-Term Disability coverage might cost less than $90 monthly for all six employees.

**Short Term Disability—The Hidden Benefit Need**

Short Term Disability (STD) coverage is one of the most forgotten hidden benefit needs of all employees no matter what size company. Nearly one in four workers under age 40 will become disabled for 90 days or longer prior to normal retirement. Each year one in thirteen workers suffers a disabling injury or illness. The probability of a disability occurring during one’s working years is two to three times greater than risk of death, yet many American workers do not have any short term disability coverage. Musculoskeletal conditions and accidents account for over 30% of all disabilities. *(Information Source: Journal of the American Society of Chartered Life Underwriters & Health Insurance Underwriter)*

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<th>Probability of Short Term Disability vs. Chance of Death:</th>
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<td>Age 32 = 45.0 to 1</td>
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<td>Age 42 = 3.01 to 1</td>
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<td>Age 52 = 2.30 to 1</td>
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**Putting The Cost In Context**

And yet for a fraction of the cost of a typical small businesses’ monthly telecommunications bill you could cover your valued employees to protect them and their families against this hidden need. If it’s just not in the company budget (at the very least) Short Term Disability (STD) coverage can be offered as a group voluntary benefit to every employee (usually on guarantee issued basis). By offering group voluntary STD coverage you’ve given your employees a choice for crucial income protection, so if a disability occurs the employer has offered this benefit regardless of how many employees participate. This can be a good piece of mind...once again...hopefully, avoiding the gym on Saturday morning!

In summary, offering a combination of group and voluntary health, life, and disability benefits (according to your company budget) fosters a healthy work environment. “Having enough insurance coverage is extremely important, and group voluntary benefits offer substantial coverage in a way that is convenient and cost effective for both employers and employees,” according to Mr. Timm. Educating yourself and your employees on their benefit needs and how to use the benefits they choose is equally important. This can and should be done through a healthy relationship with a trustworthy independent group benefits agent. How does your organization’s employee benefit plan stack up? ★

**About Andrew Ferdinand**

Andrew Ferdinand entered the group health benefits industry in 1990 as a Blue Care Network (BCN) HMO Representative in Northwest Michigan where he also served four years as Regional Sales Manager for Blue Cross Blue Shield of Michigan (BCBSM) in Northern Michigan 1993-97. For the past ten years he’s worked as an authorized Managing Agent for BCBSM with Grotenhuis. He currently serves as Executive Vice President of Marketing for Grotenhuis.

Andrew is a founding charter member of the Northern Michigan Association of Health Underwriters. He and his wife Lita live in Leelanau County in the Village of Suttons Bay, MI.

The Ferdinand family (and their dog Pirate) are avid sailors and since Andrew does not golf he enjoys taking his customers out on “Sails Calls” on Northport Bay when it’s not frozen.

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Suggested Citation:Ferdinand, A. (2007). Big Payoff For Small Business. WELCOA’s Absolute Advantage Magazine, 6(5), 8-11.
The Embarrassing State of Personal Finances

By Gregg Dimkoff, PhD
Most of us try to be good people. We strive to be good spouses, parents, bosses, workers; we try to obey the laws, control our tempers, eat healthy, get exercise, resist temptations, and so forth. In other words, we strive for some level of perfection. There is an area, however, where from all appearances, we act as if we are clueless and have about as much self-control as a starving kid in a candy store. That area? Management of our personal finances.

Need proof? Consider these embarrassing facts:

- **Nearly 25% of workers** do not participate in their employers’ 401k plans. Of those who contribute, 30% don’t contribute enough to take advantage of their employers’ full match.

- **About one in five workers** who are permitted to do so have borrowed against their 401k plan balances. The two most common months for borrowing? November and December. You guessed it—they are using their retirement money for Christmas presents and travel.

- **68% of workers** who change employers withdraw their 401k plan balances instead of leaving balances with their employers or rolling their funds into other retirement plans. Of those people, 16% use the money to pay bills, and another 10% use their money to buy a house. These two uses are reasonable only if one really stretches the definition of prudent financial management. After all, funds set aside for retirement are being used to cover expenditures usually paid out of current income. Yet these people are paragons of financial behavior compared with those who are left. 3% use their retirement funds to go on vacation. The remaining 63% just fritter away the money.

- **98% of retirees** regret how they spent their money before retiring. Yet during retirement, they continue overspending.

- **On average**, it takes until May for shoppers to pay off the credit card bills they racked up while Christmas shopping.

- **36% of 401k plan participants** invest all of their money in only one stock. Fidelity Investments reports that 25% of 401k plan participants choose only one investment option. That sounds like an improvement, but the single option usually is a low-yielding account whose inflation-adjusted return is close to zero.

- **At large corporations**, 401k plan participants have invested nearly 22% of their money in their own company’s stock. Most financial advisors recommend no more than 10%.

- **75% of people who pay off their credit card debts with home equity lines of credit** keep using credit cards, getting the debt right back. Then they have two large bills to pay each month.

"On average, it takes until May for shoppers to pay off the credit card bills they racked up while Christmas shopping."
The median household net worth, the market value of assets owned less what is owed to banks, is only around $93,000. One-half of all households are above the median, and one-half are below. The average household net worth is about $470,000. The conclusion? A very large number of American households have very little net worth.

A recent survey found that people spend more time planning their vacations than they do planning their retirements.

At retirement and without health insurance, in order to pre-fund medical expenses over your remaining life, you would have to put away around $1 million.

65 million American households will not be able to achieve one or more of their financial goals because they haven’t developed a financial plan to do so.

Only about one in seven workers will be able to retire early. And they are likely to be the ones who don’t want to.

Surveys of recently retired workers found that as many as 90% continued to work at least part time. The majority do so because they need the money.

Various surveys have found that between ⅓ and ⅔ of renters have not purchased renters’ insurance. Most mistakenly think the cost is too high (it isn’t—only $10-$15 per month for most renters), or mistakenly think they are covered by their landlords’ policies (they aren’t).

You get the point—for whatever reason, we aren’t doing a very good job of managing our financial wellness. Part of the reason has to do with a lack of understanding. Our culture and education systems don’t do good jobs of preparing Americans for handling their finances. Few of our teachers, whether at the K-12 or college level, understand personal finance. As a consequence, they cannot pass on to their students what they don’t know.

Our friends, co-workers, and relatives aren’t much help, either. Their knowledge is just as limited as every one else’s. They often have trouble recognizing a good financial advisor from a bad one. And they don’t know that they don’t know. “My advisor is excellent!” “Oh yeah, how do you know?” “Because he’s a really nice guy, dresses well, and has a nice office.” So much for an understanding of whether an advisor is honest and competent.

We’re no better off as employers. If we know the answers, we fear lawsuits when our advice is misinterpreted or our advice doesn’t turn out as well as our employees expected. Compounding the problem, whose human resource department has the expertise or resources to counsel employees? Very few. So we have a nation of mostly confused people wishing they knew how to maximize their financial wellness, not knowing where to get help, and often lacking the mental discipline to do what’s needed.

So what’s the answer to this dilemma? Telling people what to do won’t work. If like were that easy, everyone would be perfect. Instead, three approaches are needed. Call them the three Cs of financial wellness: Choice, Communication, and Coercion.

Choice

Most employees are helped by plans giving them the flexibility to choose coverages that are most important to them. Especially helpful are plans where they can choose from a variety of benefits such as mandatory company-sponsored automatic benefits (often life, health, disability insurance, and retirement plans), company-sponsored voluntary benefits (for example, medical, dental, and vision insurance), and other benefits made available to employees on their own nickels (such as long-term care, auto, and homeowners’ insurance coverages).

A great aspect of voluntary benefits is the subtle pressure they place on employees to at least consider the benefit, perhaps comparing the cost and coverages with what they already may have purchased on their own. Another advantage is the potential for a price discount either because the benefit provider has reduced prices to get more business, or because of cost savings based on group underwriting.

Communicating

Second, by communicating with all employees, the cost and benefits of each benefit option must be described in simple enough language for even the lowest common denominator to understand. Communication will consist of plan documents of course, but that’s not enough. Most employees will find question-and-answer sessions especially helpful. Also consider bringing in local experts to do panel
discussions covering basic concepts such as how much to contribute to retirement plans, what is considered to be prudent asset diversification, which long-term care options are most appropriate, the basics of homeowners’ and auto insurance, and so forth. Even when advice is limited to just general guidelines, most employees will gain a better understanding of what is reasonable and prudent, and will be able to make better financial decisions.

Coercion

Finally, employees must be pointed in the right direction and then given a gentle shove—the coercion. Automatic enrollment in 401k plans is a great example of this concept. Once case study of a large employer’s 401k plan showed that participation increased by 70% when the company switched to automatic enrollment. While that outcome is strikingly large, most employers have experienced large increases in plan participation after switching to automatic enrollment. Likewise, most employers require their workers to participate in the company’s group health plan unless covered by another plan, another form of gentle coercion.

Coercion also includes rewarding employees for attending panel discussions and question-and-answer sessions. Rewards include allowing them to attend with pay during working hours, door prizes, novelty items, and in short, anything to induce participation.

It can be argued the burden of getting working adults to take better care of their financial health falls most heavily on employers. Schools aren’t doing much, and that may never change. By default, if there is to be a significant change, it will come from responsible employers who integrate all three Cs to maximize employee financial wellness.
Evolution Revolution

Health Insurance Plans Move To A Defined Contribution Approach

By Jeff Rubleski, MBA
Health insurance premiums have been exploding over the past decade. Figure 1-1 shows how these costs have risen relative to workers’ wages and inflation. For most businesses, the ever-rising cost of health insurance is a key business concern, as cost increases serve to put significant pressure on profit margins. Continued health insurance cost increases have a direct impact on the number of organizations offering health insurance as a benefit to employees. Figure 1-2 shows that less than half of businesses employing between 3-9 workers offered health insurance in 2006. The percentage of employer-sponsored health insurance plans increases with company size, but cost pressures are quickly changing how health insurance is structured and financed.

**Consumer-Directed Plans Take Hold**

In response to rising healthcare costs, more organizations are turning to consumer-directed health plans. These plans merge a high deductible health insurance plan with a savings account. The high deductible health insurance plan can cost significantly less than a low deductible health plan that features fixed dollar co-payments for office visits and emergency care.

Chances are your organization already offers such a plan or will consider offering a consumer-directed plan as an option for health insurance in the next few years. How do you know if the plan meets the criteria of consumer-directed? Here are two defining characteristics of these plans:

1. Deductible starts at a minimum of $1,000 for single coverage and $2,000 for family coverage.
2. There is a savings account established for the payment of approved medical expenses.

**The Growth Of Consumer-Directed Plans**

Consumer-directed plans are growing at a rapid pace. The number of people covered under a high-deductible plan jumped from about 3 million in January 2005 to approximately 6 million by January 2006.¹ The two types of consumer-directed plans that combine a savings account with a high deductible plan are the Health Reimbursement Arrangement (HRA) and the Health Savings Account (HSA). HRAs are notational or accrual accounts that are maintained by employers. When qualified expenses are submitted by covered members, employers are responsible for payment. HRA rules do not permit employee contributions. HSAs offer much more funding flexibility for both the employer and the employee. They function like a 401(k) for qualified healthcare expenses, where employee contributions can be matched with employer contributions.

These plans represent a major shift in how health insurance benefits are funded and how covered expenses are paid. Unlike first-dollar health insurance plans with low office visit co-payments, or low-deductible plans, consumer-directed plans serve to limit the financial exposure organizations have to the payment of insurance premiums through a high deductible plan design. Once a high deductible plan design is in effect, it is much easier to increase the annual plan deductible to offset future insurance premium costs.

**Employees Must Make Prudent Financial Decisions**

With the rapid growth of HRAs and HSAs, employees must make decisions regarding how qualified medical expenses not covered by the health insurance policy will be paid. This presents a new challenge for employees and requires planning for medical expenses. HSA account holders have a choice of investment options that often resemble the same choices available in a 401(k)-type plan. All of this can lead to confusion on the part of employees if they don’t understand how the consumer-directed plan operates. Before embarking on a consumer-directed plan, make sure that your organization, its health benefits consultant and insurance carrier take the time to put together a detailed communication plan. The number one concern of consumer-directed plan participants is the complexity associated with HRAs and HSAs. Do not underestimate the need for ongoing communication to keep employees abreast of the complexities associated with consumer-directed plans.

The percentage of employer-sponsored health insurance plans increases with company size, but cost pressures are quickly changing how health insurance is structured and financed.
Figure 1-1:  
Increases In Health Insurance Premiums Compared To Other Key Indicators

Figure 1-2:  
2006 Kaiser Foundation Survey-Percentage Workforce By Firm Size Offering Health Insurance
Proceed With Caution

As health insurance costs continue to escalate, more and more organizations will turn to HRAs and HSAs as a way to both control rising costs and to encourage employees and their family members to utilize healthcare more appropriately. Remember that with consumer-directed healthcare there are three elements that must be clearly understood by employees:

1. What the high deductible health insurance pays for and which expenses are eligible for reimbursement from the HRA or HSA.
2. How the underlying HRA or HSA account functions. Financial education is absolutely essential to ensure understanding and success.
3. How employees can find resources to make better healthcare decisions. Be sure to choose a health insurance plan that offers robust online resources, including decision-making tools, self-help resources including health risk assessments and self-care materials. Some health insurance carriers are much more sophisticated in their consumer-directed capabilities than others.

The Future of Defined Contribution Healthcare—A Direct Link to Individual Wellness

Figure 1-1 vividly illustrates that the “mathematics” associated with health insurance premium year-over-year increases are not sustainable without a change in the way premiums are paid and healthcare services are consumed. Health insurance costs are a heavy burden for both companies that pay the vast majority of the premiums and for consumers who are paying more in premiums each year, often for less insurance coverage.

The Wellness Connection

Individual wellness initiatives will take center stage in the future, as health insurance carriers will reward those individuals who practice healthful lifestyles through lower premiums and better benefit plan options. One of the best ways to reinforce individual health improvement is through worksite health promotion. Most of us spend a majority of our waking hours at work. Now more than ever, organizations that embrace wellness programs that deliver measurable results will see the financial and productivity benefits of a healthful workforce.

Consumer-directed healthcare and personal wellness are intertwined. Be sure to link wellness incentives to your health plan design. For example, consider both financial incentives and financial disincentives for participation in health biometric screenings (blood pressure, cholesterol, blood sugar and body mass index measurements). Tying financial incentives and disincentives to your health plan design should motivate your employees and their spouses to make significant lifestyle changes. These changes take time and will need to be a part of your ongoing business strategy to have a lasting impact. Make sure that you work with a qualified health benefits consultant who understands consumer-directed healthcare options due to plan design and communication complexities.

With health insurance premiums predicted to increase at about twice the projected annual inflation rate for the next decade, a consumer-directed health insurance plan may make sense for your employees now or in the future. Remember to take the time to educate your employees on the increased financial responsibilities they will assume as healthcare costs continue to escalate. Regardless of the health plan design you currently have in place now or in the future, make individual wellness a business strategy to promote the health and productivity of your workforce. A healthful workforce can provide the edge your organization needs to thrive in our competitive global economy.

RESOURCES

About Jeff S. Rubleski, MBA

Jeff Rubleski serves as Regional Sales Team Manager for Blue Cross Blue Shield of Michigan. He is responsible for Sales and Service for groups employing 50 or more people, including Key Accounts with over 1,000 employees. Jeff received his MBA from Grand Valley State University and serves as an adjunct faculty member in Grand Valley State University’s School of Finance and School of Public Administration.

Prior to joining Blue Cross Blue Shield of Michigan eight years ago, Jeff spent over 10 years in the health and financial publishing field and served as the Marketing Strategist and Chief Operating Officer for the Wellness Councils of America in Omaha, Nebraska. During his tenure with the Wellness Councils of America, Jeff introduced a complete line of health publications that are distributed to employers throughout the United States.

Jeff is a featured speaker at regional and national conferences on a variety of health and personal finance topics. He has authored several published articles on the topic of Consumer-Directed Healthcare and writes a monthly personal finance column for the Well Workplace newsletter. He just completed his first book entitled: The 10 Steps To Financial Wellness. This book will be released soon by WELCOA and is designed to help individuals achieve financial wellness.

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FINANCIAL WELLNESS

By Gregg Dimkoff, PhD
Corporate executives have it so easy. Whenever they wish to compare the performance of their firms with their competitors, all they have to do is check the widely available industry averages from any number of reference sources. They can compare growth in revenue and earnings with their industries, compare ratios of information from their balance sheets and income statements with industry averages, and on and on. Comparisons highlight areas of deficiency, giving executives the knowledge they need to make better financial decisions. If only it were that easy for individuals.

If individuals were able to compare their financial wellness with broad standards, many would be pleasantly surprised at how well they were doing. But the majority would learn they’ve dug themselves into a financial hole. Because financial standards would help both groups set more realistic goals to guide their future investing and spending, just about everyone would enjoy better financial health.

For individuals, all is not lost, however. A few measures of financial wellness standards and general rules do exist. Eight of the most widely recognized ones are described in this article.

1. Keep Three To Six Months Of Liquid Funds To Handle Emergencies

Let’s face it, stuff happens, and it often happens at the worst possible time. Stuff like having to pay an insurance deductible amounting to several hundred dollars, a car dying, or even worse, a job layoff or disability ending one’s income for several months. Much of the resulting harm to our lives can be minimized by keeping a large enough cash reserve to cushion life’s random financial shocks. But how much is enough?

Most financial advisors recommend keeping between three and six months worth of unavoidable expenses in reserve. That amount might not always be enough, but most of the time it will be. The starting point is to determine what you can, and cannot, avoid in a financial emergency. You can avoid discretionary expenditures like dining out, buying clothing, traveling, and entertainment. On the other hand, most people cannot avoid the basic necessities of life—food, transportation, utilities, medical expenses, and debt payments. Add up these unavoidable expenses, multiply the total by 3 or 6, add in the higher of your auto or homeowner’s insurance deductible, and you’ll have the required size of your emergency fund. A fund equal to three months of expenses usually is adequate when there are two income earners both earning about the same income, adequate insurance levels, no kids, and great job opportunities elsewhere should one’s employer go belly up. On the other hand, six months is required when the reasons for three months aren’t present.

Once you’ve established your fund, keep it invested in a money market or checking account where it will be safe. If you have to dip into the fund because of an emergency, do so. But after the emergency has ended, put a high priority on getting the fund back up to its previous level. An adequate liquidity fund eliminates the need to run up expensive credit card balances to cover emergencies and helps people sleep better.

2. The Housing Payment Ratio Should Be ≤ 28%

The housing payment ratio is calculated by dividing all monthly non-discretionary housing costs by monthly gross income. Included in housing costs are the monthly loan payment (both interest and principal) and the monthly equivalent of both homeowners’ insurance and property taxes. Divide that total by your monthly income before any types of deductions are subtracted. Yes, that means before income taxes, FICA, and any other deductions come out of your paycheck.

For a conventional mortgage, most lenders consider a value no greater than 28% to be reasonable. Many lenders approve loan applications when the ratio falls within a 25-30% range, giving their lending officers a little discretion to consider other factors important to the loan decision. Lenders in areas of the US where housing prices are especially high are a little more liberal in applying this rule, and even more liberal if a borrower is willing to purchase insurance protecting the lender against default.

3. The Total Payments Ratio Should Be ≤ 35%

Similar to the housing payments ratio, the total payment ratio recognizes that an individual likely has several monthly debt payments, not just a mortgage. To the expenses included in the housing payment ratio above, add all other monthly consumer debt payments such as auto loans, student loans, recurring credit card payments, and so forth. Just as before, divide the total by gross monthly income. A ratio no higher than 35% is reasonable, though some
lenders will use a range from 33-40% to give their lending officers a little decision-making flexibility.

4 At A Minimum, Capture Your 401k Plan Match

It's truly mind boggling to see that nearly 25% of workers do not participate in their employers’ 401k plans. It gets even worse. Of those who contribute, 30% don’t contribute enough to take advantage of their employers’ full match. In other words, workers are bypassing a 100% return. Because the match money is free, the general rule is to contribute at least as much as the employer’s match. In the US, that’s generally 3% of pay, but is 6% or more at many firms.

5 Withdraw No More Than 4-5% Per Year From Your Retirement Fund

Prior to the development of software programs designed to evaluate the adequacy of retirement funds, the general belief was that retirees could withdraw six or seven percent of their retirement fund balances each year. Yet, when computer programs evaluated thousands of different market scenarios based on historical variations in financial market returns, the historical rule turned out to be too aggressive.

Sure, retirees may be able to average a 6-7% return on their plan balances, but in the years when markets crash, withdrawing that much will murder the plan’s principal, leaving much less for future year withdrawals. Research suggests that retirees will be safer withdrawing only about 4% per year, and perhaps a maximum of 5%. Any more than 4-5% will create a significant risk of outliving one's money.

6 For Most People, A Fund Equal To About 20 Times Earnings Is Needed To Maintain Their Standard Of Living In Retirement

You will need about 20 times your pre-retirement earnings to retire with the same standard of living. So, for example, a worker with annual earnings of $60,000 prior to retirement will need about $1.2 million to retire. This rule is highly

If individuals were able to compare their financial wellness with broad standards...the majority would learn they’ve dug themselves into a financial hole.
sensitive to the age at which a worker retires, life expectancy, and the rate of return earned on invested retirement funds. Workers who delay retirement can get by with less, as can those who have shorter life expectancies.

Won’t a retiree’s standard of living drop after retirement? Not right away. One survey found 70% of new retirees maintained the same standard of living they enjoyed immediately prior to retirement. Yet, most retirees slowly reduce their standard of living as they become elderly. Eventually their health declines, ending their ability to travel, their shopping sprees, and their ability to dine out. Still, it’s better to retire with too much money than run out in old age.

This general rule ignores money from pensions and Social Security.

For low and moderate income workers, Social Security retirement benefits might reduce the need for a retirement fund by 25-50%, but given the pending problems of funding benefits for over 70 million Baby Boomers, future benefits are anyone’s guess. Obviously, many retirees will have to reduce their standards of living after retiring, delay retirement, or work part-time in retirement.

7 Necessary Insurance Coverages

Here are guidelines for three types of insurance the majority of workers need:

- **Auto Insurance**—Except for the elderly, most adults need auto insurance to protect their autos and protect themselves against law suits.

But how much is coverage is enough? Collision coverage levels should be based on whatever you can afford to lose. If your vehicle is worth only $4,000, for example, buy collision coverage unless you can laugh off losing $4,000. Before making a decision, however, call your auto agent to find out how much you will save by removing coverage. For many drivers, it may not be enough to justify dropping coverage, and in all cases, knowing the potential savings will lead to better decisions.

Minimum levels of personal liability and property damage coverage—PL/PD—are required by law in all but one state. Those levels, however, are absolute

“...One survey found 70% of new retirees maintained the same standard of living they enjoyed immediately prior to retirement...”
embarrassments. They average about 20/40/20. That’s $20,000 maximum coverage per injured person, $40,000 of coverage for any one accident, and $20,000 coverage for damage to the property of others. As a general rule, 100/300/50 is the minimum practical level needed, and 250/500/100 is becoming more common.

- **Life insurance**—If you have dependents, you need life insurance. Because permanent forms of life insurance (whole life) are expensive, the vast majority of people cannot afford to buy enough permanent life insurance to adequately protect their dependents. For most, permanent insurance is a luxury. By default, they should buy term insurance with a maturity lasting until there are no dependents.

But how much do you need? The answer is simple—whatever it takes to replace your earnings and meet your financial goals. Thousands of “insurance needed” calculators can be found by searching the Internet. Some are very good, but many are horrible. Some assume your beneficiaries will never touch the death benefit’s principal, but instead live on earnings the principal generates. Other methods assume the principal will be used up over the time period survivors will need financial help.

Here’s your best bet. Look for calculators that ask you at least 15-20 questions.

They usually are the most thorough calculators, and will give you the most reliable estimates. Also get estimates from at least five calculators, ignore the estimates that are way out of line with the others, and average the remaining ones. That’s how much you need.

Also make a note to disregard the rules that say the amount of life insurance you need is equal to some multiple—often 5, 7, or 10—of your income. There is no logical basis for these rules, they are so simple they ignore too much important information, and many life insurance companies prohibit their agents from using this approach as the basis for determining needed coverage. If the method isn’t good enough for insurance companies, it isn’t good enough for you.

- **Personal liability umbrella policy**—If you are a high income person, have a significant amount of wealth, or have a college degree, you may be a sitting duck for the American legal system. Protect yourself by purchasing a $1 million personal liability umbrella policy. Its coverage kicks in once the liability limits of your other policies—namely auto and homeowners—are exhausted. In that way, they act the same way as a rain umbrella, providing and extra level of protection above and beyond your rain gear. You can buy these policies from your auto and homeowners’ agent.

8 **The Percentage Of Stock In Your Investment Portfolio Must Be Greater Than 100% Minus Your Age.**

Just about everyone knows this rule: The percentage of stock in your investment portfolio should be 100% minus your age. The rest of your portfolio should consist of bonds. Thus, a 30-year-old would have a portfolio consisting of 70% stock, while an 80-year-old would have only 20% stock. The trouble is, for most people, the rule is too conservative.

A major concern in retirement is the impact of inflation on one’s retirement fund. After adjusting for inflation and income taxes, bond and CD returns are often zero or negative. Retirees who may live 20, 30, or more years in retirement will need more exposure to stocks to keep pace with inflation, especially given that health care costs—a major expense for most retirees—are increasing several times faster than the inflation rate. Generally, people in their 20s and 30s should be fully invested in stocks, while those in their 70s and 80s should be 40-50% in stocks.

Exceptions to each of these general rules and measures exist, but they aren’t that common. The vast majority of people will improve their financial wellness by sticking to these rules and leaving the exceptions to someone else.
The Coming Social Security And Medicare Crisis

By Jeff Rubleski, MBA
Social Security and Medicare are in dire fiscal shape. Politicians are careful to avoid aggressive action to address these problems due to the political backlash that will likely result if benefits for these programs are reduced or taxes raised to pay for future promised benefits. Federal Reserve Board Chairman, Ben Bernanke, had this to say about the financial condition of Social Security and Medicare during testimony before the U.S. Senate Budget Committee on January 18, 2007:

“If early and meaningful action is not taken in reforming Social Security and Medicare, the U.S. economy could be seriously weakened with future generations bearing much of the cost.”

Since Social Security and Medicare are an integral part of most people’s retirement foundation, it’s important to understand the magnitude of the fiscal challenges both programs will encounter, as the first wave of baby boom generation retirees begins retirement in 2008 and the number of remaining active workers starts to decline due to the retirement of the baby boom generation. This generation is defined as those born between 1946 and 1964. The baby boom generation is huge in scope, with over 79 million people, or about 26 percent of our U.S. population meeting baby boomer criteria.

How These Programs Are Financed

We pay for Social Security and Medicare hospitalization benefits through payroll taxes. Social Security taxes are paid on wages earned at a rate of 6.2% up to $97,500 of earned income for 2007. Your employer matches this amount, and if you’re self-employed, you match the payroll tax of 6.2% to fund Social Security taxes. With the employer match, the effective payroll tax for Social Security funding is 12.4%. The maximum wage base amount that is subject to Social Security tax is indexed to inflation and goes up each year.

Medicare hospitalization insurance is financed at a rate of 1.45% of all wages earned, with no earned wage base limit. Your employer also matches this percentage with no limit on wages earned; the same holds if you are self-employed. The required matching employer contribution to fund Medicare hospitalization insurance makes the Medicare payroll tax funding amount 2.9% of all wages earned.

There are a variety of reasons why these vital programs are fiscally unsustainable in their current form in the decades ahead. To prepare for the inevitable and perhaps painful changes needed to sustain both programs in the not-so-distant future, it’s essential to look back to the origin of each program and the circumstances that led to the development of these massive retirement entitlement programs.

The Roots Of Social Security

Social Security was signed into law by President Franklin D. Roosevelt on August 14, 1935. The economic depression we experienced in the decade of the 1930s was pervasive throughout the United States (and throughout most of the entire industrialized world). Its financial consequences threatened the prevailing capitalistic economic model in the United States, which was virtually free of any type of federal or local governmental economic assistance for the elderly. The Great Depression affected millions of people and had its most punishing economic impact on older citizens.

With jobs scarce and prospects for employment dim for even able-bodied workers, the elderly did not have an economic “safety net” to fall back on to supply basic food and shelter. Congress and President Franklin D. Roosevelt realized that something had to be done to provide our oldest citizens with a basic level of income in the last few years of their lives. Those that made it to the “ripe” old age of 65 (in the 1930s, the average life expectancy was 65 years) often were penniless and could not fall back on younger children or relatives for support due to the brutal economic conditions that existed during the Great Depression years. Social Security was designed to provide the vital financial safety net to the elderly.

Workers Were Plentiful

Our nation had a young and expanding workforce during the 1930s, with millions of young immigrant workers coming to the United States primarily from Europe. This made it easier to levy a small payroll tax on those working to fund the retiree benefits that most of the relatively small number of elderly needed. So a minimal tax on wages necessary to fund Social Security benefits provided ample funding for retiree beneficiaries and created large Social Security surpluses because the ratio of workers to beneficiaries was 159 to 1 at the inception of the Social Security program.¹ Note that the ratio is now about 3.3 workers to every Social Security beneficiary. The ratio (often referred to as the dependency ratio) is expected to be just 2 workers for each beneficiary by the year 2030.²
Several modifications were made to the Social Security System over the next several decades, resulting in enhanced benefits for retirees and new benefits for scores of non-retirement age beneficiaries, including benefits for the permanently disabled and survivor benefits for the dependents of those who died prior to the normal retirement age. As the benefits for the Social Security Program continued to expand, the lifespan of retirees continued to escalate and the number of workers paying the required payroll taxes to fund the Social Security System continued to decline, setting the stage for Social Security’s current fiscal challenges.

An Expert’s View Of The Fiscal Challenges Ahead

David M. Walker, Chief of the General Accounting Office, had this to say about the future of Social Security, Medicare and other key entitlement programs in an interview in 2004:

“History has shown that when America faces difficult challenges and when it rises to the occasion, anything is possible. Yet, a fiscal cancer is growing within us, that if we don’t treat, can have catastrophic consequences.”

Mr. Walker can speak candidly about his view of the nation’s finances because he has a secure position in Washington, D.C. Unlike politicians that must constantly concern themselves with re-election, Mr. Walker serves a 15-year appointed term that lasts through 2013. This gives him the ability to rise above the political rhetoric that dominates politics in Washington, D.C.

Mr. Walker’s message remains consistent that our nation’s fiscal condition must change before the first wave of baby boom generation retires will force significant changes to the current structure of Social Security. For some future retirees, this could result in significantly lower expected benefits during retirement and higher payroll taxes for those still working to pay for burgeoning program costs.

A Look At Medicare

Medicare came into existence in 1966 as a way to provide uniform national health insurance coverage for senior citizens age 65 and above. This vital health insurance coverage was enacted by Congress in response to the growing cost of health insurance and the fact that many seniors lacked health insurance for physician and hospital services. Original cost estimates for providing Medicare health insurance coverage missed the mark widely, as annual health insurance costs since inception of the program have exceeded annual inflation increases by a wide margin. Medicare annual cost increases mirror those that have been so pervasive for purchasers of commercial health insurance coverage.

Medicare cost as a percentage of Gross Domestic Product (GDP) has risen dramatically since the inception of the Medicare Program. From 1970 to 2003, Medicare costs increased nearly tenfold when adjusted for inflation. As a share of our nation’s GDP, costs rose from 0.7 percent to 2.4 percent. Costs have grown due to a variety of factors, including a doubling in enrollment and an increase in the average age of beneficiaries. What is alarming is that costs per enrollee grew at a rate of 3 percent faster than per capita (GDP). Figure 1-1 illustrates the increases during the period 1970 through 2003.

The latest expansion to Medicare occurred with the enactment of the Medicare Modernization Act of 2003. This Act added the Part D prescription drug benefit and allowed health insurance companies to assume the medical risk for providing medical and prescription drug coverage to Medicare eligible enrollees. Cost estimates of the expanded benefits vary widely, but will surely add to the increased cost of Medicare in the years ahead.
The Congressional Budget Office has projected that if future Medicare cost increases exceed GDP growth by 2.5 percent (which is lower than the long-term excess growth rate of 3 percent), Medicare costs will represent 7.8 percent of GDP by 2020. Currently the entire federal budget represents about 20 percent of GDP.

Obviously the projected growth rate is not sustainable. The end result is that changes must be made to Medicare soon, or the program will spiral out of fiscal control.

Fiscal Impact Of Social Security And Medicare Combined

If both programs are allowed to maintain their current benefit levels with no increased payroll taxes, the cost will be staggering, making our current annual deficits seem insignificant. According to the National Center for Policy Analysis’ Social Security and Medicare Report of 2005, both programs combined will experience the following outcomes (based on intermediate projections):

- **By 2030**, about the midpoint of the baby boomer retirement years, the two programs will need more than half of all federal income taxes to fill the gap between payroll tax revenues and promised benefits.
- **By 2050**, Social Security and Medicare will require three in four income tax dollars collected, in addition to payroll taxes.
- **By 2070**, almost all federal income tax revenues will be needed to provide full promised Social Security and Medicare benefits.

These estimates are based on the intermediate projections, so the reality could be worse if no changes are made to the current benefits paid by both programs. The report by the National Center for Policy Analysis and similar research from scores of respected experts concludes that massive changes will be needed to both Social Security and Medicare in the not-so-distant future to keep the programs afloat.

**The Impact On Your Employees**

This likely translates into much lower benefits for those under the age of 45. This probable scenario of lower Social Security benefits and significantly higher Medicare costs translates into more retirement costs being shifted to future retirees. It is critical that employees understand more than ever the importance of planning for their retirement years. With a likely reduction in future Social Security and Medicare benefits for future retirees, there is a greater need to save and invest prudently during the working years.

Employers that provide employees with solid financial education on benefit options through company sponsored savings plans and proper benefit plan selection will provide employees with the best chance to have the necessary financial resources in their retirement years. Future retirees will likely need more personal savings to enjoy a financially secure retirement with the inevitable future changes that will need to be made to both Social Security and Medicare.

RESOURCES

1. Social Security Online, [www.socialsecurity.gov](http://www.socialsecurity.gov)
3. Congressional Budget Office.
4. Ibid.

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Suggested Citation: Rubleski, J. (2007). The Coming Social Security And Medicare Crisis. WELCOA’s Absolute Advantage Magazine, 6(5), 26-29.
Embracing Workplace Wellness
How To Leverage Your Wellness Efforts For Maximum Results

By Jeff Rubleski, MBA
Most business leaders would agree that providing affordable, comprehensive healthcare coverage for employees is a major challenge. With most businesses lacking the pricing power to increase fees for goods and services produced, rising healthcare costs serve to squeeze profit margins to a point where the very existence of some businesses is threatened.

Consider this: Rising healthcare costs don’t discriminate between service-based and manufacturing-based businesses. On the service side, Starbucks spends more on health insurance each year for its U.S. employees than it spends on its main ingredient, coffee! And the most publicized manufacturer to struggle with the enormous weight of health insurance costs is GM, which spends more on health benefits for its employees and retirees than on the steel it uses to manufacture vehicles.

Link Employee Wellness To Health Benefit Plan Design

Over the past few years, there has been a monumental shift in the thinking of progressive business leaders when it comes to workplace-sponsored employee wellness. No longer are enlightened business leaders pursuing wellness as a “fringe” activity that attracts mainly what I call the “worried well.” Instead, workplace wellness is becoming a sustained business strategy that is literally tied to the fabric of the existing health benefits plan. When workplace wellness and the health benefits plan are properly integrated, the resulting “synergy” improves employee health and produces measurable results that CFOs demand from any type of significant investment of corporate resources!

Dee Edington, Ph.D., from the University of Michigan, is renowned for his pioneering work in the field of workplace wellness. I had the good fortune to attend his 25 Annual Well Workplace Conference last spring. Here is what I consider to be the true “golden nugget” of information that Dr. Edington shared with the attendees regarding the two essential measurable outcomes for worksite health promotion programs:

**Dr. Edington’s Two Essential Worksite Wellness Outcomes**

1. **80% of employees and spouses take an annual health risk assessment with biometric testing (blood pressure, cholesterol, body mass index).**

2. **70% of employees and spouses have from 0-2 identified health risks.**

To support these critical outcomes, Dr. Edington performed detailed medical claims research over a five year period for a sizeable employee population in the late 1990s through 2002. His research clearly demonstrated that identifiable health risks, which include smoking, high blood pressure, elevated total cholesterol, diabetes, excessive alcohol consumption and obesity have a direct link to increased medical claims. In addition, those with lower health risks incur significantly lower medical claims, are present at work more often (a term called presenteeism) and are more productive on the job.
“Properly scheduled screenings and effective financial incentives should get most organizations to the 80% compliance level in the first year of program integration.”

**Employee And Spouse Health Screenings Are Critical For Risk Factor Identification**

Employers of all sizes are moving toward financial incentives to attain Dr. Edington’s recommended 80% employee/spouse compliance with biometric screening and the completion of a detailed health risk assessment. Aggregate health risk assessment reports from the population of employees and spouses tested (generally a minimum size of 50 participants is required due to privacy requirements) will provide a snapshot of identified risk factors. These identified risk factors will serve as the basis for ongoing worksite health promotion efforts. So how do you get 80% employee and spouse compliance? **Link the compliance or non-compliance to a financial reward or penalty.** The amount needs to be substantial—often hundreds of dollars in increased employee health insurance co-payments are assessed for non-compliance. Provide the necessary biometric
screening during work hours and schedule the completion of the health risk assessment immediately following the scheduled screening. Properly scheduled screenings and effective financial incentives should get most organizations to the 80% compliance level in the first year of program integration.

Look To Your Health Insurer For Guidance
Most health insurers have a variety of health resources, including online health risk assessments available to customers at no extra charge. Yet, these resources are often underutilized or overlooked when organizations plan their health promotion strategies. Contact your health insurer or your health insurance agent for assistance in your worksite wellness activities. Chances are these professionals will be able to provide solid advice on how to leverage the resources they have available to assist in your wellness efforts. Onsite biometric screenings are provided by a number of organizations, including the Visiting Nurses Association. The fee for comprehensive biometric screening can vary from $30 to $50 per participant. Although this service is expensive, its cost is miniscule compared to the ongoing cost of monthly employee/spouse health insurance premiums. This testing will provide an accurate snapshot of the overall health of your employees and their spouses, a necessary foundational element to targeted risk factor reduction. Biometric testing for obesity, elevated blood pressure, elevated total cholesterol and elevated blood glucose levels represent the first line of defense in the early detection and treatment of costly risk factors.

Some Health Insurers Are Offering Real Price Discounts For Healthful Lifestyles
Some health insurers are now starting to offer premium discounts when members participate in the insurer’s health programs and take proactive steps to reduce identifiable risk factors such as elevated blood pressure, elevated cholesterol, elevated blood sugar and elevated body mass index.

For example, one new lifestyle-related health insurance product offered to businesses in the State of Michigan is offered by Blue Care Network. The product is called Healthy Blue Living, and discounts of up to 10% are given on the premium for businesses that commit to a smoke free workplace and to promote a healthful worksite for employees. This innovative product was introduced in October 2006. Personal responsibility plays a big part in this program. Covered employees and their spouses have 90 days to complete a health risk assessment and to have a check up with their family doctor to determine if they have any of six identified risk factors. If both the employee and covered spouse comply with the program, they continue to receive the original health plan benefit. If they fail to comply with the program, they receive a lowered health benefit program that requires higher deductibles and co-payments for services. The intended result of this program is to reward businesses and individuals with lower costs for pursuing healthful lifestyle practices. Find out if there is a similar plan available in your area of the country. Chances are you will begin to see similar lifestyle-driven plans in your area, as insurers compete to reward healthful behaviors.

Next Steps
Take a look at your current health benefits plan and your wellness activities. Are they integrated to maximize the significant investment your organization has made in the health insurance coverage for your employees? Integrate worksite wellness and benefit plan design and seek competent advice from your health insurance agent and health carrier on benefit plan design issues. This integration will give your organization the foundation to improve the health of its employees and their spouses. Improved employee health can positively impact worksite productivity and the quality of life for your employees.

Senior management support is critical for building a sustainable employee/spouse wellness program. Program integration needs to be a core operating strategy in your business that is measured by the reduction of health risk factors in your employee and covered spouse population. Secure the necessary funding to implement the necessary program initiatives that will be necessary to support a sustainable program. The result of this could be a more productive workforce and significantly lower long-term healthcare costs.

RESOURCES
THE FINANCIAL CONDITION of AMERICAN WORKERS

By Jeff Rubleski, MBA
The picture isn’t pretty. In fact, people are saving at the lowest level since our nation’s Great Depression in the 1930s. The U.S. Commerce Department reported that the nation’s personal savings rate in 2006 was a negative one percent. This means that individuals are spending everything they take home after taxes and borrowing to fund additional spending. Even more alarming is the fact that in 2005, consumers also had a negative savings rate of about a half of one percent. The only other two-consecutive year negative saving rate in our nation’s history occurred in the Great Depression, during the years 1932 and 1933. Figure 1-1, compiled by the Bureau of Economic Analysis, shows the individual savings rate from the first quarter of 2005 through the third quarter of 2006. The last quarter of positive personal savings occurred in the first quarter of 2005.

Unlike the Great Depression, when as many as one in four workers were unemployed, the 2005-2006 timeframe was one where national unemployment was below six percent. So why was the savings rate negative in the latest two year period? Low interest rates served as a key factor in driving consumers to spend more than their collective disposable incomes, especially low mortgage rates that encouraged consumers to siphon equity from their homes through mortgage refinancing and expanded home equity lines of credit. In addition to easy credit, we are a nation of massive consumption spending, where expenditures for large ticket items such as automobiles, vacations and home appliances can put a strain on disposable incomes.

The negative savings rate is occurring at a time when 78 million baby boomers will start to retire. In fact, the oldest baby boomers turn 62 next year and will be eligible to collect Social Security early retirement benefits. As the number of retirees increases over the next several years, there will be increased pressure on savings rates, as retirees spend their accumulated financial resources in retirement. With the low savings habits of many workers, it appears that millions of retirees will have far from enough financial resources to fund a financially secure retirement. When looking at the median net worth of workers, by income and age (See Figures 1-2 and 1-3), there is even more concern that workers simply have not accumulated enough financial resources to fund an adequate retirement.

Pension Plans Have Changed Radically

Over the past 20 years, organizations of all sizes have significantly changed retirement benefit plans for workers. As a result of these changes, the once common defined benefit pension plans have been replaced by defined contribution plans such as 401(k)s, 403(b)s and 457 plans for those in the private, non-profit and governmental sectors. In 1992, 32 percent of private-industry workers participated in a defined benefit plan, while 35 percent participated in a defined contribution plan. By 2005, the number of employees participating in defined benefit plans slipped to 21 percent, while the number of employees covered under defined contribution plans skyrocketed to 42 percent.
With the massive shift of pension plans from defined benefit to defined contribution funding, employees are at much greater financial risk for saving and investing for retirement. With increased life expectancies, employees without monthly pension payments run a real risk of depleting their retirement savings during their retirement years. Add to this the increased cost of healthcare expenses, and the need for retirement financial planning has never been so important. In a 2006 retirement savings survey, Fidelity Investments estimated that the average 65 year old married couple will need $200,000 set aside in retirement just to fund out of pocket healthcare costs not covered by Medicare.6

A Secure Retirement Will Depend On Employee Choices

The company-sponsored pension plan that most people must therefore rely on is a 401(k)-type plan that usually requires employee participation before any matching company funds are contributed. This type of pension plan puts retirement funding, investment results and investment choices squarely on the shoulders of employees. Those that fully participate in the plan through generous pre-tax payroll contributions of 10% of salary or more, coupled with solid investment performance, can accumulate impressive account balances over a period of years. However, it is vitally important that employees understand how to allocate their investments between stocks and bonds to ensure long-term growth, while taking appropriate investment risks.

Employees that don’t participate or “under-participate” through low contributions, will likely have insufficient funds at normal retirement age to have a financially secure retirement. Add to this the precarious fiscal conditions of Social Security and Medicare combined with the low savings rates of most workers—the result is that millions of workers could be in for a grossly under-funded retirement.
What Employers Can Do To Boost Employee Retirement Savings

Providing basic financial education for your employees is crucial for proper retirement planning. And this is no easy task. Enhanced knowledge of benefit plan options and investment choices should lead to realistic and proactive benefit planning by employees. Here are some approaches your organization can take to enhance employee financial education:

1. **Conduct quarterly retirement plan education meetings with employees.** Find out what resources your 401(k) administrator has available for employee education. In some cases, your administrator may provide free or low cost seminars for employees. Also consider inviting spouses to these meetings. Spouses can have a big impact on the sustainability of any long-term savings and investment program.

2. **Retain a respected financial professional to conduct meetings with employees about your organization’s retirement plan.** Consider the services of a Certified Financial Planner (CFP) or an independent financial planner skilled in offering objective financial advice.

3. **Automatically enroll new employees in the retirement savings plan.** The Pension Reform Act of 2006 allows employers to automatically enroll new employees in retirement savings plans. Also provide advance notice to current employees that they will be automatically enrolled unless they “opt out” of enrollment. This negative option allows employers to enroll existing employees in the retirement by giving employees the ability to decline automatic enrollment before payroll deductions begin. Be sure to give at least 30 days notice to existing employees before making automatic payroll deductions.

4. **Make a life-cycle fund the “default” investment for those who are automatically enrolled.** A life-cycle fund is an appropriate choice for most people due to its balance of stock and bond mutual fund investments.

5. **Distribute solid financial education materials to employees throughout the year.** Ask your retirement benefits administrator for available brochures and booklets that may be helpful to employees.

6. **Consider offering a free financial review by a fee-only financial planner for employees that have a certain number of years of service with your organization.** Target the review to participation in your retirement savings plan and a review of the investments selected by your employees.

7. **Find out if your local community college offers a basic personal finance class and consider paying the tuition costs for employees that complete the class.**

8. **Look at ongoing benefits communications to employees and make sure that employees receive regular communications on the benefits of investing in the organization’s retirement savings program.**

The Road Ahead

The workforce of today needs to be prepared to accept the responsibility for funding and planning for retirement. With increased life expectancies, some employees and their spouses will spend as much time in retirement as they did in their working years. The benefit plans of today and tomorrow will become more defined contribution in nature (including health benefits). This change will require employees to make solid choices regarding retirement and health benefits. The better educated your workforce is on the importance of plan participation and good funding habits the better prepared your workforce will be for a retirement that could last for 30 or more years.

Knowledge is power—be sure to arm your workforce with the financial knowledge it will need to save and invest for a solid retirement. 

**RESOURCES**

2. Ibid.
3. Federal Reserve 2004 Triennial Net Worth Survey. Note that this survey is performed every 3 years.

**Suggested Citation:** Rubleski, J. (2007). The Financial Condition of American Workers. WELCOA’s Absolute Advantage Magazine, 6(5), 34-37.
Financial Wellness Goes Mainstream

An Expert Interview With

Jeff Rubleski, MBA
In this interview, nationally recognized expert, Jeff Rubleski, sat down with WELCOA President, Dr. David Hunnicutt to discuss the importance of financial wellness programs at the worksite.

You’ve had a passion for individual financial wellness for a number of years now. Tell me why the worksite is the best place to educate employees on the value of investing and proper debt management.

Rubleski: That’s a great question. Benefits managers and human resource professionals know that most people in the workforce don’t have the financial savvy to make crucial decisions regarding their long-term financial wellbeing. A majority of employees are preoccupied with the daily pressures that compete for their hard-earned wages. This serves to keep employees from focusing on making benefit plan decisions that will have a positive impact in the long-term. It’s hard for people to plan for their retirement when they are concerned about making their rent or mortgage payments. Add to this the fact that people aren’t trained to understand basic personal finance concepts and you have what I call the “perfect storm” at the worksite. Most employees simply are not saving enough in their company-sponsored retirement plans and they lack a long-term plan for making prudent investment decisions within their company-sponsored savings plans.

There is nothing more heartbreaking to a benefits manager than a situation where an employee nears retirement and discovers that there simply aren’t enough financial resources to fund a solid retirement. The worksite is the perfect place to provide basic, unbiased financial education and training for employees. When employees learn about basic saving, debt management and investing concepts, they can immediately apply these concepts to their healthcare, retirement savings and personal savings plans. A financially literate workforce is a real asset to any organization, as employees take proactive steps to reduce personal debt and to increase participation in company benefit plans that can positively impact individual long-term financial wellbeing.

Is lack of financial literacy tied to education levels? If an organization has primarily white-collar, college-educated employees, do you think there would not be a need for basic financial education due to the high education level of the workforce? In other words, is financial literacy directly linked to the educational level of the workforce?

Rubleski: With very few exceptions, David, it does not matter what the overall education level is within an organization with respect to financial literacy. Certainly, more education will typically help an individual to sort through the myriad financial decisions that need to be made within the benefits plan. But, there are scores of six-figure income level employees that are literally a paycheck from disaster, due to the poor, uninformed financial decisions they’ve made and continue to make. Furthermore, when you look at the structure of corporate benefits in most organizations, there has been a dramatic shift to a “defined contribution” format for pension plans with the growth of 401(k)-type plans, and even healthcare plans are moving in this direction with the increase in consumer-directed healthcare coverage. We’re now seeing more consumer-directed plans at the worksite, which fall under the umbrella of health savings accounts and health reimbursement arrangements. There are now over 5 million people covered by these plans and their numbers are expected to grow dramatically over the next few years as healthcare costs continue to escalate. Consumer-directed plans require account holders to make similar contribution and investment choices that are made in retirement savings plans. This trend further
defines the need for employees to have the resources and training available to make solid financial decisions. Employers that lend a helping hand in this area through solid financial education will equip their employees to make better decisions regarding the use of increasingly sophisticated benefit plans.

Jeff, when you look at the big picture and you take a look at personal finance within that big picture, what do you see?

Rubleski: What I see is alarming. I like to first look at macro economic issues because these have a way of impacting all of us, especially over the long term. And what I see is a Social Security system that is in need of major reform, but even more importantly and really more acute, is the financial condition of the Medicare system. There are a number of projections that have been put together by the Governmental Accounting Office and other respected sources that indicate that both programs are headed for serious financial problems if changes are not made soon. What all this translates to is that there will be cutbacks or there will be increased taxes or some combination of both for beneficiaries in the years ahead.

To keep the benefit structure of both programs intact without new payroll taxes would drive our nation’s deficits to a level that would consume a majority of our federal budget in the years ahead. For example, the National Center for Policy Analysis estimates that by the year 2030, (which is the mid-point of the baby boom generation retirement years) that Social Security and Medicare will require half of all federal income taxes to fill just the gap that will exist between payroll taxes used to fund both programs and promised benefits! The “math” simply doesn’t work, which means that significant benefit changes are in store for beneficiaries in the future just to keep both programs afloat.

All of this will likely translate into lower future benefits for retirees, which will put enhanced pressure on individuals to finance a greater portion of their retirement expenses. It will therefore become necessary for individuals to build a much bigger nest egg for retirement expenses with the likely erosion of Social Security and Medicare benefits. To build enough financial resources, the typical employee will need to understand how to do this and why the time to act is NOW! Basic financial education sponsored at the worksite will serve as a catalyst for individuals to proactively utilize benefit plans to build the necessary financial resources for long term goals and retirement.
Jeff, you mentioned earlier that organizations are shifting their benefit plans from a defined benefit structure to a defined contribution format. What’s the overall significance of this for organizations and individuals that are covered by defined contribution programs?

Rubleski: The significance of this massive benefit plan change is that employees need to make decisions regarding funding and participation in benefit plans. With the defined benefit structure that applied to most workers a generation ago, covered workers only had to be concerned about years of service at their employer to know their pension benefits and their retirement health benefits. Most defined benefit plans provided a lifelong pension plan and lifetime healthcare benefits that supplemented Medicare in exchange for an employee’s years of service to the organization. To illustrate how pervasive this shift is in benefit plan structure, in 1988, approximately 66 percent of firms with 200 or more employees offered retirees health coverage. Fast forward to 2005 and the number drops to just 33 percent. This means that the vast majority of those retiring are now responsible for securing and paying for healthcare coverage.

As a result of this, workers have a need to carefully plan for and to provide a significant amount of funding for their future. And all of this is also tied into the reality that workers are changing jobs more frequently. It’s not uncommon for individuals to change employers every three to five years.

What’s alarming is that a significant percentage of employees cash out their retirement savings plans when they leave an employer, which results in the permanent loss of tax-deferred interest accumulation, payment of income taxes in the year of distribution and a penalty for early withdrawal. For many people, this ongoing cycle of pension plan “cash out” translates into a significant shortfall of funds that will be needed in retirement years. Upon termination of employment, it’s easy to take the money from the pension plan and spend it on current consumption needs. But, the key point is that this money will not be available for its intended use during retirement years when paychecks often stop rolling in to pay for required living expenses.

Jeff, you work extensively with group benefits experts and benefit plan practitioners. What are some of the trends you’re seeing in the design of the company benefit plan?

Rubleski: The biggest trend that I see is the movement to more employee responsibility for choosing a benefit plan that works best for them. I’m seeing it in worksite employee wellness programs and their linkage to health benefit plan design through targeted incentives to encourage healthy lifestyles. On the flip side, I’m seeing more employers levy health insurance premium surcharges for those who choose not to participate in focused wellness programming. In other words, employers are getting much more aggressive in targeting employees with unhealthful lifestyles and they are assessing financial penalties for those who do not comply with targeted programs to eliminate or reduce such health risk factors as high blood pressure, elevated total cholesterol and other measurable risk factors. What this means is that it is now vitally important for individuals to make solid decisions regarding lifestyle choices and benefit plan selections. So when we look at this shift inside organizations toward defined contribution plans that transfer the responsibility of benefit choice and financial funding to employees, it’s more important than ever for employers to provide appropriate financial education resources for employees to make solid financial decisions.

Do you think most corporations have a solid plan for what they want their benefits to look like in the coming years to accommodate this?

Rubleski: No, I don’t, and that’s a big concern I have. Benefit managers are under tremendous pressure to save money on spiraling healthcare and pension benefit plan costs. This often results in reactive benefit plan management. The consequence of this is that employees are often confused about their benefit plan options and the reasons why changes were necessary in the design of benefit plan options. The organizations that successfully implement benefit plan changes are those that look beyond the next plan year and strategically lay out what
their benefit plans will look like over a period of years. This process guides benefit managers on the ongoing employee communication programs that will be necessary to deliver plan changes that will be understood and embraced by employees.

Will the design of group benefit plans impact employees positively or negatively?

**Rubleski:** It depends. It could have tremendous upside for employees who are well informed and take advantage of incentives to take proper care of themselves, especially as organizations move into defined contribution health care. There will be winners and losers with defined contribution benefit plans. The winners will be those individuals who make appropriate lifestyle decisions, who practice good health habits, utilize the health care system appropriately and leverage the retirement options they have appropriately by investing as much as possible on a pre-tax basis, and then investing that money appropriately. It’s a tall order for most people to get this right and that’s why it’s important to educate employees on the financial aspects of the benefit plan decisions that are available to them.

Those that will lose will take a passive approach to their benefit choices by not engaging in the necessary planning to select plan options that are most appropriate for their unique situations. For example, the choice not to adequately fund retirement savings plans will have consequences in the years ahead and the inappropriate choice of healthcare plans can have immediate and long-term financial implications that can blindside those that do not plan adequately for the payment and use of medical services.

You just completed a book on personal financial wellness, and it will be published by WELCOA next month. Why did you write the book and who are you trying to get the message out to?

**Rubleski:** I wrote this book to help individuals make sense out of the financial choices they have personally and at the worksite. There is a void of material that objectively lays out for individuals how they can take steps to attain long-term financial wellness. Furthermore the personal finance books and literature are silent on how individuals can properly utilize company benefit plans as a cornerstone for building a solid financial foundation.

I’ve been thinking about the content of this book for a few years, and it’s really a culmination of the practical experiences I’ve had over my 25-plus year career as an employee, as a business owner, as a benefits practitioner, and as a college professor of finance. Through this process I discovered that there is a real gap in the lack of readable, actionable, financial resources that employees in organizations can look at and say: “I have it all right here, I have the road map, I have the foundation that I need to take advantage of my working years and to look at everything that I do from a financial standpoint to really build a solid financial future.”

I’ve also been inspired by scores of benefits and human resources managers who’ve shared with me their desire to have a guide that they can distribute to employees that shows them how to make sense out of the choices they have to build their finances. So this book takes the reader by the hand and guides them through a simple 10 step process that will help them to appreciate the benefit plans they have, the need for ongoing personal development and the responsibility each person has in building a solid financial future. The book is non-threatening, is easy to read, and will cut through the confusion and noise that we so often see when it comes to managing personal finances.

**The 10 Steps To Financial Wellness** is due out in June of 2007.
Why The Worksite Is The Best Place To Educate Employees On The Value of Personal Finance

“The worksite is the perfect place to provide basic, unbiased financial education and training for employees. When employees learn about basic saving, debt management and investing concepts, they can immediately apply these concepts to their healthcare, retirement savings and personal savings plans.”

Financial Literacy And Education

“...it does not matter what the overall education level is within an organization with respect to financial literacy. Certainly, more education will typically help an individual to sort through the myriad financial decisions that need to be made within the benefits plan. But, there are scores of six-figure income level employees that are literally a paycheck away from disaster, due to the poor, uninformed financial decisions they’ve made and continue to make.”

The Significance of Corporate Benefit Plan Change

“The significance of this massive benefit plan change from defined benefit to defined contribution is that employees need to make decisions regarding funding and participation in benefit plans...As a result of this, workers have a need to carefully plan for and to provide a significant amount of funding for their future.”

Trends In Financial Wellness

“The biggest trend that I see is the movement to more employee responsibility for choosing a benefit plan that works best for them. I’m seeing it in worksite employee wellness programs and their linkage to health benefit plan design through targeted incentives to encourage healthy lifestyles. On the flip side, I’m seeing more employers levy health insurance premium surcharges for those who choose not to participate in focused wellness programming.”
From your perspective, is their a link between individual financial health and how it impacts an individual’s overall health and well-being?

Rubleski: Absolutely. When you think about it, if people are stressed out about money issues, it’s going to have an impact on their overall health and well-being. It’s also going to have a noticeable impact on their overall job performance. In addition, if people are not putting enough money aside to fund ongoing healthcare expenses not covered by their health insurance policy, it’s going to have an immediate impact on their current finances. When organizations look at low employee participation rates in benefit plans and wellness programs it often has a distinct relationship to the financial vitality of the employee population. Knowledge is power. And there is a huge need to boost the financial knowledge of workers to help them make wise financial decisions.

It seems to me that benefits and human resources managers are busy; they’ve got a lot of stuff going on right now. Why should they take a proactive stance on this with educating their employees on the benefits and merits of financial wellness?

Rubleski: Benefit plans are becoming more sophisticated and the “one size fits all” benefit plans are a distant memory for most organizations. With enhanced choice comes a huge level of responsibility to make wise benefit choices. Just one wrong decision on the choice of a health plan can have a disastrous effect on an individual who does not plan a potentially extended illness or hospital stay. An ongoing financial education effort at the workplace will have a direct impact on the proper utilization of company benefit plans. This education will help employees see the value of benefit plans that many do not utilize appropriately.

What’s the best advice you can give decision makers regarding the future of their benefit plans?

Rubleski: Two words: communicate and plan. To expand on that a little bit more, it is absolutely critical to have a solid communication plan that really is directed toward helping employees to understand the inevitable changes that will continue to occur in benefit plans, and the reasons for the changes. The communication will need to show employees how to best choose and utilize benefit plans to meet the employee’s unique circumstances now and in the future. The core of the communication efforts should be directed toward giving employees the information to make informed decisions and the need to take personal responsibility for appropriate benefit planning.

On the planning side, it’s critical to look beyond your organization’s current benefit plan and to work strategically with your benefit consultant to put together a strategy for how your benefit plans will be structured and financed over a 3 to 5 year period. This level of detailed planning will illustrate the need to build solid, ongoing communication strategies targeted to enhancing your employees’ knowledge of their plan options. All of this links to the need to have a financially literate workforce that is prepared to utilize the benefit options available to build a solid financial foundation.
"The 10 Steps To Financial Wellness is an illuminating, practical and factual must read for anyone seeking financial stability at any stage of life. The chapters that focus on employer-sponsored benefits, saving/investing and insurance are an invaluable guide for maximizing employer provided benefit programs for every working American."

— Arthur A. Fabbro, Jr.
Director Total Compensation
Magna International, Inc.
This issue of Absolute Advantage is about financial wellness.

Although this topic has not been on the traditional wellness radar screen, we believe that it merits serious attention in light of the fact that the baby boom generation is preparing to transition into retirement over the next three decades. This demographic reality will create profound challenges and significant changes when it comes to how we address business and health in this country.

With this in mind, we have engaged two experts to serve as guest editors for this issue. Dr. Gregg Dimkoff is a professor of finance and the Director of the Certificate Program in Financial Planning at Grand Valley State University in Grand Rapids, Michigan. Along with Dr. Dimkoff, we have enlisted longtime contributor, Jeff Rubleski. Jeff is the regional sales team manager for Blue Cross Blue Shield of Michigan. Jeff is also a sought-after expert in the arena of financial wellness.

In this edition of Absolute Advantage, we’ll address such topics as the dismal state of personal finance in America as well as corporate America’s move to a defined contribution approach. In addition, we’ll take a look at the coming Social Security and Medicare crisis and what workplace wellness professionals can do to address these issues.

We hope that you enjoy this issue of Absolute Advantage—there’s no question that this topic is about to go mainstream in workplace wellness.

Yours in good health,

Dr. David Hunnicutt
President