

The **NAKED TRUTH** About Financial Wellness

Financial wellness is ballooning in popularity as “wellness” is top of mind for everyone. From our health food restaurants and crowded gyms to virtual counseling and the rumored 4-day workweek, it’s clear that our culture places a high premium on holistic wellness.

Financial wellness has emerged as a part of this overall trend and is becoming a popular benefit to help support individuals with money management. However, even though it’s universally agreed that people need to be “well” financially and otherwise, a definition of what that means seems to elude interested parties everywhere. Many financial wellness companies will tout inflated statistics, claiming that offering financial wellness will improve retention and feelings about compensation, reduce absenteeism, and automatically produce happier, healthier humans. Of course, this is what any financial wellness provider would love to see.

But is it true? Is financial wellness a silver bullet for employee retention? Is it a single product that can be bought? If you do buy it, how can you be sure people will use it? In this tell-all article, we’re showing our hand and giving you exclusive insights into what we’ve learned from the past 14 years in the financial wellness industry.

Get the truth about financial wellness—no gimmicks, no punches pulled, just the facts.

TRUTH #1

Financial wellness doesn’t mean what you think it means.

This term might seem simple enough at first, but have you ever tried searching the internet for a definition of “financial wellness”? According to Forbes, “Financial wellness is a relative measure of how well a person manages their financial life” (Adams & Curry, 2023). Did you catch that? A “relative measure.” Financial wellness is hard to define because it’s relative and varies for everyone. Many products and services on the market contribute to financial wellness, but no product can solve every problem. Fundamentally, true financial wellness is not a single product you buy; it’s an outcome.

Do you know what it means to be physically well? Mentally well? You’re probably thinking of some basic metrics (exercise, endorphins, anxiety level) but this kind of wellness can take different forms or have different emphases for different people. There is no one-size-fits-all approach. You can pursue physical wellness through traditional gyms, running clubs, online videos, yoga classes—the list goes on. A “healthy routine” will vary by individual, but typically includes a variety of different workouts that come together to meet personal goals and challenge the body in different ways.

True financial wellness isn’t a single product you buy: it’s an outcome

Similarly, many products are marketed as “financial wellness,” though they typically only address one piece of holistic financial well-being. Anything from early wage access (EWA), buy now, pay later (BNPL), secured credit cards, employee purchase programs, or emergency savings accounts can be sold as financial wellness. All of these things are useful tools, and in the right framework can help a person move towards a financially healthy way of life.

That being said, just having access to these resources won't be enough. Would you drop someone off at the gym who doesn't know the difference between a treadmill and a stationary bike? Of course not! Access is the first step, but it won't make them healthy. Someone has to train them on the equipment, help them adapt their plan when they have an injury, and show them how to integrate cardio and strength, while also teaching the basics about nutrition. All of these things come together to create long-lasting physical wellness. In much the same way, achieving financial wellness will require some level of education and guidance that can help an individual choose between options, balance responsibilities, and plan for the long term.

That's why we insist that financial wellness isn't simply a product off the shelf. Just like physical wellness, financial wellness is a way of life, acquired incrementally by individuals who have the necessary motivation, resources, and education within an integrated framework, to affect change.

TRUTH #2

Engagement will continue to disappoint until we change our perspective.

Many financial wellness providers today will quote imaginatively high numbers like 50% (or more!) for engagement. Many buyers may even hold their vendors to these impossibly high standards.

The truth? This is the age-old overpromise and underdeliver. 10% engagement when launching a new benefit is something to celebrate. Why? In one survey conducted by Voya, nearly 30% of employees admitted that they don't even understand all the benefits offered by their company during open enrollment (Miller, 2022). Of course, this statistic includes standard, more traditional benefits, like healthcare and retirement plans.

Financial wellness and similar wellness offerings are "the new kid on the block" competing with the old standbys for attention, so we shouldn't be surprised when they struggle to get noticed. It will take time to build a foundation and most programs will see growth year-over-year as success stories start to spread and the service becomes more easily recognizable.

Engagement with financial wellness offerings can be deceptively low

But, perhaps more fundamentally, what type of financial wellness offerings actually drive people to engage? Sorry to disappoint, but there is no silver bullet here—it all depends. This is exactly why there is a whole suite of financial products labeled as financial wellness. The steps to becoming financially well vary depending on a host of factors, including life circumstances and life stage. Each individual will be most interested in the product that meets their current financial needs.

Someone who is buying a second home will probably gloss over if you advertise payday loans but may pay close attention to a webinar on the tax implications of their purchase. Someone who is in debt and can't make ends meet probably won't come to a seminar on contributing more to retirement but may be very interested in early wage access. They are both on a journey to wellness but will need different products, interventions, and goals to get there.

This means that engagement with financial wellness offerings can be deceptively low because it's distributed across diverse vendors who are all offering a piece of the puzzle. To get an accurate picture of engagement, we should really measure participation across the suite of solutions. Collective engagement in all financial resources will be much higher than each vendor alone and will also give a clearer snapshot of what people are looking for in their financial lives.

TRUTH #3

No one is making “irrational” decisions with their money.

A further problem with expectations around engagement is when we assume if people “need” a service, they will use it. According to a FINRA study from 2022, 70% of adults were considered “financially coping” or “vulnerable” (Dunn et. al, 2022). In another study by 401(k) Specialist Magazine, most participants received a failing grade on an assessment about retirement income and related topics (with an average score of 31% out of 100%) (Umpierrez, 2024). Studies like these are everywhere. The “need” for financial intervention seems apparent, so if we offer resources to help manage money, everyone will jump at the opportunity, right? Not exactly.

Needing something and wanting it are two very different things. Psychologically, there is a disconnect for all of us when it comes to managing money, because we have plenty of other personal and professional responsibilities at stake. The decisions we make regarding finances are very logical and fit our needs at the time, even if the reasoning might be less clear to someone on the outside looking in.

In the *Psychology of Money*, Morgan Housel writes:

Every decision people make with money is justified by taking the information they have at the moment and plugging it into their unique mental model of how the world works. Those people can be misinformed. They can have incomplete information. They can be bad at math. They can be persuaded by rotten marketing. They can have no idea what they're doing...But every financial decision a person makes, makes sense to them in that moment and checks the boxes they need to check. (p. 18)

Every individual has their own experience, with a history and baggage about money that leads them to make distinct decisions. Most people won't be able to identify key concerns and action items given a basic overview of their financial health. They'll need guidance sorting through the details and finding the core issues. When we're sick, we don't go to the pharmacy and grab a prescription we think will help us the most. We rely on a primary care physician to prescribe what we need, when we need it, and give us clear instructions on how much and how long to take it.

In the same way, people will need expert guidance in their financial lives to identify issues, lay out the next steps, deal with roadblocks, and generally keep them moving in the right direction.

SO NOW WHAT?

The financial wellness space is in the midst of an identity crisis. Facing these truths is difficult but essential to bringing about change.

So, what's the way forward? We see this moment as a key opportunity for leaders to shape the future of our industry and create avenues for true financial wellness to flourish and produce healthy change in people's lives.

It's time to be honest. It's time to move away from an “if you build it they will come” mentality and instead pursue tailored resources that treat people like people. Money is personal, so the support we offer needs to be personalized too.

Over the last decade, we've found that these components are essential for a good financial wellness program:

- Educate people on the next right step for their unique situation.
- Create small moments of inspiration that will break the cycle of unhelpful thought patterns and behaviors around money.
- Lower stress about money and financial decisions.
- Help users better understand and maximize other benefits and services offered by their employer.

These inflection points, though not as flashy as sky-high engagement or retention are the slow simmer of financial wellness taking hold in individual lives. For this to catch on, we need to start by fanning the flame of solid education and giving individuals the tools and support to create good financial habits and apply them in their day-to-day lives. This isn't an impossible task. We're challenging our entire industry to pursue a better model for our consumers, by leaving behind platitudes and setting a higher standard for ourselves and our sector as a whole.

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