

By Sid L. Mohn

Building employees' nest eggs: a great return on investment

Financial assets such as a savings account, a home, a college degree and other investments are critical in providing economic security, especially during tough times. Yet for working families, getting beyond making ends meet is often a struggle.

The number of Chicago-area residents with low incomes — living below 200% of the federal poverty threshold (just above \$40,000 for a family of four) — has increased 14% since 1999. More than 40% of Illinois households do not have an interest-bearing checking, savings or money market account, and 15% of households have zero or negative net worth.

This takes its toll at the workplace. Nearly one in four workers is seriously distressed about personal finances, with lower-income workers experiencing greater stress. Up to 80% of these stressed workers deal with personal financial issues at work. Employees report poorer health and struggles to keep up with work responsibilities. Decreased job attendance, reduced employee productivity and increased turnover all reduce the bottom line.

Businesses can address these challenges by providing employees with opportunities to build assets through incentives for saving, matched down-payment assistance, or education on topics like budgeting, debt reduction and credit repair.

Several studies document the link between personal financial wellness and increased productivity and retention, indicators closely tied to company profits. One shows that effective employer financial education programs yield more than \$400 in first-year returns per employee — resulting from fewer absences, less work time spent dealing with financial matters and increases in productivity.

More than 65 Illinois employers achieved impressive retention results after providing down-payment assistance and home-buyer counseling to their employees through the Reach Illinois program. Fewer than two dozen of the 1,100 participating employees have left their jobs since the program's inception in 2000, compared with an average annual turnover rate exceeding 20% in the United States.

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In 2005, Oakbrook-based Blistex Inc. began offering non-officer employees an incentive of \$100 deposited in their savings accounts if they pledged to save at least \$5 weekly for a year. Nearly half of Blistex's employees now have a savings account at a local credit union. Such programs can boost employee loyalty and morale and help a company become a desired workplace, while helping remove the stumbling blocks that keep many employees from getting ahead.

Federal Reserve Board Chairman Ben Bernanke, in congressional testimony last year, encouraged more employer-based financial education programs, calling the Fed's program for its own employees a "win-win proposition." Chicago employers have a great opportunity to explore the promises these initiatives hold for both businesses and employees.