

A close-up photograph of two women. The woman in the foreground has long brown hair with bangs and is smiling while looking down at a tablet computer. She is wearing a grey cardigan over a blue top and a floral patterned scarf. The woman in the background is partially visible, also looking at the tablet. The background is blurred, suggesting an office or public space.

## Employee financial wellness and its impact on Canadian businesses

MARCH 2016

White paper developed by Manulife







## INTRODUCTION

No matter what business you're in or how many people work for you, your employees are likely among your key assets. Your business probably wouldn't be successful without them. And your business functions best when they are at their best.

Through research carried out in 2014, Manulife has established that there is a strong relationship between personal financial wellness, physical and emotional health, and productivity. We are of the view that to keep employees engaged, and to keep productivity optimal, employees need to be physically and emotionally healthy, and they need to be financially well, too.

In 2015 Manulife commissioned Environics Research Group to survey 2,004 individuals to gain a better understanding of Canadians' financial wellness levels. The results were eye opening.

The survey showed that while 28% of respondents felt they had a high level of financial wellness and just over one-quarter (27%) felt they had a medium level of financial wellness, almost half (45%) identified themselves as having a low level of financial wellness. This alarming statistic manifests itself in numerous ways, including a lack of retirement readiness, inadequate financial protection in case of unforeseen events and high levels of money-related stress.

Digging deeper into the segment of respondents with a low level of financial wellness, nearly half (45%) of them felt distracted at work because of financial worries. Our previous research<sup>1</sup> has identified that distracted employees, or employees who are not engaged in their work, have lower rates of productivity, which can negatively affect business' bottom line. This leads us to believe that disengaged employees are also less attached to their organization and therefore more likely to be lured away by other employers, which increases a company's costs for employee searches, hiring and training.

Financial support and education, well beyond retirement education, could go a long way toward improving the financial wellness of your employees. That means helping employees holistically – from savings to debt to insurance. For some employers, the workplace can be an ideal spot to deliver the tools that allow employees to achieve improved financial wellness for themselves, thereby becoming more engaged in their work and boosting the bottom line of the organization they work for, too.

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## MANULIFE'S FINANCIAL WELLNESS STUDY – BENCHMARK 2015

In early July 2015 Environics Research Group surveyed 2,004 Canadians, 18 and over, asking them about six segments of their financial life: budgeting, retirement, investments, debt, protection and stress. Respondents were equally split along gender lines, the mean age was 47, and quotas and weighting were used to ensure that results reflected the Canadian distribution in terms of age, gender and region.

The 2015 survey was designed as a benchmark and is intended to be repeated annually to create an informative index to track financial wellness over time.



## WHAT IS FINANCIAL WELLNESS?

Financial wellness is not measured by the amount of money in a person's investment accounts or the years they have left to pay off their mortgage. A person who has a high level of financial wellness is confident about a wide range of issues that make up their financial life, including budgeting, retirement plans, investments, debts and insurance.

It's quite possible for a person to have a high income but a low level of financial wellness. It could be that these high earners aren't planning for the future, they're not working toward paying off their debts or they're constantly worried about money.

Conversely, it's quite possible for a person to have a lower income and a high level of financial wellness. A young person who is just starting out in their career, for instance, isn't earning a high salary but can feel confident about their finances because they've educated themselves, asked for advice, created a workable budget and started saving for retirement.

Our survey found that financial wellness seems to have some momentum to it. If a person demonstrated a high level of financial wellness in one area they tended to have a high level of financial wellness in the other areas as well.

For instance, among the respondents who had an overall high level of financial wellness, 99% also scored well for budgeting, 61% scored well for retirement planning, 100% scored well for debt management and 76% scored well for stress management.

This shows that once a person has committed to addressing one aspect of their financial life, they will likely address the others as well, resulting in overall good financial health. Employers benefit from helping their employees get educated about finances and making that first step toward financial wellness because, as a result, employees will become less anxious about money and more engaged at work.

# Benefits and consequences of high and low levels of financial wellness

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The benefits of a high level of financial health can be both concrete and more abstract.

A concrete benefit, for example, is having a well-funded retirement savings plan due to diligent budgeting and taking advantage of appropriate investment vehicles over a long time horizon. A related abstract benefit is feeling little to no stress about retirement.

Another concrete benefit is having few debts, an actionable plan to pay down debts or having manageable mortgage debt, which will one day result in outright home ownership. A related abstract benefit is, again, fewer financial worries and more overall confidence.

Consequences of a low level of financial wellness are, similarly, concrete and abstract. Poor budgeting and investing, among other factors, can lead to a poorly funded retirement savings plan and the accompanying stress. Inadequate insurance coverage can mean financial hardship if an accident, death or disability occurs, as well as the accompanying worry about such unforeseen events happening.

Another consequence of having a low level of financial wellness is that it can be a self-fulfilling prophesy. Just as people who were found to have high levels of financial wellness tended to score well across all survey categories, people who have low levels of financial wellness tended to score poorly across most categories.

According to the survey, 73% of respondents with an overall low level of financial health also scored poorly for retirement planning, and only 27% of people with a low level of financial health had a medium score for retirement planning. No one with an overall low level of financial health scored well when it came to retirement planning.

It's not surprising that 85% of respondents who have an overall low level of financial health also ranked "poorly" for insurance protection and 63% indicated they had high levels of finance-related stress in their lives. Based on this, that stress can lead to anxiety and poor mental health, which takes a toll at home and in the workplace, through disengagement and lack of productivity.



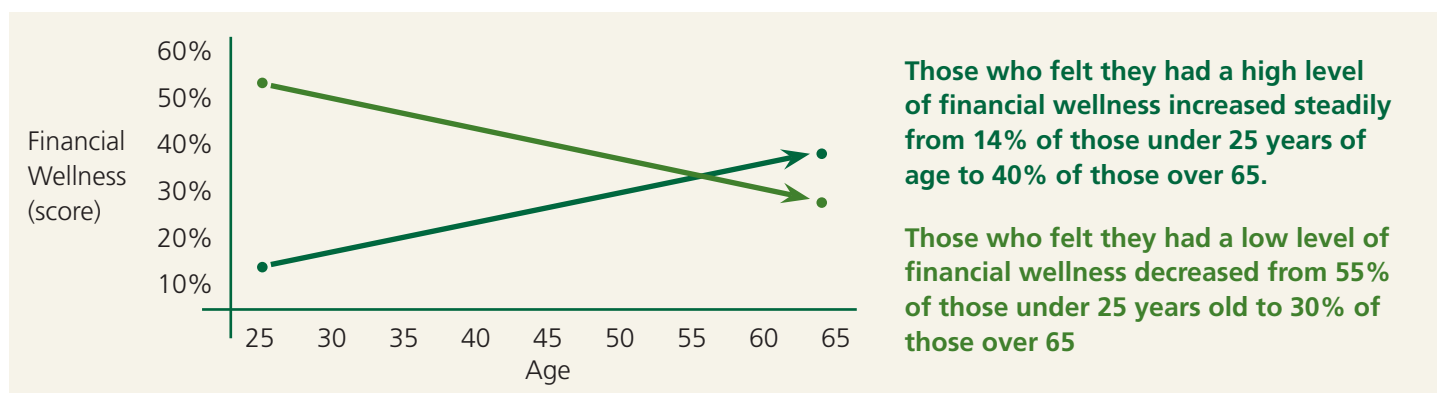
# Snapshots

The Environics survey allows us to take a focused look at who has a high level of financial wellness and who has a low level of financial wellness across a broad spectrum of the Canadian population, and to zero in on Canadian workers.

For the first time in history, our working population includes five generations of Canadians, ranging from Generation Z to Baby Boomers. These people are at dramatically different stages in their lives and their careers, with different priorities at the top of their lists, and it can be challenging for a workplace to cater to everyone's financial needs.

## AGES AND STAGES

The differences among respondents become evident when reviewing how people of various ages and life stages tend to feel about their financial wellness. Those who felt they had a high level of financial wellness increased steadily from 14% of those under 25 years of age to 40% of those over 65. And those who felt they had a low level of financial wellness decreased from 55% among those under 25 years old to 30% for those over 65. These progressions are promising because they show that as people age they become more financially secure due to factors such as increased salaries, more financial education, decreased debt and better retirement readiness. The progressions are also logical: It would be unrealistic to expect a 22-year-old, just starting out in their career and independent financial life, to have the same level of financial wellness as a 66-year-old does. In fact, it's likely that the same 22-year-old who identifies herself as having a low level of financial wellness will show that she has a higher level of financial wellness by the time she reaches her 60s.



We are of the view that one of the best ways to help young people who self-identify as having a low level of financial wellness is to give them access to a broad financial education. If they become adept at managing savings, debt, investments and insurance, they will be in a better financial position when it comes to saving for retirement as well.

Following the pattern outlined above, when surveyed specifically about financial planning and saving for retirement, the survey found that the youngest respondents were least likely (8%) to agree with the statement: I'm saving on a regular basis and I'm on track to reach my retirement goal. Among respondents over age 65, 33% agreed. It's a positive trend to see growth in the number of people feeling secure about their retirement, but younger people have the benefit of longevity and compound interest to make their savings grow, and should be advised to get more involved in long-term financial planning as soon as they enter the workforce. It's also important for those in the older cohorts to not be complacent about their financial wellbeing. The research showed that people tend to have higher levels of financial wellness as they mature, but unexpected life circumstances – such as divorce or a job loss – could reverse that.

Lifestyle also had a bearing, as respondents who were married or co-habiting were more than twice as likely (23%) to be saving and staying on track for retirement as their single counterparts (11%). Also noteworthy was that respondents who owned their home were more than twice as likely (26%) to say they were saving and on track for retirement as people who rented their homes (11%).



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## GENDER

Across the board, the survey found that men self-identified as having higher levels of financial wellness than women. However, past research conducted by Environics shows that men tend to report higher levels of confidence than women, so their answers need to be viewed against that background.

Overall, a high level of financial wellness was indicated by 32% of men, versus 25% of women.

On the topic of financial knowledge, 32% of men said their level of savings and investment knowledge was beginner, versus 50% of women. When asked how ready they were to improve their financial situation, slightly more women than men said “very.” And when it comes to confidence, 74% of women agreed that they would “like to be more confident about making financial decisions,” while only 66% of men had the same response.

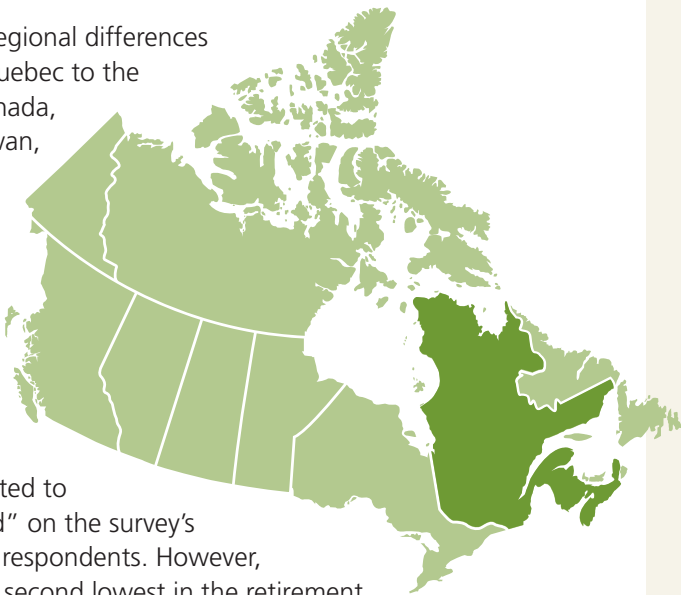
Additionally, 74% of women agreed that they worry about their financial situation and 34% of them agreed that financial worries caused them stress at work, versus only 66% of men worrying about their situation and 31% of them saying it affects them at work.

These findings lead us to believe that all employees would benefit from improving their financial knowledge, in the workplace or elsewhere. Women may be more receptive to the offer while men may require some persuasion to recognize how additional education and support could benefit them.

## GEOGRAPHY

Across the country, the most regional differences were seen when comparing Quebec to the five other regions (Atlantic Canada, Ontario, Manitoba/Saskatchewan, Alberta and British Columbia). The Quebec residents who were surveyed were least likely to indicate they felt finance-related stress (51% scored “good” on the survey’s stress index, versus 47% for all respondents) and they indicated they had higher levels of financial wellness related to debt, with 88% scoring “good” on the survey’s debt index, versus 82% for all respondents. However, respondents in Quebec scored second lowest in the retirement index, with only 16% feeling retirement ready, versus 20% for the rest of the country.

Another outlier was British Columbia, where the cost of housing in Vancouver and the Lower Mainland has become increasingly unaffordable in recent years. Only 22% of British Columbians surveyed indicated a high overall level of financial wellness (versus 28% for the country as a whole) and 24% scored “poorly” on the debt index, compared to 18% for all respondents. Specifically, the survey found that only 32% of respondents in British Columbia indicated that they have debt and are able to pay it down, compared to 40% of all respondents.



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### Finance related stress

**51%**

of Quebecers scored “good” on the survey’s stress index

**47%**

of all respondents scored “good” on the survey’s stress index

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### Financial wellness related to debt

**88%**

of Quebecers scored “good” on the survey’s debt index

**82%**

of all respondents scored “good” on the survey’s debt index

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## INDUSTRY

More financial support and education would benefit all employees, but the survey found that respondents who had low levels of financial wellness tended to work in trade (retail and wholesale) (12%), accommodation and food services (8%), business, building and other support services (7%) and transportation, warehousing and utilities (6%). Respondents who indicated they had a high level of financial wellness were more likely to work in professional, scientific and technical services (12%), manufacturing (10%) and education (10%). However, no one sector stood out as having a high level of financial wellness. Even within finance, insurance and real estate, where one could reasonably expect to find well-educated, financially aware workers, 36% indicated they had a low level of financial wellness.

The survey also found that people who had a high level of financial wellness were more likely to be managers (26%) or professionals (25%).

## ADDITIONAL CHARACTERISTICS

The survey revealed some additional, and troubling, insights about the people who identified themselves as having a low level of financial wellness.

People with a low level of financial wellness indicated that they are more focused on short-term issues than long-term ones. For example, the top financial priority for the 45% of respondents who were found to have poor financial wellness was paying off debt, with 58% of people in this cohort citing that as their main focus. That compares with only 26% of people with a high level of financial wellness. It's undeniable that paying off debt should be a priority, but for this segment it seems to be taking precedence over big-picture plans, such as saving for retirement – which was a priority for only 14% of these respondents.

It was also noteworthy that among all survey respondents, saving for short-term needs (such as buying a car or funding a vacation) was the second-highest priority, after paying down debt, and planning for retirement ranked sixth.

People with a low level of financial wellness also indicated that creating an emergency fund was high on their list of priorities, with 33% of people working toward that goal versus 12% of the people who were more financially secure.

On the other hand, people with a high level of financial wellness indicated that their top two financial priorities: ensuring that their savings are wisely invested (45%) and minimizing the income tax that they pay every year (35%).

People with a low level of financial wellness also seemed less interested in educating themselves about finances than did their peers with a higher level of financial wellness. According to the survey, only 12% of people with poor financial wellness visit investment-related websites, versus 34% of people who are financially healthier and 22% of the respondents overall.

Finally, the study revealed a correlation between do-it-yourself investors and people with a low level of financial wellness. Specifically, 66% of people with poor financial health agreed with the statement "I prefer to manage my finances myself and not rely on an advisor." Only 48% of the people with a high level of financial wellness indicated they felt the same way, suggesting that having guidance and advice are linked to financial security.



**Of respondents with poor financial wellness:**

**58%**

said their top financial priority was paying off debt

**14%**

said saving for retirement was a top priority

## Deep dive into financial wellness

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The Environics Research survey unearthed a wealth of information about Canadians' habits related to various aspects of their financial lives: budgeting, retirement, investments, debt, insurance and stress.



### BUDGETING

The good news is that fully 87% of respondents said they have a budget, which simply means that they keep track of income and expenses. Not surprisingly, more people with a high level of financial wellness have a budget (95%) versus those with a low level of financial wellness (81%).

However, having a budget isn't the same as sticking to it. While 86% of people agreed that they usually spend within their means, only 73% of those with a low level of financial wellness were in that camp, versus 99% of people with sound financial health. In terms of age, people in the older cohorts indicated they would be more likely to stick to their budget: 84% of people 35 to 44 years old said they spend within their means, while the same was true for 86% of people 45 to 54, and 89% of people 55 to 64. People 65 and older were the most likely to stick to their budget, probably because they're most likely to be on a fixed income, with 93% reporting that they spend within their means.







## RETIREMENT

Canadians are living longer than ever before. The current life expectancy is 78.8 years for men and 83.3 years for women. But people who reach age 65 tend to have even greater longevity: men can expect to live another 18.5 years, to age 83.5, and women can expect to live another 21.6 years, to 87.6 years.<sup>ii</sup>

That means people can spend more years in retirement – sometimes more years than they spent in the workforce. This is why retirement needs to be a top priority for all Canadians, even though the study found that retirement is still more than 10 years away for two-thirds of non-retired respondents.

Therefore, it's troubling to find that 35% of those aged 25-64 are not saving for retirement. This finding is inextricably linked to the fact that more people said they were saving for short-term goals and paying down debt than saving for their retirement years.

Overall, only 19% of people surveyed said they were saving on a regular basis and were confident about meeting their retirement goals. And 44% either said they were not saving on a regular basis or didn't know whether they were on track to meet their retirement goals. At almost 50% of respondents, this is a very large group of people who might not have a secure retirement ahead of them.

The largest cohort of people who indicated they were not saving – at 50% – was people under 25 years of age. When asked for the main reason why they're not saving, 43% of people under 25 indicated that it was too early to start saving. However, today's young workers can benefit greatly from understanding that they have longevity on their side. If someone invested \$5,000 a year from age 25 to 40, and then didn't add to their investment account for another 25 years, assuming a 5% rate of return, they would have about \$130,000 more money at age 65 than if they started saving the same amount when they were 40.<sup>iii</sup>



## 19%

saving on a regular basis and confident about meeting their retirement goals



## INVESTMENTS

When it came to investments, 67% of survey respondents agreed that their savings were invested in a way that was right for them – with 21% saying “definitely” and 46% saying “I think so.” But 11% didn’t know if their savings were invested correctly for them and almost one-quarter of respondents (22%) had no savings at all.

People who work in finance, insurance and real estate showed the most confidence in how their savings were invested (45%), and people in wholesale or retail trade were most likely to say they had no savings (35%).



## DEBT

While it seems to be universally frowned upon, not all debt is bad. Mortgage debt, for instance, which is paid down monthly until outright home ownership is achieved, usually after the property has appreciated in value, is good debt. Car loan debt is neutral, with the understanding that cars depreciate over the years. And credit card debt – often coupled with double-digit interest rates – is not good debt.

Overall, 56% of Canadians have some kind of debt, whether it be good, bad or neutral. Fewer people who identified themselves as having a high level of financial wellness have debt than people with a low level of financial wellness (37% versus 69%), and people in Atlantic Canada (63%) were most likely to have debt.

Among those with debt, 71% said they were able to make their payments with no difficulty. The other 29% of the population either indicated they had difficulty making their payments or didn’t know if they could. That means, in total, 16% of Canadians (29% of 56% of people with debt) are not managing their debt well and likely feeling stress related to that.

To further illustrate poor debt management skills uncovered by the survey, 49% of respondents who are struggling to pay their debt said that in the past 12 months they have not paid their credit card balance in full every month, 46% said they were not able to make some debt payments on time and 46% said they were not able to reduce their overall debt.



**22%**

of Canadians had no savings at all



**46%**

said they were not able to make debt payments on time

**46%**

said they were not able to reduce their overall debt





## PROTECTION

Canadians are still not creating enough financial protection for themselves and their families, which can lead to stress in the short term and financial hardship if the unexpected were to happen.

Fully 43% of Canadians said they were not financially well, or didn't know whether they were financially well, if they, their spouse or dependents were to die. Additionally, 40% responded the same way when asked whether they were prepared if they, their spouse or dependents developed a serious illness and 43% responded the same way about a disability. This means that almost half (42%) of Canadians are living precariously, possibly just one diagnosis or accident away from financial insecurity.

Once again, an overall high level of financial wellness was most closely correlated with feeling prepared for the unexpected. People with a high level of financial wellness were more likely to say they would be prepared in case of death (68%), serious illness (57%) or disability (53%) than people with a low level of financial wellness, who scored 12%, 6% and 6% respectively, for the same questions.

More than half of survey respondents (56%) do not have a will, and 66% do not have a power of attorney. Being unprepared for their own end-of-life decisions could be stressful for these individuals and will most likely have a negative impact on those closest to them.



## STRESS

Feeling pressure and stress over financial matters is very common. Seventy per cent of people surveyed agreed that they worry about their financial situation often or sometimes, and 33% of overall respondents said that worry distracts them at work.

Among people who had a low level of financial wellness, 85% worried about money often or sometimes, which was almost twice as many as the people who had good financial health. And almost half of the people with poor financial health (45%) said that their financial concerns distracted them at work, versus only 17% of people with a high level of financial wellness.

When people are able to take control of all aspects of their financial lives – not just retirement planning – their finance-related stress will decrease. And by improving their overall financial health, their retirement prospects are likely to be enhanced as well.



**56%**

of the population do not have a will

**43%**

of Canadians said they were not financially well, or didn't know whether they were financially well, if they, their spouse or dependents were to die



**45%**

of the financially unwell said that their financial concerns distracted them at work

# Financial advice

The value of good financial advice from a credible source is both tangible and intangible. The tangible aspect is witnessing the funds build up in an investment account after acting on the advice of a financial advisor. The intangible aspect is the feeling of security a person can gain from knowing they have a professional on their side. For example, a financial advisor, which can be any practicing professional who provides advice and information on financial services, such as mortgages, loans, insurance, mutual funds and more. We believe this feeling of security can positively influence many aspects of a person's life, including their career choices, their attitude at work and the values they pass on to their children.

A person doesn't need to have a high net worth to take advantage of an advisor's knowledge. According to the Environics Research survey, 41% of Canadians said they had some sort of financial advisor and 59% said they prefer to manage their finances themselves and not rely on an advisor.

When we look at the level of financial wellness among survey respondents, we see a sharp divide between those who use financial advisors and those who don't. Just over half (53%) of the respondents who identified themselves as having a high level of financial wellness said they usually consult a professional advisor before making a financial move. But just 18% of people with poor financial health said they did the same.



**Financially well**

**53%**

consult an advisor

**Financially unwell**

**18%**

consult an advisor



Almost three-quarters (73%) of people surveyed who had a low level of financial wellness indicated that they would like to be more confident about making financial decisions. One way to do that would be to seek the advice of a financial advisor.

Those with a low level of financial wellness were ready to take steps to improve their financial future, although slightly lower than the overall population – 69% versus 74%. It may be that these people feel overwhelmed by the state of their financial health and don't know how to start improving it. That's even more reason why they need guidance and support to get them on track.



## Financial health and business

An employee's personal financial health definitely has an impact on their workplace – especially if the employee has a low level of financial wellness, inevitably accompanied by stress.

The survey revealed that 42% of working Canadians overall say they are distracted at work because they are worrying about money. And previous Manulife research has shown that people struggling with their personal finances felt they were 16% less productive on the job.<sup>1</sup> For an employee earning \$50,000 a year, that equates to \$8,000 in salary paid but for which the work performed was sub-optimal. This number grows with each additional employee who finds himself in the same situation, increasing the impact on their employer's bottom line.



**42%**

of working Canadians overall say they are distracted at work because they are worrying about money

**The financially unprepared say they are**



**16%**

less productive on the job<sup>1</sup>



## Employer's role

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On a positive note, the survey found that nearly three-quarters (74%) of Canadians surveyed felt they were ready to take steps to improve their financial situation. Even among people with a low level of financial wellness, the desire to improve was high, at 69%. The desire to improve was even higher (79%) among those whose financial health was already good, a finding that points to the importance of viewing a plan member's financial wellness holistically, and working to engage them towards continual improvement.

Employers will benefit from being able to accurately assess their employees' level of financial wellness so that they can be effective in helping support their employees and positively impact their workplace engagement. And because financial wellness encompasses a broad spectrum of issues – not just having a retirement plan or workplace benefits – it's best to work with a provider who understands how employees feel and can offer relevant solutions to specific challenges.





# How employers can benefit from supporting employees' financial wellness

When people are offered, and take advantage of, the tools to become more financially stable they can become less anxious, more engaged in their work and better workplace contributors. They can also pass these positive attitudes on to their colleagues, creating a chain reaction with far-reaching ripple effects.

Tools, such as retirement savings plans, insurance products, access to advice and education, do not need to be delivered in the workplace, but when they are, employees typically recognize that their employer is actively supporting them. Over the long term, employers who are seen as positively contributing to their employees' financial wellness will develop a reputation for supporting employees and will improve their employer brand, which will help them retain valuable employees and gain an upper hand in the competition for top talent.



## ABOUT MANULIFE

Manulife Financial Corporation is a leading international financial services group providing forward-thinking solutions to help people with their big financial decisions. We operate as John Hancock in the United States, and Manulife elsewhere. We provide financial advice, insurance and wealth and asset management solutions for individuals, groups and institutions. At the end of 2015, we had approximately 34,000 employees, 63,000 agents, and thousands of distribution partners, serving 20 million customers. At the end of December 2015, we had \$935 billion (US\$676 billion) in assets under management and administration, and in the previous 12 months we made more than \$24.6 billion in benefits, interest and other payments to our customers. Our principal operations are in Asia, Canada and the United States where we have served customers for more than 100 years. With our global headquarters in Toronto, Canada, we trade as 'MFC' on the Toronto, New York, and the Philippine stock exchanges and under '945' in Hong Kong. Follow Manulife on Twitter @ManulifeNews or visit [manulife.com](http://manulife.com) or [johnhancock.com](http://johnhancock.com).

<sup>i</sup> Manulife/Ipsos Reid Health and Wealth – Wellness study conducted by Ipsos Reid, February 2014

<sup>ii</sup> Statistics Canada, CANSIM, table 102-0512 (for those turning 65 between 2007 and 2009)

<sup>iii</sup> Forbes.com, Why Starting To Save At 25 Means An Extra Six Figures In Retirement, Maggie McGrath, June 23, 2014

To learn more, talk to your Manulife  
representative or visit [manulifehealthandwealth.ca](https://www.manulifehealthandwealth.ca)

