



EBOOK



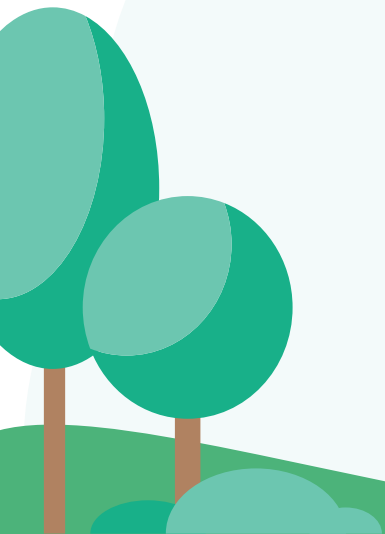
# FINANCIAL WELLNESS: HOW TO DESIGN AN EPIC HSA PROGRAM

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More than half of employees say they're stressed about their financial wellness, and it's impacting their health and job performance. Finding a way to help them helps you, too.



## More employees seek financial well-being

Wellness programs have been all the rage for decades, helping employees lose weight, quit smoking and reduce stress.

Employers have stepped up by offering attractive and engaging programs that incentivize employees when they complete the programs, such as financial rewards or extra PTO days.

Another type of wellness program, however, is quickly becoming just as important to employers and employees. Financial wellness plans, which offer employees a wide range of financial education and management tools and one-on-one counseling, are even more popular than traditional wellness programs. In fact, while 69% of employers offer traditional wellness plans, 83% offered plans for financial wellness, an increase of 20% in just two years.<sup>1</sup> According to the same survey, 57% of employees report being “very or somewhat stressed about their financial wellness,” driving the popularity of the programs.

In particular, healthcare costs are weighing on employees’ minds.

Another survey found more than **1 in 5** employees would prefer better healthcare benefits over a salary increase.<sup>2</sup>

This finding is perhaps not a surprise considering out-of-pocket healthcare expenses for employees have risen by nearly 54% between 2006 and 2016.<sup>3</sup>

Yet what is surprising is the low percentage of employers who offer health benefits that also offer high-deductible health plans (HDHPs) that qualify to be paired with health savings accounts (HSAs). While 51% of large companies offer HSAs, many small firms do not, dropping the share to just 22% for all employers combined.<sup>4</sup> HSAs are a crucial benefit to offer employees concerned about their healthcare costs and are also an essential part of any financial wellness program. Combined with digital tools that help employees understand their financial health and make the right savings decisions, HSAs can be an integral part of a retirement plan.



**69%** of companies offer health wellness programs<sup>5</sup>



**83%** of companies offer financial wellness programs<sup>6</sup>



**22%** of employers offer HSA-qualified HDHPs<sup>4</sup>

## Why many wellness programs miss the mark

While the vast majority of employers are offering financial wellness programs, many are missing the mark by not offering HSA-qualified HDHPs. Another element which may make financial wellness programs less attractive to employees is offering one-size-fits-all options and digital tools that cannot be personalized for the employees' unique circumstances.

No two people are exactly alike. From where they were born, to where they live, the schools they attended, and their social networks—your employees have a wide range of experiences and circumstances that shape who they are. These social determinants not only contribute to an employees' physical and emotional health but their financial health as well. For example, these social and environmental conditions can affect financial understanding, spending and saving habits.

That's why when designing an effective financial wellness program, we need to first understand the meaning of financial health. The Financial Health Institute defines it as the "dynamic relationship of one's financial and

economic resources as they are applied to or impact the state of physical, mental and social well-being."<sup>7</sup>

*Relationship* is the key word here because managing our money carries with it all the emotions and behaviors, sometimes irritational, that come with any interpersonal relationship. Trying to manage these emotions and behaviors on our own is often too difficult and many of us end up avoiding the issue altogether.

To increase financial wellness and engagement, employers should offer highly personalized tools in their programs that educate and motivate employees based on an understanding of these emotions and behaviors. Personalization would come through analyzing key financial and other information about the employee and offering relevant, easy-to-follow advice that prompts them to make better decisions for their financial health.

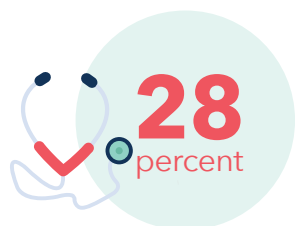
Financial health is the "dynamic relationship of one's financial and economic resources as they are applied to or impact the state of physical, mental and social well-being.

**- The Financial Health Institute**



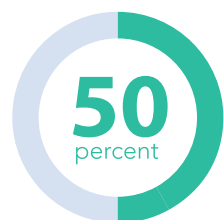
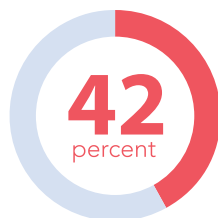
## What employees need to achieve financial wellness

Many variables impact employees' perception of their financial health, such as age and position in the company. Yet data show that financial insecurity is pervasive, crossing generational lines and negatively affecting their health.



**28%** of employees say financial worries have affected their health<sup>8</sup>

**42%** of employees believe they will use retirement funds for expenses other than retirement<sup>2</sup>



**50%** of employees say their financial situation is their number one source of stress<sup>8</sup>

**54%** percent of employees say their employer should focus resources on their financial well-being if they want to support their overall well-being<sup>8</sup>



Above all, individualized financial education and advising are most helpful, especially for saving for healthcare costs. That is because nearly three-quarters of employees have never talked to a professional about healthcare costs that may arise after retirement.<sup>9</sup> One-third of employees surveyed have not discussed healthcare costs with anyone, including their spouse.


Helpful resources to overcome these knowledge gaps could include financial seminars with the company's benefits vendor, either on-site or through a webinar. For a more personalized approach, employers could offer one-on-one meetings with a financial adviser or coach. Financial health challenges, similar to physical activity challenges in traditional wellness programs, could be offered to gamify financial education, which can elicit the positive emotions and motivation to guide employees toward positive behavioral changes.




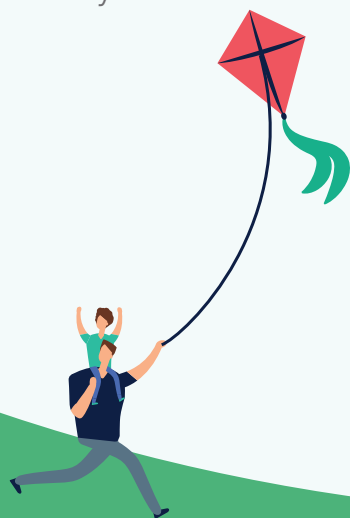
## How employers can help

Making employee financial health as important as their physical health is a great place to start, given that financial concerns can have a direct impact on an employee's health and well-being as well as their job performance.

Employees with financial stress lose **41%** more work time to absence than non-stressed colleagues.<sup>10</sup>

 **51%** of financially stressed employees have lower engagement levels, while only 29% of non-stressed employees have lower engagement

 **32%** of financially stressed employees are less productive compared to only 5% of non-stressed peers



Your employees' financial stress can reveal itself in several ways. Telltale signs include:

- ✓ Not contributing to 401(k) plan
- ✓ Hardship withdrawals from 401(k) plan
- ✓ Wage garnishment
- ✓ Recent qualified domestic relations orders (divorce settlement agreements)
- ✓ Loan from 401(k) plan

Employers can help financially stressed employees save for healthcare and retirement by guiding them through the emotions that are leading to self-defeating spending behaviors. This can be done by strategically structuring and delivering information to help make positive savings decisions a little less painful, which can steer them toward a path to financial wellness.

Such information may include reminding employees that HDHPs typically have much lower premiums than other plans, so the money they are saving can easily fund the HSA, and then some. Those HSA funds can also follow them all the way through retirement. Highlighting these financial benefits can convince employees to choose an HSA-qualified high-deductible plan instead of the higher premium PPO plans. Employees should also be reminded that they do not have to pay taxes on the money contributed to the HSA or the interest or market returns earned while the funds are in the account, which should reduce some of their financial stress.

# HSA 101

HSAs, coupled with a qualified high-deductible health plan (HDHP), are used to pay for out-of-pocket healthcare expenses. While there are some similarities, HSAs have some important differences from health reimbursement accounts (HRA) or flexible spending accounts (FSA), which are explained below.

HSAs should be included in every financial wellness program because they are the only type of retirement plan that is **triple-tax advantaged**. Let's count them:

- 1 HSA contributions made from payroll deductions do not have Medicare and Social Security taxes withheld, unlike pre-tax 401(k) contributions.
- 2 Participants pay no taxes when funds are deducted for qualified medical expenses.
- 3 Participants pay no federal taxes on the interest they earn or on investment returns if the funds are used to make investments.



HSA participants can also withdraw the money at age 65 or older for any reason without paying an extra 20% tax penalty, but they will pay the ordinary federal income tax. Qualified medical expenses for seniors, however, can still be withdrawn tax-free. Employers can highlight these tax advantages as they position HSAs for employees, especially for younger, healthier workers who typically do not have expensive health conditions, but also tend to have lower paychecks than more senior employees.

## Who's who of financial wellness accounts

- ✓ **HSA:** Tax-free savings and spending on qualified medical expenses with no time limit and total portability throughout the employee's life
- ✓ **HRA:** This benefit is used by employers to reimburse employees for employer-approved medical expenses. The employee cannot take funds when they leave a job
- ✓ **FSA:** Pre-tax savings can be used for medical expenses, funds must be spent within a specific time frame, typically a calendar year
- ✓ **401(k):** Pre-tax funded retirement account that can be used for medical expenses before retirement, but participants will pay a 10% early withdrawal penalty and income tax on the amount
- ✓ **529:** An education savings plan that offers tax and financial aid benefits to help pay for college as well as K-12 tuition

## Strategies to support financial health

### HSA support employees' financial health in two main ways:



1. HSAs help employees avoid financial hardship from healthcare expenses by saving for them in advance.



2. HSAs are a tax-free investment that employees can carry with them through retirement and use to pay for out-of-pocket medical expenses without penalties or federal taxes.

Just offering an HSA, however, is not enough to start employees on their path to financial health. Employers should nudge employees toward positive saving behaviors by making the first contributions to the account, or only contributing if the employee agrees to save an equal amount or more. Preferably, contributions would be through a payroll deduction because it makes it easy for the employee to initiate savings by removing

the barriers to take action. As employees see their balances grow through contributions and interest, it will motivate them to save more.

Advanced financial wellness or HSA software, powered by artificial intelligence (AI) and machine learning capabilities, can even link to an employee's checking, savings, credit card, and health plan and then recommend automated contribution amounts. This overcomes the natural employee inertia to do nothing and gradually transforms HSA non-funders into investors.

The intuitive financial wellness software would continue to motivate the employee through positive feedback. Every time she or he takes positive action, such as funding the HSA or paying for a medical expense out of the account, a positive reinforcement loop triggers an emotional uplift and leads to lasting behavioral change.





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## Choosing the right HSA

Offering a high-deductible health plan with an HSA is a mutually beneficial choice for employers and employees, but not all HSAs offer the same benefits. There are numerous considerations to maximize employee participation and engagement with their plan:



**1. Administrative convenience.** HSAs that are difficult or time-consuming to manage for employers or employees are not likely to be well received or cost effective. Streamlined integration and enrollment will be appreciated by the HR staff and employees alike. Some HSA administrators can efficiently and effectively set up a ready-to-use HSA program in about an hour, with an enrollment process that is just as easy. Elimination of cumbersome manual processes in favor of guided use of the administrator's platform is key.



**2. Investment options.** Some HSAs offer true investment options with which employees can invest in mutual funds. Ensure the HSA partner has the employee-facing tools that can clearly explain the investment options in easy-to-understand language. Look for a good variety of fund types with expense fees as low as possible.



**3. Drive engagement.** Enlightened HSA administrators are using advanced tools like machine learning and artificial intelligence to engage employees and demystify the HSA. Such tools go beyond data analysis from recommending various types of messages be sent to employees to examining the spending of the employee to find qualified HSA expenses the employee may have missed. Such a platform will also recommend specific actions to the employee to make it easier to fund the account, increase tax savings or find additional qualified expenses, thereby educating employees.



**4. Fees.** Just like most other types of financial accounts, HSAs have different types of fees. Finding the least onerous fee structure is essential to build and sustain employee engagement. Also consider interest rates. Like fees, banks offer numerous interest rates for HSAs, often delivering higher rates as balances grow.

Likewise, employers must determine if the administrator offering the HSA is simply a vendor or a true partner that will help maximize employee participation and savings at their company. Employers should partner with a financial institution that seeks to understand their goals for the HSA program and help them form a plan that will point their employees toward lasting, positive behavior change and long-term financial wellness.

## Conclusion

**39%** of Americans say they wouldn't be able to cover a \$400 expense through available cash or a credit card, according to results from a May 2019 survey from the Federal Reserve.<sup>11</sup>

While an improvement over past years, many Americans are still apparently lacking financial wellness in their lives. Employers can help by recognizing the signs of financial stress in their employees while offering education, tools and other support that help even struggling employees save toward crucial personal expenses, including their healthcare.

An HSA bolstered by employer-matched contributions and AI-powered, user-friendly software can help employees set aside funds to avoid a healthcare-expense hardship, but also establish them on the right path toward financial wellness.

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# About Bend

## Our Story

We started Bend to help businesses and individuals manage the rising cost of healthcare, and their overall long-term financial health. Our solution is designed with three key concepts in mind: never miss a tax savings opportunity, maximize your dollars, and make the administration and usability of an HSA easy. We leverage the latest technologies, including AI and machine learning, to offer an entirely new and truly unique approach to engagement, funding, saving and payment.

## Our Purpose

We're driven to make a difference in how people manage their financial health. That's why we relentlessly look for new ways to make HSAs better with innovative, intuitive and elegant solutions that simplify the user experience, organize information, and guide participants on how to best use their HSA. By doing this, we help individuals and employers get - and stay - ahead of the curve.

At Bend, we make it easy for everyone to manage their long-term financial health.

888-357-1185

[sales@bendhsa.com](mailto:sales@bendhsa.com)



To learn more about how to guide employees toward positive savings behaviors for their financial wellness, please download our [white paper](#), or [contact](#) Bend today.

