



Detailed Sample ROI Calculation

According to the National Endowment for Financial Education, financial problems stem from a lack of knowledge or poor understanding of basic money management and financial planning concepts - and take their toll on employees and employers alike. These problems include absenteeism, low productivity, stress-related illness, job turnover, and more.

It has been determined by various sources and through a number of studies, that financial education can have a positive impact on the lives of individuals - which, in turn, positively impacts the company. Financial education represents a life- and business-altering benefit. In this document, you will learn many possible areas of improvement and opportunity within your company to benefit your company, and also help your employees reach goals.

<u>TOPIC</u>	<u>WORKSHEET</u>
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Financial Education can help reduce employee turnover . What could this mean for your company?	2
On average, 20% of Americans are struggling financially to the extent that it has a negative impact on productivity . What does this cost your business?	3
The Flex Spending Account is typically the most under-used employee benefit, yet with education about its impact, your employees will reap benefits while your company realizes savings in FICA Taxes!	4
Has your company been affected by wage garnishments and/or hardship loans ? Here's how these additional costs can impact your business.	5
What is the cost to benefit of employee financial education , how will we benefit - and what will it cost? How can your employees' financial well being positively affect your bottom line?	6

OTHER POSSIBLE BENEFITS

Consider the value to your company of helping employees to retire "on-time" - maybe even early. [-](#)

EXECUTIVE SUMMARY

This summary represents many of the areas that poor employee financial behavior is negatively impacting your company's bottom-line. Financial education positively impacts employees behavior and saves money for the employer! The following pages outline how these numbers were derived. Numbers used in this example were provided by a company representative if that information was available. In cases where the information was unavailable, a low estimate based on experience was used.

As you will see, financial issues are costing your company thousands of dollars! Financial education has reduced many of the stressors and causes of this financial loss to your company. So much so that the cost of financial education may be offset by the savings!

TOTAL COST/AREAS OF POSSIBLE IMPACT

The Financial Impact of Employee Turnover	\$	1,125,000
Cost of Financially Unfit Employees		900,000
FICA Tax Savings		11,475
Other Costs to Consider		10,000
TOTAL COST/AREAS OF POSSIBLE		\$2,046,475

ASSUMPTIONS

Percentage of employees who will participate each year:		20%
Approximate cost of financial education per participant	\$	150

IMPACT OF FINANCIAL EDUCATION

Total estimated cost to provide comprehensive financial education (based on assumed participation)	\$	30,000
Total financial impact to your company (based on assumed participation and percentage of impact achieved)	\$	102,324

YOUR ESTIMATED SAVINGS FROM PROVIDING FINANCIAL EDUCATION	\$ 72,324
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THE FINANCIAL IMPACT OF EMPLOYEE TURNOVER

According to an article in the June 2001 issue of HR Magazine, 60% of employees are dissatisfied with their pay.¹ "Pay dissatisfaction can result in decreased morale, poor work quality, and increased turnover," according to Bruce Katcher, organizational psychologist. Would you agree that some employees may be willing to leave their current job if they were given more money?

Financial education can help employees take control of personal finances. How can this impact an employer? Employees will learn to value and maximize the use of company-sponsored benefits, and learn to manage money to meet goals - both short and long-term. Butterfly Financial, LLC encourages spousal participation (at no additional cost). This work-life benefit shows your employees that the company cares for their well-being, and has been shown to improve morale (Garman, 1998).

ASSUMPTIONS

Number of	1,000	
Average salary:	\$ 30,000	
Annual turnover rate:	15%	Experts have estimated employee turnover to be 15% annually, ² although turnover rates are believed to increase as the economy recovers. ³
Cost of turnover:	25%	See considerations below. Experts disagree on the exact number (shown as a percentage of position's wages), though on average the general consensus shows the cost between 100-150%. ⁴ For low-skill positions, the percentage is less and for highly-skilled positions, obviously the percentage is more.

CALCULATION

Total number of employees to leave/positions to be recruited	150
Cost to company based on assumptions	\$ 1,125,000

COSTS TO CONSIDER⁵:

- * Cost of employee turnover on a company's bottom line. A recent study showed that corporations spend on average 36% of their revenue on human capital expenses. Using conservative figures, a 25% rate of turnover at a cost of one time the salary, on average, costs an estimated 9% of revenue.
- * Cost of lost productivity, including that of the departing employee, the colleagues and managers whose time becomes unproductive, and the "general disruption of the team dynamic."

- * Cost of temporary staff or other measures needed while position remains open. Often this contributes to the cost of lost productivity while others in the office "take up the slack."
- * Cost of training investment made in the departing employee (both time and money
- * Cost of severance package, benefits continuation, etc.
- * Cost associated with exit interviews, outplacement fees, and possible litigation
- * Cost of lost knowledge and/or experience that left with the employee.
- * Cost of possible lost sales and even customers/clients. Because employee retention is directly linked to customer acquisition, satisfaction and retention, it is a key factor in revenue growth.
- * Cost of advertising the open position.
- * Cost of HR time in interviewing and screening applicants plus manager's time
- * Cost of hiring procedures (paperwork and processing, pre-employment testing, drug screening, fingerprinting, credit checks, etc.)
- * Cost of additional factors associated with hiring, including (if applicable) travel and relocation expenses, and signing bonuses.
- * Cost of the person(s) responsible for issuing "standard" business necessities (depending on the position this could include computers, email, voice mail, etc. or steel-toed boots, uniform, etc.)
- * Cost of orientation, training, and other activities (including the cost of the instructors/facilitators).
- * Cost of additional management time needed to monitor the progress of a new-hire as he or she is learning the job.
- * Cost of lost productivity as the person is still learning and therefore not producing at 100% (this can be weeks, months, or years, depending on the position.)

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COST OF FINANCIALLY UNFIT EMPLOYEES

One in four workers--30 million--are seriously financially distressed about personal finances. Research shows that approximately 15-25% of workers in the United States are experiencing stress from poor financial behaviors to the extent that it negatively impacts their productivity. Further, it is estimated that in some workplaces, that number may be as high as 50%.⁶ Think your company is different? Consider this:

- * The average American household with at least one credit card carried a balance of \$7,942 in 2000. This is up almost \$5,000 since 1990.⁷ In addition, from 1983 to 1990, bankruptcy filings increased by 150%.⁸
- * The average savings rate in America was reported to be at an all-time-low - and actually reached negative values! (Americans are spending more than they are making!)
- * MetLife's Study on Employee Benefit Trends found that 28% of full-time workers sometimes have trouble paying monthly bills, and 42% live paycheck to paycheck.⁹

ASSUMPTIONS

Percent of employees financially struggling:	15%	See considerations below.
Lost productivity per financially unfit	20%	Consider this: 33% - 50% of workers with credit delinquencies report that they spend time at work dealing with money matters. On average, such workers waste 20 hours per month - or 25% of their work time - dealing with personal financial matters. ¹⁰

CALCULATIONS

Employees struggling financially to the point that their job is impacted	150
Cost to employer	\$ 900,000

THINGS TO CONSIDER:

- * In a study by the Center for Financial Well-Being, 37% of respondents admitted that financial concerns adversely affected their productivity in the past year.¹¹
- * Sixty percent of working Americans were experiencing moderate to high levels of financial stress. Thirty-nine percent were stressed over debts and 38% over-paying monthly bills.¹²
- * A recent Department of Defense study sites personal financial problems as one of the top four causes of lost productivity in the military.¹³
- * A study by the Military Family Institute found that employee financial problems, especially due to the resulting stress, cost the U.S. Navy about \$250 million annually.¹⁴
- * Financial stress can also cause physical reactions: One study states that of those who carry credit cards, about 50% said that they have experienced loss of sleep, one-third find it hard to concentrate, and about 55% have experienced headaches or felt sick to their stomachs.¹⁵

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COST OF TAXES

Do you offer a Flex Spending Account in your package of employee benefits? If you do, chances are it is dramatically underutilized. The "use it or lose it" provision scares off many employees. If you could increase the utilization of this benefit, the FICA tax savings represents yet another opportunity to reduce costs from your financial education campaign. If you are not seeing high utilization of this benefit, this is a wasted financial opportunity for both you and your employee.

An Example:

Current number of participants:	75
New participants attracted to the FSA:	75
Average contribution:	\$ 2,000
FICA Tax rate:	0.0765
Current savings	\$ 11,475
Post-financial education savings	\$ 22,950

The EDSA Group, Inc. has proven results from one company. This 300-employee company began with 7% participation in the Flex Spending account. After sponsoring financial education using The EDSA Group, the participation increased to 37%. This resulted in an increase in FICA Tax savings which paid for their ongoing financial education programs.

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OTHER COSTS TO CONSIDER

Use this worksheet to enter some of the costs that you experience as a result of employees' poor financial behavior that have not been considered in other areas of this workbook. Items might be "typical" - or perhaps are unique to your industry.

Consider the costs to administer:

*	Wage garnishments	\$ 10,000
*	401(k) loans	0
*	HR administrative time	0
*	Uniform costs, screening costs, etc...things unique to your industry	0
*		0
*		0
*		0
*		0
Total other costs to consider		\$ 10,000

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TOTAL IMPACT OF EMPLOYEE FINANCIAL WELLNESS

This worksheet summarizes many of the areas that financial education can positively impact your company. If you agree with the concepts, but cannot imagine that the numbers add up to THAT MUCH, then consider your own assumptions using the "What if..." column below.

	Based on Assumptions	What If...
The Financial Impact of Employee Turnover	\$ 1,125,000	\$ 400,000
Cost of Financially Unfit Employees	900,000	600,000
FICA Tax Savings	11,475	22,950
Other Costs to Consider	10,000	-
Other		
Other		
TOTAL COST/AREAS OF POSSIBLE IMPACT	\$ 2,046,475	\$ 1,022,950

Would the benefit of a financial education program help pay for itself? NO DOUBT! HERE'S HOW...

It is recommended that a company provide an ongoing program of financial education in order to change poor employee financial behavior. Butterfly Financial, LLC programs do this by helping employees learn positive behaviors in order to help them take control of personal finances and reach goals! Additionally, we are helping those with financial wellness to learn how to plan for the unexpected, plan for future expenditures, etc. in order to help them continue on the right path. An ongoing financial education program allows for a constant stream of communication with employees so the message is not here today - gone tomorrow.

On average, a company who wishes to provide employee financial education on an ongoing basis - and who wishes to provide programs to all employees (versus a targeted group such as retirees) on a voluntary basis - will see between a 15 - 30% participation rate in the company-sponsored workshops annually.

ASSUMPTIONS

Percentage of employees who will participate each year: **20%**

On average, to set up a comprehensive financial education program for employees, the per-employee cost will be approximately (based on certain minimum attendance requirements.) **\$ 150**

If you choose to provide a more targeted program only (for instance, The Magic of 401(k) program) in order to deal with a specific challenge in the workplace, the cost may be less. On the flip side, if you choose to provide the most comprehensive of programs to all participating employees, the cost may be more. This is simply a guideline for a comprehensive program to meet the diverse needs of your entire employee population. **We would be glad to provide a detailed estimate based on your specific goals/needs once those have been determined.**

COST TO PROVIDE ONGOING FINANCIAL EDUCATION

Total number of employees who will participate over next 12 months	200
Cost per participating employee	\$ 150
Total estimated cost to provide comprehensive financial education	\$ 30,000

IMPACT OF FINANCIAL EDUCATION

While financial education will not necessarily eliminate 100% of the costs associated with poor financial behavior among employees, it will have a positive impact on the lives of those who participate in the financial education program. What if providing comprehensive financial education to employees saved you just 30%, 40%, or 50%...of the total possible savings???

	Based on Assumptions	What If...
Total costs/savings	\$ 2,046,475	\$ 1,022,950
Number of employees participating in financial education annually	200	200
Percent savings due to financial education program	25%	25%
TOTAL DOLLAR SAVINGS (considering # of participants)	\$ 102,324	\$ 51,148

SAVINGS/DEFICIT TO PROVIDE COMPREHENSIVE FINANCIAL

	Based on Assumptions	What If...
Your estimated savings for providing financial education	\$ 102,324	\$ 51,148
Your savings/additional cost to provide such a program	\$ 72,324	\$ 21,148

WHAT IS THE BREAK-EVEN POINT (considering percentage of participants)?

What percentage of the total areas of possible impact would need to be achieved (considering the percentage of employees who participate) in order for the cost of your ongoing financial education program and the benefit of the financial education program to be equal? (Breakeven point).

7.33%	14.66%
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SOURCES OF INFORMATION

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- ⁸ Raphael, Todd, *Workforce*, ACC Communications Inc., The Gale Group, Nov 2002.
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