



Morgan Stanley

## THE BIG(GER) PICTURE

Workers are stressed. About their work, perhaps, but increasingly that stress seems to be about things outside of work; high balance credit cards, debt carried over from college, and yes, their lack of savings, much less retirement savings. Stress that relates to their life outside of work, and yet stress that increasingly seems to be coming to work with them – and that's a growing concern for plan sponsors.

NAPA Net spoke with Ed O'Connor, Managing Director, Head of Morgan Stanley's Financial Wellness program to discuss the issues, and a new generation of workplace solutions.

**NN:** The headlines are full of stories about workers being stressed – not so much about their work, but about things outside of work. What does that mean for employers, and the employees?

**O'Connor:** In conversations with plan sponsors, there is a strong consensus that stress impacts productivity. There are studies, including some from institutions of higher learning, that document the negative impact that stress has on productivity. While workers have always had to deal with those kinds of pressures, today they seem to be dealing with unprecedented levels of financial pressure, including greater responsibility for health care choices, and retirement security. Employers see the toll this takes on their valued workers and want to help.

**NN:** If the problems are outside of work – but affect work – what kind of solutions are available through workplace programs?

**O'Connor:** Traditional retirement plan education started by giving participants the information they needed to help them make the right decisions. Over time that evolved to provide participants the tools and means to act on those decisions. Financial wellness is another natural evolution in that concept because, done properly, it encompasses the individual's entire financial picture such as developing and keeping to budgets, paying down student debt, credit card management, and, yes – retirement savings.

**NN:** What kinds of solutions are we talking about?

**O'Connor:** Let me be very specific with one example: We provide a company specific digital portal where a participant can access tools that help raise awareness about things like the cost of credit card debt versus other means of financing. At that point of contact we can provide alternative solutions which, for example, may lead to a monthly saving. Then we could lead them to their 401k benefit site to help them save more for retirement. Finally the participant can see the positive impact on their personal circumstances. Financial Wellness should not just include articles, videos and calculators – it must foster positive action.

But how these solutions are delivered depends completely on the preferences of the plan sponsor. Morgan Stanley's role can be to provide our own solutions, or access to a market of solutions, and/or we leverage our scale to access third party solutions with greater value than could be acquired otherwise.

**NN:** What role do Financial Advisors play in this new evolution?

**O'Connor:** A human resource executive told me once, "I've seen great content, and enjoyed some interesting videos, but it's not moving the needle." To be truly effective, you must combine those digital resources with the intervention of competent professionals.

One of the key services we provide the plan sponsor within our Financial Wellness program is an aggregation and analysis of participant engagement with the site that displays the top financial stress points for their employees. With that we can deploy webinars and on-site seminars to really reinforce the delivery of knowledge and spark action by the employees. And, we can show the plan sponsor if the needle is moving.

**NN:** How does this approach mesh with behavioral finance designs like automatic enrollment?

**O'Connor:** For years we've taken advantage of behavioral finance tools

like automatic enrollment to help workers get started doing the right things – but achieving holistic financial wellness is not a "one and done" solution. The centerpiece of our Financial Wellness program is a 12-question assessment. It takes less than 2 minutes to complete – gamifies the approach by providing a score and then it curates our content down to the next three things you need to do to improve that score. It begins the journey of financial wellness – and the involvement of our Financial Advisor keeps it going. So from a behavioral finance perspective it's about gamification, specific action-oriented engagement, immediate feedback and reinforcement.

**NN:** What's the next generation of financial wellness look like?

**O'Connor:** What we're seeing now is more and more companies are looking for financial coaching, someone who can not only help individuals set up a budget, but follow-up with them to help them stick with it. And this financial coach can help these individuals take full advantage of all the benefits the company offers. We're also looking at a refinancing solution for student debt. This is a big one. No one can save enough for retirement if they have a huge student debt issue. With our digital capabilities I think we'll see more and more personalized engagement. This will help participants achieve financial wellness, increase their productivity and make them feel even more connected to their employer.

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