Employee financial health has a direct impact on the financial health of America’s corporations. The challenge is one of execution. Financial education in the workplace is central to the success or failure of American workers to save adequately for their retirement. However, it is becoming increasingly clear that the success of financial education is a function neither of print-based education nor of technology but instead, dependent on a more personal level of interaction with advisors who can execute a more complete financial education approach and help bridge the growing divide between employers and employees in the benefits arena. PLANSPONSOR talked to three American Express Retirement Services executives about the role of advisors in the workplace: Ward Armstrong, president of American Express Retirement Services; Rusty Field, vice president, and Kellie Richter, vice president of products and marketing, both with American Express Financial Education and Planning Services. From top: Kellie Richter, Rusty Field, Ward Armstrong

**PS: When it comes to benefits, we seem to be in the midst of a sea change in the relationship between employers and employees. What has happened to bring that about?**

**Armstrong:** There have been some dramatic shifts. At a macro level, there’s been this transfer of responsibility and risk to employees—the most obvious indication of that has been the growth in defined contribution plans but you are also now seeing it in the employer approach to health care. More recently we have seen a shift away from reducing costs in the workplace—which many employers have focused on to the exclusion of all else in the last few years—toward a focus on attracting and retaining talent. The challenge for employers is to deliver a benefits package centered on a defined contribution solution that also really delivers retirement security to employees.

**Field:** The hard truth is that too many DC plans don’t deliver and, for the first time ever, many employees are entering the workforce with an expectation to live and retire less well off than their parents. Now, the general trend toward shifting this responsibility from the employer to the employee is not going to be reversed, but many employers are beginning to understand the high cost of having financially unhealthy employees. There’s a significant cost if your employees are preoccupied with their financial health, or their lack of it, and a significant cost to the company if you can’t retire employees and bring new employees in.

**PS: If the problem is that DC plans, as presently constituted, don’t deliver what they should, what’s the solution?**

**Armstrong:** Financial education is the solution, but we’re talking about an approach that’s very different from what we’ve seen in the past. For a start, you have to provide advice using a variety of media and, perhaps most importantly, you have to be able to deliver it face to face.

**Field:** If you think for a moment about the decisions we have to make as employees today—vital decisions on benefits that our parents never even had to think about—these are not decisions that can be made easily. Choosing from multiple health-care coverage plans and handling ever-increasing costs versus the basic, all-inclusive medical coverage of the past, or choosing among 15-plus 401(k) investment options and a self-directed account versus a traditional pension plan. All of our research leads us to believe that, if you’re going to help participants make these decisions, you need to be able to interact with them when and how they prefer. Moreover, all these financial decisions are interconnected; they can’t be made in isolation. Our own experience has shown us that the best way to help people make these decisions is by giving them face-to-face support leveraging a financial planning approach.

**Armstrong:** In the late 1990s, all of us scrambled to get our information online, and we all found third parties to do Web-based advice and education, but the end results were that only a small percentage of participants chose to go that route. The fact is, it is live interaction—advice delivered in person or on the phone—that changes participant behaviour for the better.

**Richter:** And not just for the better for the employee. You also can give employees a much better understanding and appreciation of their benefits package, and that can change the way they regard their employer. Companies invest heavily in their benefits packages; the right education delivered the right way gives them a return on that investment. It is counterproductive for a company to be paying for a benefit that is not being utilized.

**Field:** Unfortunately, many companies have become inured to this. However, if you look at some of the companies we have worked with where we have been able to bring into the plan the breadth of financial education that we can harness now, the results have been eye-opening. Just to cite one example: We recently dealt with a pension termination that affected some 1,500 employees, and we had 45 days to help each of them through the decision-making process. We picked 300 of what we call our Platinum Advisors—they’re the American Express top advisors around the country—and gave them 15 to 20 hours of training on the particulars of this extremely complex pension fund. The end result was that we were able to get 650 of these employees to do a formal financial plan on that pension elimination decision. The client had hoped for perhaps 300 at most to do that—we got 650 to do it.
Field: Our experience bears out that, if our financial advisors really do their job well in helping participants meet their financial challenges, there will be no shortage of interest in creating a more in-depth relationship with an advisor. That is very much an employee-driven phenomenon, but it’s a natural way to demonstrate an advisor’s competence and that makes the economics of servicing these plans in such a people-intensive way worthwhile.

Armstrong: We also think that relationships with first-rate advisors—who, by the way, we monitor on an ongoing basis—should give plan sponsors comfort: the comfort of knowing that, when their participants choose to, they can access a trusted financial advisor to get professional help at those stages of their career when it is most needed. It seems to me that that’s a very effective way to help fulfill their fiduciary obligations and, if I were a regulator, I would share that view.

Richter: There’s another point about the economics of this approach—it is very expensive to maintain a group of trained advisors who fly about the country from client to client. In our case, with an existing and trained network of advisors already in place, we can deliver a different cost proposition to our clients.

Field: Plan sponsors historically have been concerned—and rightly so—about giving financial firms access to their participants. Yet, I believe the views on that are evolving, because the importance of professional advice is becoming clearer and clearer every day. In the past, plan sponsors picked vendors for their recordkeeping capabilities—now, that’s becoming a commodity. Then, plan sponsors picked vendors for their investments but, with open architecture, you can get to whatever funds you want. Today, perhaps the best reason of all to choose a vendor is for the ability to get participants invested appropriately to meet their own particular goals—retirement and beyond. That’s where we believe we’re most competitive.

Armstrong: We’re a financial planning company—and that’s what retirement plans require. It’s in our DNA—setting goals for people and making sure they make them. Someday, that’s gotten lost in the DC world but that logic is inherent in everything we do—every communication, every interaction. People think success or failure here is about 401k education—it’s not, it’s about financial education.