

Workplace Financial Education Improves Personal Financial Wellness

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One of the growing areas in employee benefits is workplace financial education. This study was conducted at one of several plants owned by a Southeastern chemical production company to investigate the effectiveness of workplace financial education. The EDSA Group[®] offered the education. Differences and similarities between participants and nonparticipants in the financial workshops were explored. Most workshop participants took positive actions to improve their financial well being. This study found strong evidence that workplace financial education is effective because it resulted in better financial wellness for workers.

Key Words: financial education, retirement, workplace, financial wellness, productivity

Employers are increasingly offering workplace financial education for their employees as part of the benefits program. This education is in response to worker needs, obligations imposed by the Employment Retirement Income Security Act (ERISA), and recent Department of Labor (DOL) guidelines. Since 1990, DOL has encouraged employers to provide financial education to help workers better understand their employer-sponsored retirement plans.

Why employers offer financial education

Employers also offer financial education to employees for a number of other reasons:

1. To increase participation in and contributions to 401(k) plans
2. To help workers improve their personal financial wellness.
3. To help workers remove obstacles to fully funding their retirement plans.
4. To increase employee loyalty and morale.
5. To improve workers' chances to retire early or on time.
6. To reduce workers' stress.
7. To increase workplace productivity.

8. To reduce the incidence of employee theft.
9. To help employers avoid lawsuits.
10. To remove limits on tax-deferred savings for highly compensated employees (Kratzer, Brunson, Garman, Kim & Joo, 1998).

What programs should include

Employers are increasingly aware that a broad approach to financial education, rather than a narrow focus on retirement education, is necessary to meet the needs of the diverse workers. Garman stated that "Responsibility for providing personal financial education and services to prevent and alleviate money woes is increasingly falling on employers because they have access to resources that can make such programs a valuable benefit" (Overby, 1998, p. 1).

Experts recommend that comprehensive workplace financial education programs should include information on increasing participation in, and contributions to, employer-sponsored retirement plans, making satisfactory choices among employer-provided fringe benefits, making personal assessments about credit and money management, and understanding how to use consumer protection laws to one's

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benefit (Garman, 1998; Garman & Bagwell, 1998). Typical financial education offered by employers includes retirement planning, investment, credit and money management, tax planning, college planning, and estate planning (“Employees Grow Confident...”, 1999, pp. 31-32).

Impact of Financial Education

Employers are not alone in recognizing the benefits of financial education. Workers also want financial education provided through their employers. A recent study by American Express Financial Advisors “revealed that 85% of employees want to receive financial information in the workplace” (Tiras, 1997, p. 119). A recent study by Deloitte and Touche found that “Four of workers’ top five benefit concerns for 1999 relate to retirement planning” (“Thinking Retirement,” 1998, p. 1B).

Research has determined that, at the end of a financial seminar or workshop, the participants report a variety of intentions to change their personal financial management for the better (Fletcher, Beebout & Mendenhall, 1997; Kim, Bagwell & Garman, 1998; Russell, 1997; Taylor-Carter, Cook & Weinberg, 1997). Examples of such intentions include workers indicating a desire to increase savings, to start contributing to a retirement plan, and to pay down credit card balances. Participants also gain confidence in making financial decisions related to savings and investments (DeVaney, Gorham, Bechman & Haldeman, 1995). Participation in retirement education programs has a positive impact on retirement expectations (Taylor-Carter, et al., 1997). Findings from the Retirement Confidence Survey (Employee Benefits Research Institute, 1998) demonstrate that workplace financial education increased participants’ confidence and attitudes toward financial management.

Participation in workplace financial education results in improved financial knowledge, attitudes, and behaviors (Fletcher et al., 1997). Participants in workplace financial education also report changes in feelings and attitudes toward personal finances. Bernheim and Garrett (1996) found that financial education strongly influenced household financial behavior. Other research has found that “the typical retirement program of retirement education in the workplace raises the average rate of overall savings (relative to annual earnings) by 2.2%” (Bernheim, 1996, p. 4).

Financial education also results in actual changes in personal financial management practices (Bernheim, 1996; Bernheim & Garrett, 1996; DeVaney et al., 1995; DeVaney, Gorham, Bechman & Haldeman, 1996; Godwin & Carroll, 1986; The National Summit on Retirement Savings, 1998; Varcoe & Wright, 1991). Examples of behavioral changes include adjusting investment goals, setting up an investment plan, creating a bill paying plan, starting or adding to an emergency fund, calculating how much money is needed for a comfortable retirement, increasing contributions to a retirement plan, reducing credit card balances, and changing one’s asset allocation within a retirement fund.

Research also has related financial stress to job productivity (Darby, 1997; Garman, Leech & Grable, 1996; Luther, Leech & Garman, 1998). Approximately 15% of workers in the United States experience financial stress, and financial stress negatively impacts workers’ productivity (Garman et al., 1996). Workplace financial education can improve workers’ personal finances. Calculations have been made that estimate a positive return on investment for employers who provide workplace financial education (Garman, 1998; Garman, 1999; Joo & Garman, 1998ab).

Research Objective and Purposes

The research objective of this study was to obtain insights into participation in workplace financial education at a southeastern chemical producer. This study was designed to examine the characteristics of the workers who attended the financial education workshops (participants), and those who did not attend the workshops (nonparticipants), after the workplace financial education workshops were provided. The EDSA Group[®] provided four different kinds of workshops:

1. *Money Basics* (later upgraded and retitled *Money 101*[®]), a 6-hour course that focuses on comprehensive financial planning topics.
2. *Retiring Easy*, a 3-hour pre-retirement workshop geared to those who are 5 to 15 years away from retirement.
3. *Magic of 401(k)*, a 2-hour course that teaches employees how to use their retirement plans to effectively meet retirement income needs.
4. *Planning Plus*, one-on-one counseling at the employer’s site that allows personalized consultation [no solicitation allowed] to those who have attended a company sponsored workshop.

The specific purposes of this research were to:

1. Determine why some employees of the company took advantage of workplace financial education workshops while others did not.
2. Search for differences and similarities between those who attended the financial education workshops and those who did not attend the workshops.
3. Determine how workers perceived the workshops presented to employees by the employer's financial education provider.
4. Assess worker participation in the company's 401(k) retirement plan.
5. Assess the workers' perception of financial wellness and personal financial behaviors.
6. Measure the personal financial behavior changes of workers who participated in the workshops.
7. Determine what, if any, additional financial education workshops workers might desire in the future.
8. Obtain self-reported measures of health and job performance ratings.

Methodology and Statistical Analysis

The data were collected with a mail survey questionnaire. This questionnaire was created by the staff of Virginia Tech's Personal Finance Employee Education outreach effort and other Virginia Tech faculty with input from representatives of the company sponsoring the research and their financial education provider. This study was conducted at a facility in the southeast, one of several plants owned by the company.

A cover letter that introduced the research, identified the confidential nature of the research, and expressed the need for participation was placed in a business letter envelope along with the survey instrument and a return envelope. The package was mailed to the home addresses of all 300 employees who worked at the selected site. Ten days after the initial instrument was mailed, a thank-you-and-reminder postcard was mailed to all workers. Three weeks after the initial mailing, a letter and a replacement questionnaire were sent to all workers including those who had already responded. The letter encouraged all workers who had not yet responded to complete and return the survey. Questionnaires were mailed back to the researchers, not the employer, to assure confidentiality.

As an incentive to participate, two \$100 prizes were provided. One prize was for those who participated in the

financial education workshops, and one was for those who did not participate. This technique was utilized to help increase the overall return rate as well as obtain a satisfactory return from workers who had not participated in previously offered workshops.

The questionnaire asked workers the title of the financial education workshops in which they had participated in the past and their reasons for participation. The workers also were asked what changes in their personal finances resulted from the education. Workers who did not attend financial education programs were asked why they did not participate. All workers were asked what additional financial education was desired, if any. The questionnaire also sought information on financial well being, financial behavior and attitudes, financial stress, and self-reported measures of workplace productivity.

The t-test, analysis of variance, and chi-square statistical tests were utilized to examine the data. The standard for the statistical level of significance was established at or beyond the 0.05 level.

Findings

There were 181 responses to the 300 surveys, for a response rate of 60%. Of the 178 usable questionnaires, 100 (56%) respondents attended one or more of the workplace financial education workshops. Seventy-eight (44%) had not participated in the financial education workshops.

Demographic characteristics, including gender, age, marital status, education, race, and household income, are shown in Appendix A. The majority of the respondents (92%) were male. Three-quarters of the respondents were married (76%), while 14% were single. Three-quarters had education beyond the high school diploma. The workers were primarily white (91%), and 87% reported a household income of \$50,000 or greater. About half of the workers (49%) lived in a three-or four-person household. The median age of the workers was 43. The demographics of the sample corresponded well with the population of the company, as reported by the Industrial Relations Manager, although it is not representative of the general labor population.

Workshop Participation Of the 100 who participated in the financial education programs, 57 attended one workshop, 32 attended two workshops, three persons attended three workshops, and five individuals attended all four of the workshops. Three individuals did not indicate which workshop they attended. *Money Basics*⁰ (also called *Money*

101[©]) was the workshop attended by the most participants. This workshop focused on the principles of basic money management with some emphasis on the time value of money and saving for retirement.

Reasons for Participation or Nonparticipation The reason for attending the workshops for almost 100% of the workers was "to learn more about financial topics." The most frequent reason (51%) for not participating in any workshop, or in more workshops, was "the time conflicted with my schedule." The next two reasons given were "I already had enough information on personal finance" (10%) and "not interested in the information" (10%).

Participants' Perceived Value of the Workshops Of those workers who participated in the workshops, 91% agreed that the "financial education workshops gave them the information that they wanted." Ninety percent of those who participated in the financial education workshops agreed that they were "very satisfied with the financial education provided."

Which Workers Choose to Participate in the Workshops? Characteristics of participants and nonparticipants are shown in Appendix A. More of the older workers, rather than younger workers, participated in the financial education workshops. The household income, educational level, household size, and ethnicity of participants and nonparticipants were similar. More married workers participated than those who were unmarried. Workers who were closer to retirement participated in more workshops than workers who were farther from retirement age. Most workshop participants expected to retire in 15 years or less, while half of workshop participants reported that they planned to retire within 10 years. The workshop participants and nonparticipants were similar in expected retirement age. The longer a person had been employed at the company, the more likely it was that he or she participated in the financial education workshops.

Participation in and Contributions to Retirement Plan Over 91% of the responding workers were contributing to the employer-sponsored 401(k) plan. Only 17 workers were not contributing. The most frequent reason given for the 17 workers not contributing to the 401(k) plan was "I do not have enough money." Those with more years of employment at the company had a higher rate of participation in the 401(k) plan. Those who attended the financial education workshops reported greater contributions to the retirement plan than did

nonparticipants. More workshop participants than nonparticipants were contributing the maximum amount allowed to the 401(k) plan ($\chi^2 = 6.07$).

Financial Wellness Workers were asked to indicate their perception of the level of satisfaction with their present financial situation on a scale ranging from 1 to 10, where 1 was the least satisfied and 10 was the most satisfied. Overall, 118 (66%) workers indicated that they were in the higher range of financial wellness (6-10), while 59 (33%) indicated wellness in the lower range (1-5). Statistically significant differences were found in the financial wellness of the financial education workshop participants and nonparticipants (Table 1). These differences were determined by dividing the scale for both groups into upper and lower halves. More workshop participants (76%) perceived a higher level of financial wellness than did nonparticipants (54%).

Table 1

Chi-square analysis of financial wellness and participation of workplace financial education (n=177)

	Participants		Non-participants	
	Number	%	Number	%
Financial Wellness				
Lower level (1-5)	24	24.0	35	45.5
Upper level (6-10)	76	76.0	42	54.5
	$\chi^2 = 9.01^{**}$			

* p < 0.05, ** p < 0.01, *** p < 0.001

Financial Situation and Personal Financial Behaviors Statistically significant differences were found between those who participated in the financial education workshops, and those who did not, in their satisfaction with their current financial situation and in their personal financial behaviors. As shown in Table 2 and 3, when compared to the nonparticipants, the workshop participants reported they

1. Had greater satisfaction with the amount of money they were able to save.
2. Felt more confident saving for a comfortable retirement.
3. Were more likely to set money aside for savings, and
4. Were more likely to set money away for retirement.

Compared to workshop participants, nonparticipants reported they

1. Worried about being able to pay monthly living expenses.
2. Worried about the amount of money they owe.

3. Were more likely to have had to cut living expenses.
4. Were more likely to have reached the maximum limit on a credit card.

Personal Financial Behavior Changes of Workshop Participants As shown in Table 4, workshop participants reported making a number of personal financial behavior changes as a result of the education received. Three-quarters (75%) of the workshop participants report that “they have made better financial decisions since attending the workshops.” Seventy-five percent of the participants related that they were more confident in making investment decisions. Seventy percent reported they changed their investment strategy by appropriately diversifying or being more aggressive in their investment choices. Fifty-six percent of participants agreed that “their financial situation had improved because of the financial education.” Almost half (45%) of the workshop participants increased the amount of contribution to the employer’s 401(k) plan. Thirty-four workers agreed that they started contributing to the 401(k) plan as a result of the financial education workshops.

Table 2
Financial satisfaction in relation to participation of workplace financial education seminars

Financial satisfaction	Participants	Non-participants	t
I am satisfied with the amount of money that I am able to save	2.32	2.60	1.99*
I have difficulty living on my income	3.14	3.00	-1.10
I worry about being able to pay monthly living expenses	3.44	3.13	-2.54*
I worry about how much money I owe	3.34	2.91	-3.20**
I feel confident about saving for a comfortable retirement	2.00	2.29	2.08*
I think I will have enough income to live comfortably throughout retirement	2.06	2.29	1.77

* p < 0.05, ** p < 0.01, *** p < 0.001

Notes: Means are provided with a 4-point scale of 1 given to “strongly agree,” 2 to “tend to agree,” 3 to “tend to disagree,” and 4 to “strongly disagree.”

Workers with Money Problems Even though the great majority of workshop participants and nonparticipants reported a number of positive financial behaviors, a substantial number have some money problems. About three-quarters (77%) of the workers are dissatisfied with the amount of money they save. About one-quarter worry

about how much money they owe (23%) and have difficulty living on their income (24%).

Workers’ Desire for Additional Financial Education Workshops Additional financial education workshops were desired by 80% of the workers, including both workshop participants and nonparticipants. The eight most frequently desired additional workshops were, in descending order, retirement planning, investing, understanding benefits, Roth IRAs, tax planning, estate planning, budgeting, and college planning.

Table 3
Personal financial behaviors in relation to participation of workplace financial education seminars

Personal financial behaviors	Participants	Non-participants	t
I set money aside for savings	3.34	3.04	-2.10*
I set money aside for retirement	3.68	3.32	-2.59*
I had a plan to reach my financial goals	2.95	2.68	-1.79
I had a weekly or monthly budget that I followed	2.31	2.05	-1.60
I kept spending records to check	2.47	2.32	-0.84
I paid credit card bills in full and avoided finance charges	3.03	2.92	-0.66
I reached the maximum limit on a credit card	1.09	1.24	2.38*
I had to cut living expenses	1.36	1.60	2.67*
I had to use a credit card because I did not have money in the bank or cash available	1.29	1.44	1.84

* p < 0.05, ** p < 0.01, *** p < 0.001

Notes: Means are provided with a 4-point scale of 1 given to “never,” 2 to “sometimes,” 3 to “usually,” and 4 to “always.”

Table 4
Personal Financial Behavior Changes of Workshop Participants

Behaviors (n=100)	Agree Freq. (%)	Disagree Freq. (%)	NA Freq. (%)
Since the Financial education, I have made better financial decisions. (n=99)	74 (74.8)	18 (18.2)	7 (7.1)
Because of the financial education, I am more confident when making investment decisions.	75 (75)	20 (20)	5 (5)

I changed my investment strategy by diversifying or being more aggressive in my choices.	70 (70)	24 (24)	9 (9)
Due to the financial education, I increased the amount of my retirement contribution.	45 (45)	20 (20)	43 (43)
Due to the financial education, I started contributing to the 401(k) retirement plan.	34 (34)	25 (25)	41 (41)

Financial Wellness and Bosses' Performance Ratings

Workers also were asked to self-report on their performance rating for the past year from their supervisors. Over 90% reported that their rating was above average. Bosses' performance ratings were significantly correlated with the workers' financial wellness $R^2 = .223, p < 0.01$). Workers who reported that their performance rating was high also perceived better financial wellness.

Financial Wellness and Health For workers who did not participate in the financial education workshops, financial wellness was correlated with better health, and this correlation was statistically significant at or beyond the 0.05 level. Those with better financial wellness reported better health.

Discussion

This study was designed to obtain insights into participation in workplace financial education. Of the 300 employees, 178 responded. One hundred respondents (56%) attended the financial education workshops, and 78 (44%) did not participate in any of the workshops. There were differences and similarities in personal financial behaviors and financial well-being between participants and nonparticipants. Also, participants reported that they took positive actions due to the workplace financial education in order to improve their financial well-being.

Because a pre- and post-test research procedure was not utilized, this study cannot definitely attribute any differences specifically to the financial education workshops. Additional research with non-workshop participants could further assist in understanding the impact and value of financial education in the workplace. Further, the workshops have been ongoing for just over three years. Thus, some financial education participants only recently had attended a workshop while others may have attended three or four workshops.

It is clear from this research that the workshop participants highly valued the financial education they received, and they personally attributed positive changes in their financial behaviors to their workshop attendance. Most workers reported that since their participation in the financial education workshops, they make better financial decisions, have increased confidence when making investment decisions, have changed their investment strategy by appropriately diversifying or being more aggressive in their investment choices, and had an improved financial situation. Most workshop participants took positive actions to improve their financial well being. Indications are that most workers at the company are experiencing good financial wellness and are making good progress toward a financially secure retirement.

It appears that effective credit management, budgeting, and planning differ between the participants and the nonparticipants. Those who participated in the workshops tended to have credit under control, a budget, and a financial plan. Apparently, the financial education may have impacted the workshop participants in a meaningful way or, of course, those people self-selected to attend the workshops.

This study found strong evidence that workplace financial education is effective and resulted in better financial wellness for workers. To increase participation in future workplace financial education workshops, the company might consider offering the programs on company time and/or making attendance mandatory. Because almost one-quarter of workers are experiencing money problems, the company might consider offering workplace financial education on the topics of credit management, budgeting, and consumer protection laws. "Not only do employees need to learn how to invest their retirement savings, they must also learn how to free up money to save" (Tiras, 1997, p. 119).

This research has demonstrated relationships between financial wellness and two important variables: worker health and bosses' performance ratings. Additional research is needed to better understand these relationships, and careful study of cause-and-effect is vitally important. More study of the impacts of workplace financial education may reveal additional interesting relationships that could be of substantial interest to workers, employers, stockholders, stakeholders, and education providers.

Because other research has demonstrated that lower job productivity is associated with worker's money problems (Joo & Garman, 1998a; Joo & Garman, 1998a), employers may find that as the financial wellness of workers increases their job productivity might rise as well. In another study, conservative calculations suggest that, "The potential savings for employers who provide workplace financial education to the nation's [18 million] clerical workers, that impacts their personal financial wellness in small, incremental and varying, but important ways, is \$440 million a year" (Joo & Garman, 1998a, p. 180).

According to CCH Incorporated, a human resource consulting firm, the overall rate of workers absenteeism jumped 25% since last year, and these absences cost employers as much as \$1,044 per worker annually. It has been estimated that nearly half of unscheduled work absences are due to work-life conflicts ("Work-Life Conflicts...", 1998). Additional research needs to be conducted to more clearly identify relationships among absenteeism, financial wellness, and the effects of workplace financial education on these factors. Evidence continues to accumulate showing that workplace financial education is a win-win situation for employers and workers. Bill Arnone, Ernst & Young's director of workplace financial education, says, "If you take care of your employees, they will take care of you." (Arnone, 1998).

This study suggests the following future studies. First, the impacts of workplace financial education on workers' behaviors, absenteeism, tardiness, and productivity need to be examined. The return on investment of financial education can be calculated based on the results. Second, the characteristics of participants and nonparticipants of the workplace financial education seminars need additional research to explore how to attract those who tend not to attend financial education. Third, more extensive research examining a broader population, and also different workplaces, is needed to generalize the results of this study. Fourth, a pre- and post-assessment research design is suggested to directly measure the effects of workplace financial education.

Appendix A
Demographic Characteristics of Respondents

	Total (n = 178)		Participants (n = 100)		Nonparticipants (n = 78)	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Male	163	91.6%	87	87.0%	76	97.4%
Female	15	8.4%	13	13.0%	2	2.6%
Median Age (Years)	N. A.	43	N. A.	45	N. A.	37
Marital Status:						
Never Married	10	5.6%	8	8.1%	2	2.6%
Significant other	5	2.8%	1	1.0%	4	5.1%
Married	134	75.7%	79	79.8%	55	70.5%
Separated	2	1.1%	2	1.1%	2	2.6%
Divorced	11	6.2%	7	7.1%	4	5.1%
Remarried (after divorce)	14	7.9%	4	4.0%	10	12.8%
Widowed	1	.6%	1	.6%	1	1.3%
Education:						
Some High School	1	.6%	1	1.0%	0	0.0%
High School Degree	46	25.8%	23	23.0%	23	29.5%
Trade/Vocation	13	7.3%	6	6.0%	7	9.0%
Associate Degree	10	5.6%	6	6.0%	4	5.1%
Some College	51	28.7%	28	28.0%	23	29.5%
4-Year College Degree	53	29.8%	35	35.0%	18	23.1%
Graduate Degree	4	2.2%	1	1.0%	3	3.8%
Race:						
Black	14	7.9%	4	4.0%	10	12.8%
Native American	1	.6%	1	1.0%	0	0.0%
White	161	91.0%	93	93.9%	68	87.2%
Other	1	.6%	1	1.0%	0	0.0%
Household Income:						
\$20,000 or less	1	.6%	1	1.0%	0	0.0%
\$20,001-\$30,000	2	1.1%	0	0.0%	2	2.6%
\$30,001-\$40,000	10	5.6%	5	5.1%	5	6.4%
\$40,001-\$50,000	10	5.6%	6	6.1%	4	5.1%
\$50,001-\$60,000	36	20.3%	15	15.2%	21	26.9%
\$60,001-\$70,000	33	18.5%	20	20.2%	13	16.7%
Over \$70,000	85	47.8%	52	52.5%	33	42.3%
Household Size:						
1	18	10.1%	13	13.0%	5	6.4%
2	40	27.5%	28	28.0%	21	26.9%
3	42	23.6%	25	25.0%	17	21.8%
4	45	25.3%	21	21.0%	24	30.8%
5	19	10.7%	11	11.0%	8	10.3%
6	3	1.7%	1	1.0%	2	2.6%
7	2	1.1%	1	1.0%	1	1.3%
Number of work years:						
Less than 1	7	4.0%	2	1.1%	5	2.8%
1-2	17	9.6%	7	4.0%	10	5.6%
3-4	12	6.8%	4	2.3%	8	4.5%
5-6	13	7.3%	8	4.5%	5	2.8%
7-8	8	4.5%	2	1.1%	6	3.4%
9-10	9	5.1%	1	.6%	8	4.5%
11-12	5	2.8%	4	2.3%	1	.6%
13-14	6	3.4%	4	2.3%	2	1.1%
15-18	12	6.8%	9	5.1%	3	1.7%
19 or more	88	49.7%	59	33.3%	29	16.4%
Years to retirement:						
0-5	19	15.6%	17	25.8%	2	3.6%
6-10	25	20.5%	16	24.2%	9	16.1%
11-15	27	22.1%	16	24.2%	11	19.6%
16-20	20	16.4%	9	13.6%	11	19.6%
21-25	14	11.5%	4	6.1%	7	12.5%
26-30	11	9.0%	4	6.1%	7	12.5%
31-35	4	3.3%	0	0.0%	4	7.1%

35-40	2	1.6%	1	1.5%	1	1.8%
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Appendix B

T-test analysis of workers' characteristics and participation of workplace financial education

Variables	Means		t
	Participants	Non-participants	
Age	44.51	38.77	-3.92*
Household size	3.96	4.24	1.45
Annual income	6.05	5.76	-1.48
Education	4.46	4.19	-1.07
Years to retirement	11.64	18.13	4.31*
Income contributions to 401(k) plan	5.86	4.29	-3.59*
Expected retirement age	11.64	18.13	4.29*

*Significantly different at 0.001 level or better.

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