# Report: The Impact of Financial Wellness on Employee Retention

Prepared for: Human Resources / Leadership Team

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## 1 Executive Summary

In the current economic landscape, financial wellness has evolved from a "nice-to-have" perk to a critical retention strategy. Data consistently shows that financial stress is a primary driver of employee turnover. Workers grappling with financial instability are less engaged, less productive, and significantly more likely to seek new employment for even marginal pay increases. Conversely, comprehensive financial wellness programs have been proven to foster loyalty, with research indicating that **73% of employees** are more likely to stay with an employer that cares about their financial well-being.

## 2 The Cost of Financial Stress

Financial stress is not merely a personal issue for employees; it is a business liability. When employees are distracted by money worries, their capacity to perform diminishes, directly impacting the organization's bottom line and retention rates.

- **The "Flight Risk" Factor:** Financially stressed employees are **twice as likely** to look for a new job compared to their financially secure peers. They are often forced to prioritize short-term cash flow (e.g., a slightly higher hourly wage) over long-term career stability [**?**].
- **Productivity Loss:** Employees spend an average of **3 hours per week** dealing with personal financial issues while at work. This distraction reduces engagement, a key predictor of turnover.
- **Health Correlations:** Financial stress is a leading cause of anxiety and sleep deprivation. These physical and mental health declines lead to increased absenteeism and burnout, which are precursors to resignation [**?**].

## 3 The Business Case: Retention ROI

Investing in financial wellness yields a measurable Return on Investment (ROI) specifically regarding retention.

- **Increased Loyalty:** Surveys indicate that a vast majority of employees would be attracted to another employer that cares more about their financial well-being than their current one.

- **Stabilizing the Workforce:** Companies that offer financial wellness programs report lower attrition rates. Industry data suggests that effective financial wellness programs can reduce turnover costs, which are estimated to be **1.5 to 2 times** an employee's annual salary.
- **Benefit Utilization:** Employees who participate in financial wellness programs are more likely to utilize other retention-sticky benefits, such as 401(k) matching and Health Savings Accounts (HSAs), creating "golden handcuffs" that incentivize tenure.

# 4 Real-World Case Studies

Several major organizations have successfully deployed financial wellness strategies specifically to combat turnover and improve employee sentiment.

## 4.1 PayPal: The Net Disposable Income Initiative

- **The Challenge:** In 2018, despite paying market rates, PayPal discovered that nearly two-thirds of its entry-level and hourly employees struggled to make ends meet.
- **The Solution:** PayPal launched a comprehensive initiative to increase "Net Disposable Income" (NDI) to at least 20% for all employees. This included lowering healthcare costs, awarding equity to all employees, and raising wages.
- **The Impact:** The program significantly improved financial stability. Employees' NDI rose from 4–6% to approximately **18%**. Consequently, PayPal reported increased employee engagement and retention scores [?].

## 4.2 SunTrust (now Truist): Momentum onUp

- **The Challenge:** SunTrust identified that financial stress was a major distractor for its workforce and a barrier to engagement.
- **The Solution:** They launched the "Momentum onUp" program, which incentivized employees to complete a financial education curriculum. They also offered a $1,000 emergency savings account reward for completing the program.
- **The Impact:** The bank saw a direct correlation between program participation and retention. They reported that the program was a key factor in stabilizing their workforce during mergers and industry shifts [?].

## 4.3 Comcast: Brightside

- **The Challenge:** Recognizing that 401(k) plans were insufficient for employees struggling with immediate cash flow issues, Comcast sought a more holistic solution.
- **The Solution:** They partnered with (and invested in) *Brightside*, a financial care platform that provides employees with a "financial assistant" to help with debt, savings, and emergency needs.

- **The Impact:** Early pilots showed that addressing immediate financial "shocks" for employees prevented them from having to leave the workforce or take second jobs, thereby preserving retention [**?**].

# 5 Components of a Retention-Driving Program

To impact retention, a financial wellness program must go beyond a simple retirement plan. It must address the *now* needs of the employee.

| **Component** | **Description** | **Impact on Retention** |
|---|---|---|
| **Emergency Savings** | Employer-matched emergency funds (e.g., "Sidecar savings"). | Prevents employees from needing to cash out 401(k)s or leave for a signing bonus elsewhere. |
| **Student Loan Support** | Contributions to loan repayment (e.g., CARES Act provisions). | Highly effective for retaining Gen Z and Millennial talent who feel "locked in" by debt. |
| **Financial Coaching** | 1-on-1 access to certified financial planners. | Personalized support builds a deep emotional connection to the employer. |
| **On-Demand Pay** | Earned Wage Access (EWA) allows access to accrued pay before payday. | Reduces reliance on predatory payday loans, reducing stress and turnover among hourly workers. |

# 6 Conclusion

The link between financial wellness and retention is undeniable. Employees who feel their employer is a partner in their financial security are less likely to leave. By addressing the root causes of financial stress—debt, lack of emergency savings, and cash flow issues—organizations can build a more resilient, focused, and loyal workforce.

# 7 References & Works Cited


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