

# Observer

## Companies Offer Workers More Incentives for Health Changes

**E**mployers are increasingly looking to lower their health care costs by using incentives such as cash rewards to persuade workers to make better lifestyle choices, according to survey findings by Aon Hewitt, a human resources consulting firm, and reported by the *New York Times*. The survey also found that employers aren't always so benevolent—a growing number are also penalizing workers who do not make healthy changes, such as quitting smoking or losing weight.

The survey of 800 large and midsize employers in the United States found that 83 percent use some kind of reward or penalty to nudge employees to improve their health. Of those, 79 percent offer rewards, while 5 percent imposed penalties. Sixteen percent used a mix of both.

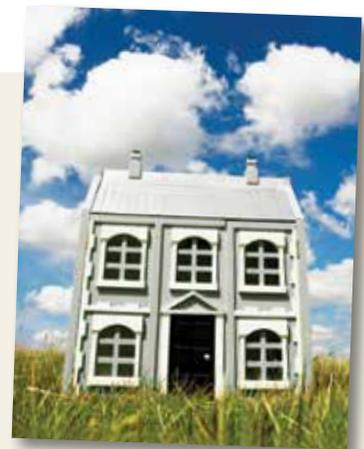
Employers have long encouraged workers to participate in health and wellness programs, but increasingly they are linking the incentives to measurable results, the survey found.

While 56 percent of the companies

using incentives required employees to sign up for programs like health coaching, 24 percent tied their incentives to progress on such measures as blood pressure or body mass index. The survey found that more than two-thirds of companies are considering taking similar measures in the future.

Programs that seek to impose consequences on workers by charging them higher premiums or requiring them to pay a surcharge have come under criticism by some benefits specialists and health experts, who have argued that the policies are invasive and can punish people for health problems that are not always easy to fix.

CVS Caremark, the large pharmacy and drug-benefit provider, recently said it would require its employees to report their weight, blood sugar, and cholesterol or be forced to pay an annual penalty of \$600. It also will require that smokers try to quit. Several other major employers, including Home Depot, PepsiCo, and Wal-Mart, have also adopted such policies.



“A strong rise in home values is contributing to housing wealth recovery, which has risen by \$1.4 trillion in the past year and looks to top that increase this year. The extra consumer spending arising from growth in housing wealth is expected to be \$70 billion to \$110 billion this year.”

—Lawrence Yun, National Association of Realtors chief economist

# STAT BANK



**52...**Percentage of Americans who personally or jointly with a spouse own stock outright or in a mutual fund or retirement account, the lowest level since 1998. (Gallup)

**13.1...**Percentage of respondents to an online survey who strongly believe in their ability to pick stocks earning above-average returns. (Wall Street Journal)

**One-third...**Amount of American families that experienced a period of unemployment between 1999 and 2009. (Pew Research Center)

**40...**Percentage of married people who do not completely trust their partner to manage their combined finances. (TD Ameritrade and LearnVest)

**18...**Percentage of working Americans who report having high or overwhelming financial stress in 2012, down from 32 percent in 2010. (Financial Finesse Inc.)

**\$2,699...**Average annual rates for car insurance in Louisiana, highest in the United States. Maine is the lowest at \$934. (Insure.com)

**57...**Percentage of independent RIAs surveyed who identified increased compliance requirements as the top industry challenge in 2013. (TD Ameritrade Institutional)

**21.2...**Percentage of net profit margin in the accounting, tax preparation, bookkeeping, and payroll services industry according to an analysis by Sageworks. (CPATrendlines.com)

**\$59,862...**The value of mom in 2013, according to common household tasks and wage data from the Bureau of Labor Statistics, down from \$60,182 in 2012. (Insure.com)

**\$64 billion...**Amount of money invested in U.S.-listed ETFs during the first four months of 2013, a 7.5 percent increase from the same period last year. (IndexUniverse)

**28...**Percentage of high net worth investors who perceive a financial company as “innovative,” a “leader in the industry,” or “on the cutting edge” if they offer social media tools. (LinkedIn and Cogent Research)

## Who's More Money Savvy: Men or Women? Young or Old?

**D**o you generally think that your male clients are more financially literate than your female clients? Although that's a broad generalization, according to an AdviceIQ survey of 350 financial advisers across the United States, just 9 percent of advisers surveyed believe their female clients are more knowledgeable about personal finance than men.

AdviceIQ's financial literacy flash survey also found that advisers feel just 6 percent of their clients in their 30s and early 40s are financially savvy, compared to 75 percent of clients in their mid-40s and older.

Nick Stuller, CEO of AdviceIQ, which publishes financial adviser directories and rankings, said in a statement that the survey results indicate an urgent need to close the information gap—particularly for younger investors and women—through financial education.

“Part of the solution are advisers' efforts to inform clients and to encourage a dialogue about money matters,” said Stuller. “At the same time, investors must take it upon themselves to improve their understanding of personal finance.”

“I am concerned about what we've seen recently in gold and silver. When I have people send me emails and say, ‘Watch tomorrow at a certain time; the price of X is going to go down,’ and it happens, that's not just happenstance. And that makes me think we need to do a better job of investigating these things and insuring that there's not outright manipulation.”

—Bart Chilton, commissioner of the U.S. Commodity Futures Trading Commission, in an interview with Charlie Rose



“As the two largest economies in the world, the United States and the European Union have a shared stake in the vitality of the global economy. Without growth in both our regions, the global economy will not prosper and we will not be able to satisfy the aspirations of our citizens. ... As I see it, significant progress has been made in the United States and Europe in recovering from the worst financial crisis since the Great Depression and the deep recession that followed, but more still needs to be done.”

—William C. Dudley, president and CEO, Federal Reserve Bank of New York, in a speech at the Transatlantic Economic Interdependence and Policy Challenges Conference

# FINANCIAL LITERACY Is a Worldwide Challenge

**A**cross the world, people are being asked to assume more responsibility for their financial well-being. Because of changes in the pension landscape, notably a shift from defined benefit to defined contribution type pensions, individuals must determine not only how much to save for retirement but also how to allocate that retirement wealth.

This responsibility is paired with financial instruments that are increasingly complex. Rules and terms for credit cards, mortgages, lines of credit, and other vehicles for borrowing have changed substantially, often providing more exposure to risk.

How prepared are individuals to take on this greater burden and to process the economic information needed to make informed decisions about their current and future finances? According to a FINRA Financial Capability Study in which three financial literacy questions (on interest rate, inflation, and risk diversification) designed to measure basic understanding of the ABCs of finance were posed to individuals, they are not prepared.

Financial literacy data across eight countries—the U.S., Germany, the Netherlands, Sweden, Italy, Japan, New Zealand, and Russia—revealed three striking similarities. First, financial illiteracy is prevalent, regardless of the country or its economic development stage. In the U.S., only 30 percent of the population was able to correctly answer all three questions. Similar results were found in the other nations. In Germany, 53 percent of respondents correctly answered all three financial literacy questions.

Particular groups—notably the young, the old, women, those not working, and those with low education levels—must manage with very weak levels of financial literacy, a pattern that is consistent across borders. The financial security of these groups may be at risk, because a strong link has been found between financial literacy and retirement planning. In turn, retirement planning is a good predictor of retirement wealth and security.

Read the full report, titled “Financial Literacy Around the World (FLAT World)” at [www.finrafoundation.org](http://www.finrafoundation.org).