

Employee financial health and literacy

Insights and solutions to build a healthier and more productive Australian workforce



A message from our CCO

We all appreciate how important good health is for employees to feel happy, engaged and productive in the workplace. While work is often considered a 'means to an end' for many, it's also a big part of Australian life.

With most of us spending around one third of our lifetime focused on earning an income – providing for ourselves and our loved ones or creating wealth for the future – work is also somewhere we build lasting friendships and enjoy the health benefits that come with good work.

Life insurance and superannuation share an important purpose for Australians – they both support and protect people in their working life so they can enjoy a healthier and more confident future. Having good physical, mental and financial health is closely linked to an individual's capacity to work, and therefore earn an income and contribute to their superannuation.

At TAL we understand how influential employers can be in creating a safe and healthy environment that enables their people to thrive. Since the beginning of compulsory superannuation in 1991, employers alongside superannuation funds have been supporting their workers to understand the value of saving and achieving a better quality of life in retirement.

Many workplaces today offer a range of employee benefits programs to keep

their team healthy, and partner with superannuation funds and life insurers to provide valuable insurance benefits, health support services and occupational rehabilitation should their people get sick or injured.

We are all too familiar with the current economic context and the impact this is having on lives and livelihoods around the country. In this era of high financial stress, combined with low financial literacy, we want to ensure that employees continue to make sound and rational financial decisions which are not detrimental in the long term.

We decided to undertake this research because we wanted to firstly examine the extent of financial stress in the Australian workforce, and secondly its impact on an employee's financial, mental and physical health, their relationships, and their productivity and performance at work.

I'm delighted to share the insights we've gathered, which I believe will initiate meaningful conversations between superannuation funds and employers about how they can work together to best support the wellbeing of Australia's workforce.

We believe it's imperative that employers, superannuation funds and insurers work together to ensure employees have access to the information they need to navigate their financial situation and understand the valuable role that insurance and superannuation provides through their working lives and into retirement.



Jenny Oliver

Acting Chief Commercial Officer,
Group Life & Investments, TAL



KEY INSIGHTS

Employees under financial stress experience impacts to their physical and mental health

70% of employees acknowledged that their high financial stress has negatively impacted their mental health, and more than half said it has impacted their physical health.

Work performance and productivity is impacted when employees are under financial stress

Employees under financial stress are twice as likely to be using work time to take care of their personal financial issues compared to those with low financial stress levels.

There is a strong correlation between financial literacy and financial stress

Employees with high levels of financial stress rate themselves as having a lower level of understanding of their finances.

Employers and superannuation funds have an opportunity to improve employee financial literacy and reduce financial stress

Our research uncovered a high appetite for financial education and tools provided by employers, addressing low financial literacy and helping to lower employees' financial stress.

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Introduction

Life insurance and superannuation share an important purpose for Australians – they both support and protect people in their working lives so they can enjoy a healthier and more confident future.



EXECUTIVE SUMMARY

We decided to undertake this research because we wanted to examine firstly the extent of financial stress in the Australian workforce, and secondly the impact of financial stress on an employee’s financial, mental and physical health, as well their productivity in the workplace.

Our research revealed one in four employees are currently experiencing a high level of financial stress. While 28% of employees say their financial situation has negatively impacted their mental health, and 21% say it has negatively impacted their physical health, these figures increased to 70% and 57% respectively for employees currently experiencing high financial stress. Younger employees are more likely to be experiencing high levels of financial stress.

Financial stress can lead to employees becoming seriously ill or injured, which not only impacts the employees’ health, but can also have profound impacts for employers. Employees under high financial stress are far more likely to be using work time to take care of their personal financial issues (41% do this occasionally or frequently, compared to 21% of employees with low financial stress).

Productivity losses, absenteeism and expenses from work-related injuries or illnesses cost the Australian economy around \$28.6 billion each year, hindering wage growth and the creation of additional jobs. As well as physical illnesses and injuries, this includes mental health conditions exacerbated by factors such as financial stress.

Regardless of whether they rate their financial stress as high, medium or low, one in two employees are concerned that their money won’t last. More than one in three (36%) said their finances control their life.

Increasing employees’ financial literacy and confidence can help to reduce financial

stress. The research revealed that levels of financial literacy are relatively low across all demographics, with many employees having limited knowledge around topics such as insurance and super. Nearly half (45%) don’t know how to calculate how much life insurance cover they need, and 39% admitted they know nothing about insurance in super.

However, there is strong appetite for employers to provide financial education and tools to help employees improve their financial literacy and their future financial health. One in three would use financial education or tools at least once a month if they were offered by their employer. Only 15% of employees said they had been offered financial education or tools by their employer.

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said they had been offered financial education or tools by their employer.

In particular, employees want to know more about superannuation. They expressed an interest in learning how to calculate and manage their assets within their super, and having access to super calculators and education that will help them understand more about voluntary contributions. Others want to know how their super is invested and how insurance in super works.

As a result of this research, we believe that there is a strong opportunity for insurers, superannuation funds and employers to work together to improve the financial health of Australia’s workforce. Providing employees with access to relevant and useful resources may help bridge the knowledge gap so they can take action to improve their financial wellbeing.

1. Deloitte Access Economics and Safe Work Australia, *Safer, healthier, wealthier: The economic value of reducing work-related injuries and illnesses*, 2022.

HIGHLIGHTS

Financial stress



25%

Employees are currently experiencing a high level of financial stress.



28%

Employees' financial situation has negatively impacted their mental health.



21%

Employees' financial situation has negatively impacted their physical health.



41%

Employees under high stress use work time to deal with personal finances.

Financial literacy



50%

Employees are concerned that their money won't last their lifetime.



45%

Employees don't know how to calculate how much life insurance cover they need.



39%

Employees know nothing about insurance in super and how to modify their cover.



75%

Employees want to do more to improve their future financial health.

Financial education and tools



69%

Employees haven't used financial education or tools before (or can't recall doing so).



15%

Employers currently offer financial education or tools to their employees.



85%

Employees don't know about or can't access their employer's financial tools.



30%

Employees would use financial education or tools at least once a month if offered.

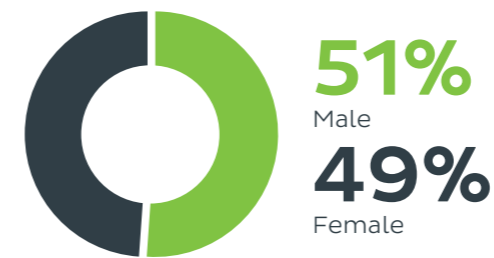
RESEARCH METHODOLOGY

TAL commissioned research agency Edentify to investigate and quantify the financial health and literacy needs of employees. Our objective was to uncover opportunities for superannuation funds – and the employers they partner with – to fulfil these needs and help more Australians improve their financial health.

The research was conducted in 2022 via an online survey of 800 participants who are currently employed and have a super account. Employees with self-managed superannuation funds were excluded from the research.

Breakdown of survey participants

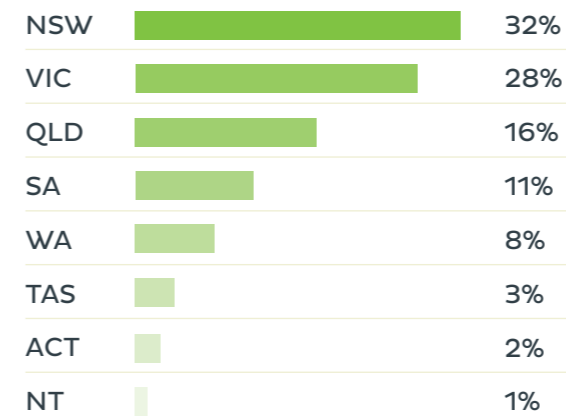
Gender



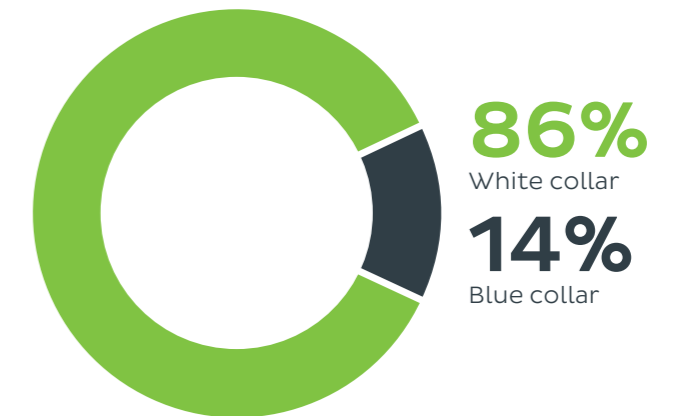
Age



Location



Occupation grouping



Financial stress

One in four employees are currently experiencing financial stress. This can significantly impact their health, relationships and work productivity.



FEELING THE IMPACT

Financial stress is becoming increasingly common in Australia. In the current environment of high living costs, unaffordable housing and an uncertain economic outlook, more and more people are struggling to make ends meet each week.

Wage growth hasn't kept up with the rapid rise in inflation in recent years, which means many households are worse off than they were in 2020.²

It's therefore no surprise that our research revealed one in four employees are currently experiencing a high level of financial stress. Interestingly, there is little difference in the levels of high financial stress across demographics and occupation groupings. However, employees aged 50 or more are less likely to have high levels of financial stress compared to their younger counterparts.

Regardless of whether they rate their financial stress as high, medium or low, one in two employees are concerned that their money won't last. More than one in three said their finances control their life.

EMPLOYEES WHO AGREE OR STRONGLY AGREE WITH THE STATEMENT

How much would you say you agree with the following statements? (Top 2 answers)

I am concerned that my money won't last	50%
I am just getting by financially	40%
My finances control my life	36%
Because of my money situation, I feel like I will never have the things I want in life	33%

² RBA, [Statement on Monetary Policy - Inflation](#), February 2023.

IMPACT ON MENTAL AND PHYSICAL HEALTH

When people find it difficult to meet their basic financial commitments, it can negatively impact every aspect of their life – from health and work productivity to the quality of their relationships. This was evident in our research, where 70% of employees acknowledged that their high financial stress has negatively impacted their mental health, and more than half (57%) said it has impacted their physical health.

Negative impacts of high financial stress



Employees with a physical disability or existing mental health condition are even more likely to experience negative impacts from high financial stress. For example, more than half (52%) of employees with a mental health condition admitted that high financial stress has negatively impacted their mental health.

Financial stress creates worry and anxiety. According to the Household, Income and Labour Dynamics in Australia (HILDA) survey dataset analysed in 2022 by mental health support organisation Beyond Blue, people who are experiencing financial challenges are twice as likely to also be experiencing mental health challenges.³

Money concerns can also prohibit a person's ability to access health services. In our research, some employees noted that due to financial stress they've had to cut back on doctor's appointments and preventative health services such as dental check-ups, gym memberships and physiotherapy. This can potentially have significant repercussions for their long-term health.

"I prioritise emergency savings over spending on any doctor/health services."

– Survey participant

Of further concern is a Finder survey conducted in September 2022, which found that 13% of Australians had either cancelled or downgraded their health insurance in the six months prior. This equates to 2.6 million people across Australia.⁴

IMPACT ON RELATIONSHIPS

Financial stress can also take a toll on people's personal lives. In our research, 66% of employees acknowledged that financial stress has negatively impacted their social life. More than half (56%) said it has negatively impacted their relationships.

The repercussions of financial stress can range from not being able to afford to socialise with friends to arguments and stress within relationships. Concerns about not being able to pay bills or meet other financial commitments, combined with uncertainty about the future, can put significant strain on relationships. Research from Relationships Australia found that financial troubles were the number one reported reason for a relationship breakdown. In the same study, 20% of people claimed money problems were putting pressure on their closest relationships.⁵

"We are always arguing about money and paying the bills."

– Survey participant

HOW FINANCIAL STRESS AFFECTS WORK PERFORMANCE AND PRODUCTIVITY

For employers, one of the key statistics from our research is that 40% of employees admitted their high financial stress has negatively impacted their work. When employees are experiencing financial stress, they can be unengaged and ineffective with their work activities because they need to prioritise their finances during work time. They may struggle to focus and fear for their job security.

Employees under financial stress are twice as likely to be using work time to take care of their personal financial issues compared to those with low financial stress levels. In fact, 41% of people under high stress say they take time out of work to deal with personal financial issues.

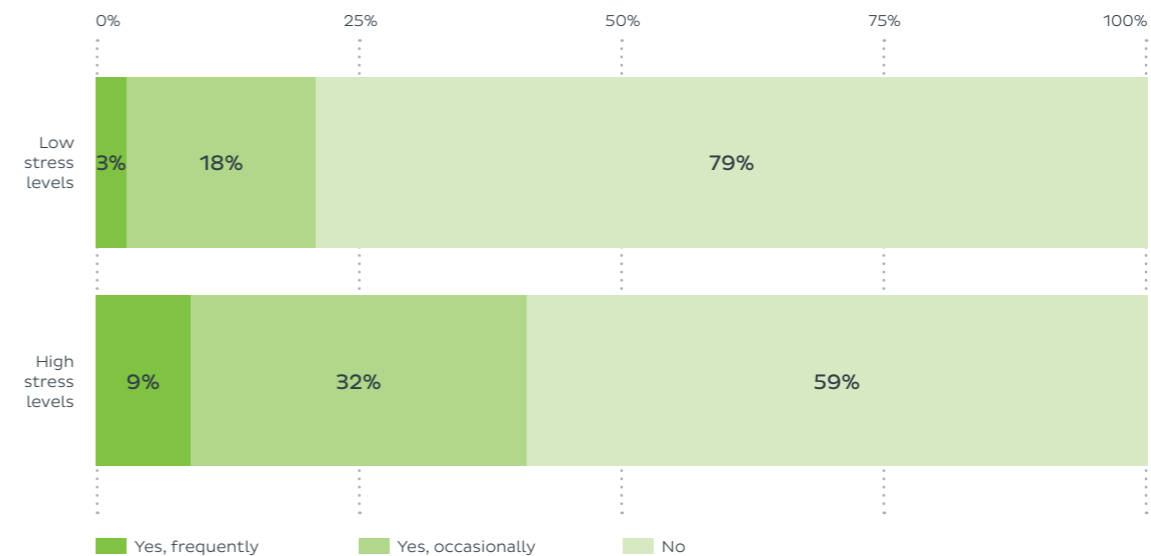
"It's hard to concentrate when you feel scared about your future."

– Survey participant

Those with health conditions are much more likely to use work time to take care of personal financial issues, especially employees with physical disabilities and mental health conditions.

When employees are preoccupied with their finances, it can reduce their work productivity and increase their absenteeism. It can also lead to high-risk mental and physical health factors that could increase their chance of making an insurance claim.

Employees using work time to take care of personal financial issues



41% of employees under high stress say they take time out of work to deal with personal finances.

3. Beyond Blue, *Money and mental health*, August 2022.

4. Finder, *Nothing to sneeze at: 2.6 million Australians ditch or downgrade their health cover*, 27 September 2022.

5. Relationships Australia, *Relationship Indicators 2022 Report*.

Financial literacy

There's a strong correlation between financial literacy and financial stress. Providing employees with relevant and useful information can help them become healthier and more productive.



GET UP TO SPEED

Our research demonstrates that employees' lack of understanding of financial products (including insurance and super) is leading to high financial stress.

By not having access to the education they need to address their financial issues, employees are feeling out of their depth. This perpetuates the cycle and leads to even more stress.

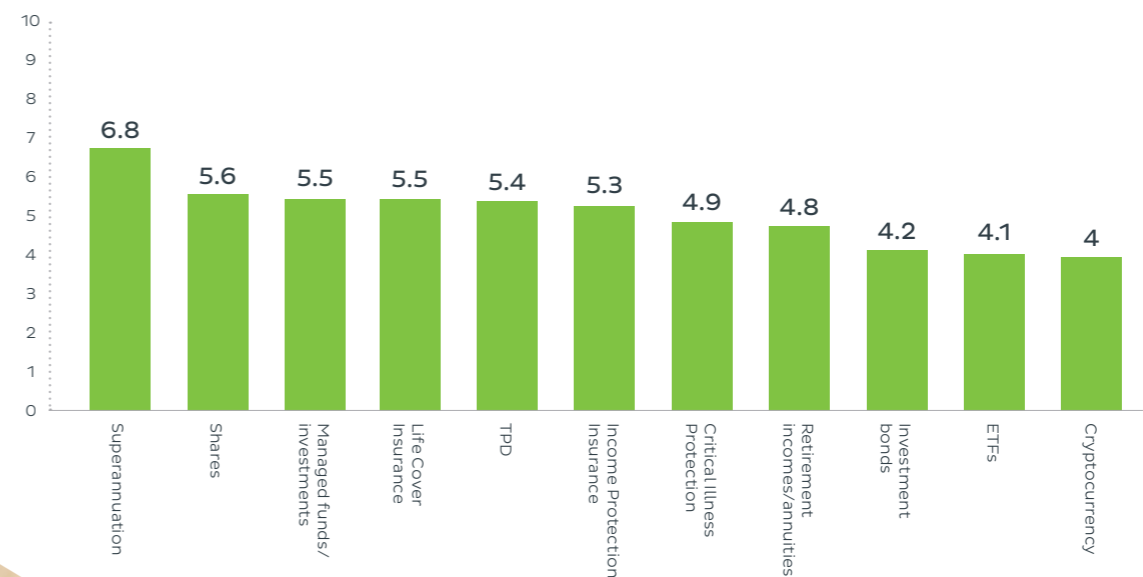
However, when organisations help their employees with financial issues by providing access to education and resources, it can have positive impacts on their physical and mental health – as well as their financial health. This can lead to increased productivity and focus in the workplace once employees are able to get on top of their financial issues.

LACK OF UNDERSTANDING ABOUT INSURANCE, SUPER AND INVESTMENTS

To measure their current financial literacy, we asked employees to rank their level of understanding of different financial products on a scale of 1 to 10 (where 1 is low and 10 is high). As the graph below shows, the average level of understanding is low across all financial products. The highest score is for superannuation at 6.8, while life insurance only scores 5.5.

Employees with high levels of financial stress rate themselves as having a lower level of understanding across almost all financial products. This is also true for younger employees and blue-collar workers. Employees aged 60 or over have the highest level of understanding for most financial products, including super where their score is 7.6, which is substantially higher than the overall average.

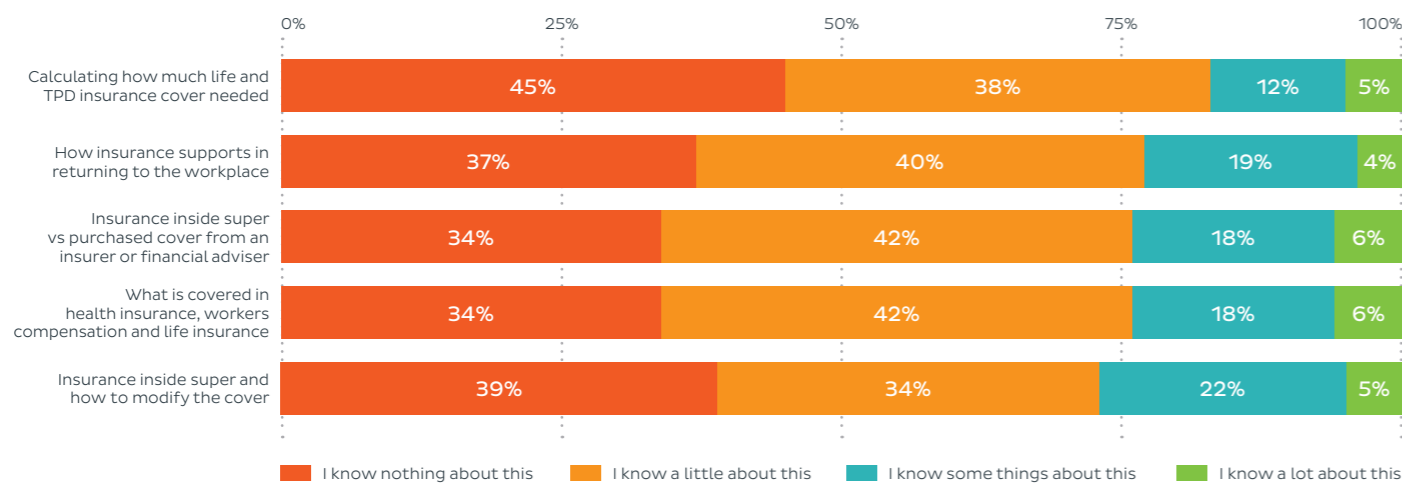
Understanding of financial investments (average score out of 10)



Meanwhile, almost one in two employees (45%) admitted they don't know how to calculate how much Life and TPD insurance cover they need. And even if they do know how to calculate their insurance requirements, 39% of employees don't know how to modify their cover.

While the lack of financial literacy among employees is concerning, it does present an opportunity for employers to educate their team members about the superannuation arrangements their workplace offers – including the investments and insurance included in the plan.

Knowledge about insurance



BENEFITS OF FINANCIAL LITERACY

Increasing an employee's financial literacy is one of the best ways to help them lower their financial stress. In a PwC Employee Financial Wellness Survey focused on financial literacy, the research showed that the percentage of employees who said they were highly stressed dropped from 52% to 19% after they completed a financial literacy program. More than half of the participants (56%) said they were now in a better position to manage their finances.⁶

Having employees with high financial literacy has just as many benefits for employers. Global studies have found that when companies focus on increasing their employees' financial literacy, it results in greater focus and profitability, reduced absenteeism, enhanced retention and higher overall job satisfaction. It can also assist with recruitment by attracting high-quality candidates who see the value in financial education and tools.

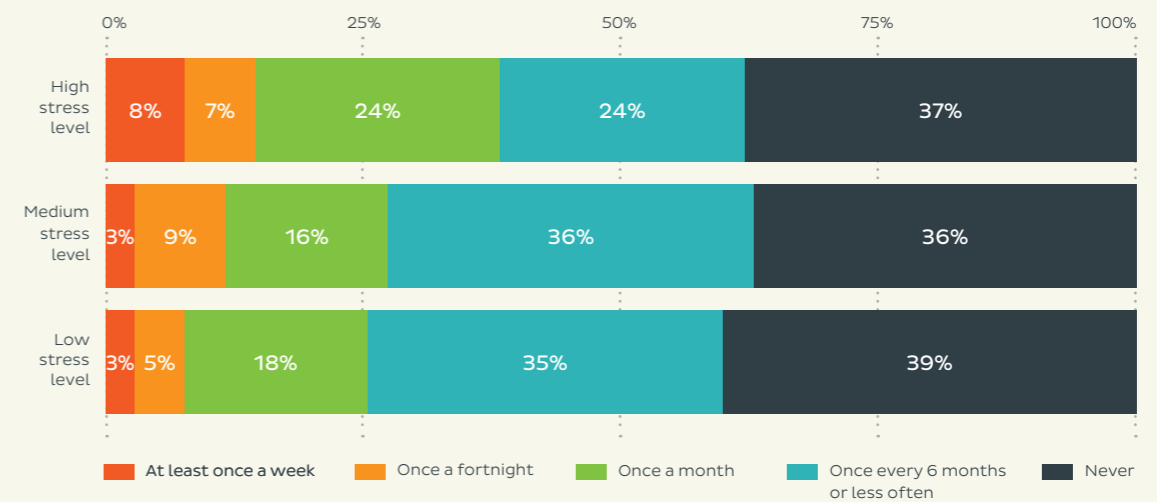
For superannuation funds, having members with high financial literacy can increase engagement and improve retention. In times of volatility or uncertain economic climates, having a thorough understanding of financial markets and the long-term nature of superannuation can reassure employees about their investments and the implications for their retirement savings.

APPETITE FOR FINANCIAL TOOLS

One of the most positive insights we uncovered in the research is employees' high appetite for financial tools and education. One in three employees said they would use financial education or tools at least once a month if they were offered by their employers. A further 33% said they would use them once every six months or so.

Employees with high financial stress would use financial education and tools more frequently than those with low financial stress.

How often employees would use financial education or tools (by stress level)



However, it appears that many employers either don't currently offer financial education or tools to their employees, or they don't promote these resources to their workforce. In the research, only 15% of employees said they had been offered financial education or tools. The other 85% either said these types of resources aren't offered to them, or they're not sure.

The research also questioned what type of financial products employees most want education and tools for. There was one clear frontrunner: superannuation. Employees want to know more about how to calculate and manage their assets within their super. Some employees would like access to super calculators and education that will help them understand more about voluntary contributions. Others want to know how their super is invested and how insurance in super works.

One in three

employees said they would use **financial education** or tools at least once a month if they were **offered by their employers.**

RECOGNISING THE VALUE OF INSURANCE

Employees who are already using financial tools have demonstrated greater insurance engagement and awareness. For every insurance category, employees who have used financial tools are more likely to hold this type of insurance compared to employees who haven't used financial tools. This includes life cover (78% compared to 65%) and private health insurance (76% compared to 61%).

Having greater awareness of insurance can help ensure appropriate cover, better claims outcomes, earlier claim notifications and faster access to rehabilitation support services that are provided free of charge by insurers. With a high level of financial, mental health and physical support from their insurer, employees on claim can focus on regaining their health and returning to work as soon as possible. In 2022, our claims support and recovery programs have improved health outcomes, with 81% of members who had completed a health support program reporting increased capacity to work.

Even more importantly, employees who are engaged with their insurance can take advantage of their insurer's preventative healthcare services to improve and monitor their health. Doing so can greatly reduce their likelihood of developing preventable illnesses like cardiovascular disease and Type 2 diabetes, as well as assisting in the early detection and treatment of certain diseases.

Insurance can make a monumental difference to an employee's physical and mental health. During 2022, TAL paid \$3.5 billion in claims to over 45,000 customers and their families. That's equivalent to \$65.7 million a week. What's more, nearly one in five claims we paid (19%) related to mental health conditions.

Increasing employees' financial literacy by providing them with access to financial tools means more employees will recognise the value of insurance and make sure they're adequately covered in case anything happens to them.

	EMPLOYEES WHO HAVE USED FINANCIAL TOOLS	EMPLOYEES WHO HAVEN'T USED FINANCIAL TOOLS
Life insurance	78%	65%
Total and Permanent Disability insurance	69%	54%
Income protection insurance	55%	37%
Critical illness/trauma insurance	51%	35%
Funeral insurance	25%	14%
Private health insurance	76%	61%

Take-up of insurance by usage of financial tools

CONFIDENCE IN THE FUTURE

When asked about their future financial health, only 18% of employees said they're confident and see no need for change. These results suggest that four in five employees would benefit from having access to financial education and tools, regardless of how confident they feel about the future. Some employees may need more guidance than others.

Perhaps the greatest challenge for employers is knowing where to start when it comes to supporting their employees' financial health and literacy. This is where superannuation funds and insurers can help. By providing employers with access to relevant and easy-to-use resources, we can help them engage in the wellbeing of their employees and give them the tools they need to make active choices around super and insurance.

EMPLOYEES WHO AGREE WITH THIS STATEMENT

Confidence in relation to future financial health

48%	I feel confident but I want to do more
27%	I don't feel very confident and I want to do more
18%	I feel confident and see no need for change
7%	I don't feel confident and I don't know where to start



Building a financially healthier workforce

We believe there are three main ways for employers to support the financial wellbeing of their team.



1. BE INFORMED

Most employers have a network of financial service providers working behind the scenes to help them run their business. At a minimum, these usually include a bank, a superannuation fund, an insurer and an accountant.

These organisations have access to a huge amount of information, financial tools and educational resources that they're more than willing to share with employers. As well as supporting employees, it can help these organisations strengthen their relationships with employers and promote their brand. However, not enough employers are tapping into these free resources and expertise – it's a missed opportunity.

There are plenty of ways to help employees be better informed about their financial situation and options. For instance, employers can:

- ask their corporate super provider to run a workplace education session on preparing for retirement
- arrange regular webinars with a variety of financial experts each focusing on a different topic such as budgeting, property investing, life insurance basics or teaching kids about money
- include financial education resources on their intranet site. Employers don't need to create these resources themselves; their financial service providers will usually be more than happy to hand them over free of charge.

2. CHECK YOURSELF

Simply giving employees access to information and resources isn't enough on its own. There are so many aspects to financial health that people can easily become overwhelmed if they don't know where to start.

Checking yourself is about better understanding the specific areas you need to focus on and **where your risks lie.**

For example, if you go to your doctor for a full health screen it may highlight some issues that you need to improve. It's the same with financial health.

One of the ways an employee can check their financial health is to speak with their superannuation fund or a financial adviser, although not everyone may be able to access this option.

Once those gaps are identified, employees can benefit from having access to financial literacy tools like an insurance needs calculator or super balance projection tool so they can work out what changes they may need to make. Tools are a great way to help employees build their financial literacy and confidence. And again, most financial service providers have their own financial literacy tools that they would love to share with employers.

As noted by ASIC in July 2022, calculators are important tools that can help people engage with their super, and studies have shown that users are more willing to engage with their super when they can see themselves in the situation. TAL's insurance needs and premiums calculator has had around 250,000 unique hits over the last year.

3. TAKE ACTION

Once employees know which aspects of their financial health could be improved, employers can support them to take the next steps. This could include sharing useful resources such as the [Moneysmart Budget Planner](#), which can help employees improve their financial habits.

Insurance is another important area where employers can support their employees to take action. An employee's ability to earn an income is potentially their greatest financial asset, which is why it's so important to protect it. Having the right insurance can help employees navigate unexpected situations that could otherwise leave them unable to support themselves or their loved ones.

As well as offering financial protection, insurance also provides peace of mind, which in turn can help reduce financial stress. In many ways, insurance is the cornerstone of strong financial health, and many people may benefit from sorting out their insurance before considering other financial building blocks like budgeting, saving, paying off debts or investing for retirement.

Employers can help by encouraging their employees to work out their insurance needs and take out the right types and levels of cover so they're adequately protected. And if they need assistance, employers can always ask their insurance provider for guidance or support.

“There are so many great resources out there to improve employees' financial health. Employers just have to tap into the expertise of their banks, super funds and insurers and ask what they can offer. Ask them to come to your workplace and do a presentation and they'll be there with bells on. Engage with the people who already have the expertise instead of trying to recreate something that's already available.”

Jo Hetherington
TAL Head of Financial Health



Resource hub for super funds and employers

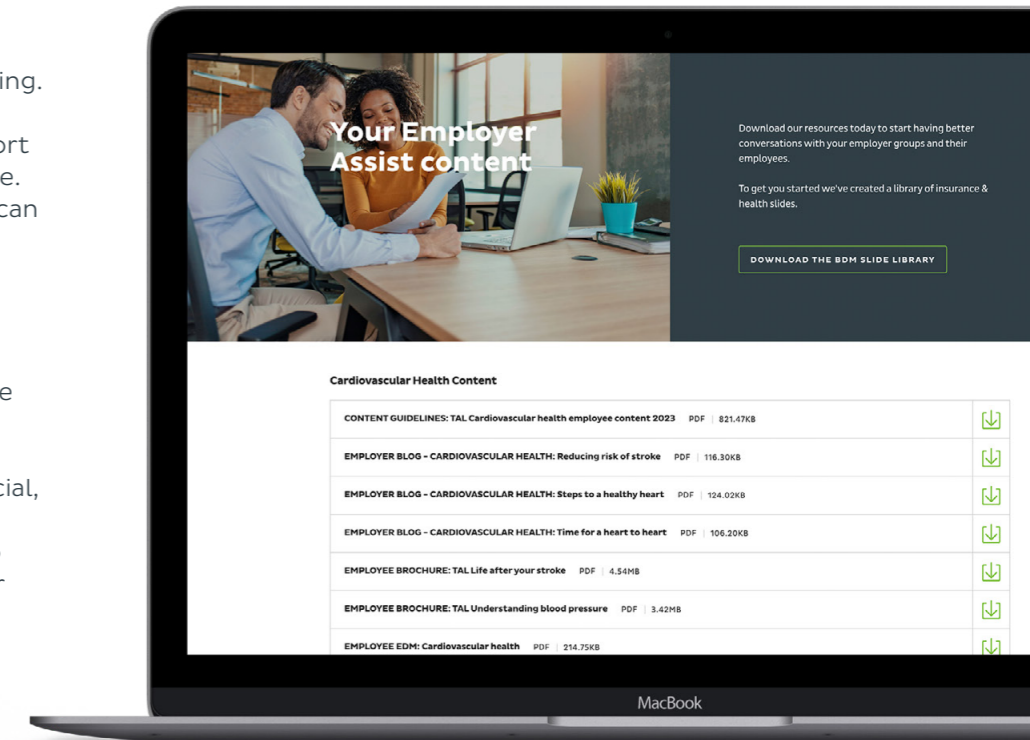
TAL's Employer Assist hub is designed to help superannuation funds have better conversations and build stronger relationships with employers.



Employees are increasingly turning to their organisations for assistance with various aspects of their wellbeing. However, many don't have access to the necessary resources to support the holistic health of their workforce. Superannuation funds and insurers can help bridge this gap.

We created Employer Assist to make it easier for superannuation funds to have valuable conversations with employers around financial topics like life insurance. The hub is filled with a range of useful tools and resources focusing on various aspects of financial, physical and mental health, which superannuation funds can pass on to their existing and potential employer partners. These resources include easy-to-understand fact sheets, articles, videos and guidelines that employers can then share with their employees to promote better health.

With the right tools and support, employees can better understand any financial, physical or mental blind spots they may be facing. They can also learn about the actions they may need to take to stay healthy today, so they can enjoy a healthier tomorrow.



The hub is filled with a range of useful tools and resources focusing on various aspects of financial, physical and mental health, which superannuation funds can pass on to their existing and potential employer partners.

DOWNLOADABLE RESOURCES

Here are some of the resources you can find on Employer Assist:



Health awareness campaigns

Designed to be run by employers, these campaign resources aim to increase employees' awareness about ways to improve their health and recognise the early signs of physical or mental illness.



Preventative health brochure

This explains the various health tests and screenings available by eligible ages to help employees take care of their health and aid the early detection of certain illnesses and diseases.



Insurance flyers and videos

These provide simple overviews of insurance concepts to help employees understand the different types of insurance cover and the value they provide.



Insurance in super blog

This series of short articles explains the types of insurance cover available through super and how to choose appropriate levels of cover.



BDM insurance health slides

This content supports conversations between super fund representatives and employer groups around life insurance, with up-to-date claim statistics, insurance overviews and information on how TAL supports employers and their employees.



Return-to-work brochure

This provides guidelines for employers to help their employees return to work safely after an illness or injury.

HOW TO ACCESS EMPLOYER ASSIST

To access and download Employer Assist resources, simply visit group.hq.tal.com.au/employer-assist/resources



TAL Health for Life

We all approach life a little differently and that's what makes this Australian life so precious and unique. As a leading life insurer, we partner with superannuation funds to provide them and their members with evidence-based and holistic health and wellbeing support.

Find out more

If you would like to know more about TAL Employer Assist, please visit group.hq.tal.com.au/contact

Important information

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