Evaluation of the Finance Authority of Maine's Employee Financial Wellness Program

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Executive Summary

The Finance Authority of Maine (FAME) implemented a financial wellness program aimed at improving the financial capability of its employees beginning in 2019. The program consisted of access to: (1) one-on-one sessions with a financial coach, (2) workplace financial education and self-directed online financial education, and (3) a $250 incentive for eligible purchases or into a matched savings account.

This report evaluates the effectiveness of the financial wellness program. The evidence suggests that the program increased the financial capability of participants. Using answers recorded by the financial coach, individuals reflected on their initial goals, which were also written in the coach's records, and their progress towards those goals. All but one (27 of 28) respondent made progress to a primary goal, and 23 of 28 respondents fully met one of their goals—meaning that if their goal was to pay down credit card debt, they paid all of their credit card debt within the two year period. Importantly, some of the goals were lofty, with one individual paying off all of their over $9,000 in credit card debt.

Progress towards goals did not come at high costs to individuals. Most individuals reported that they do not have to give up much in order to achieve or progress towards their goals. For example, they did not have to give up saving for their children's college education in order to pay down debt. Instead, they nearly all reported that they gave up "not paying attention" to their finances or "impulse spending."

Finally, the evaluation compares participants to observably comparable employed individuals in national and regional subsamples. FAME financial wellness participants had

higher average financial well-being—as measured by the U.S. Consumer Financial Protection Bureau's financial well-being scale—and have higher average financial literacy scores.

Based on this evaluation, the benefits of FAME's financial wellness program exceed the monetary and opportunity costs of the program. With monetary costs of roughly $450 per participant per year and modest opportunity costs, the individual benefits—including reductions in debt, building up savings, financial literacy gains, and financial well-being improvements—on average exceed that cost. The program can easily be replicated in other state agencies in Maine and across the country.

1 Introduction

Recent research shows that financial education improves financial knowledge and downstream behaviors in a cost-effective manner (Kaiser et al., 2020). In particular, several studies show that financial education in the workplace increases retirement savings (Collins and Urban, 2016; Bayer, Bernheim and Scholz, 2009; Duflo and Saez, 2003). Another study shows that one-on-one financial coaching increases savings and credit scores, while decreasing delinquent debt (Theodos, Stacy and Daniels, 2018). These improvements in financial capability can potentially reduce financial stress and make workers more productive. Data from FAME in 2019 shows that 68% of employees reported that they spent an average of at least one to two working hours per week worrying about money, or dealing with money-related issues.

In this report, I evaluate the effectiveness of the Finance Authority of Maine's (FAME) employee financial wellness program in improving employee financial capability. The program consisted of workplace financial education sessions, access to online financial education, and one-on-one sessions with a financial coach. All of these activities could be completed during work hours, and an additional $250 incentive was further offered if the individual adequately participated in the education and coaching.

Overwhelmingly, the results are positive. The wellness program allowed individuals to make progress on their diverse goals at a relatively low cost. Expanding this program to other state agencies both in and across Maine is likely to improve the financial well-being of workers, which could increase productivity by decreasing stress. The program—as designed—can easily be replicated in other workplace settings across the country.

2 The Financial Wellness Program

FAME's employee financial wellness program launched in 2019 consisted of three main components:

1. three one-on-one sessions with a financial coach each year;[1]

2. access to monthly "Money in the Mornings" workshops on topics such as budgeting, saving for retirement, and estate planning;

3. access to self-directed e-learning modules through Enrich®.

If individuals attended the three financial coaching sessions AND either (1) attended three "Money in the Mornings" sessions OR (2) completed six online segments, they earned $250 towards financially eligible purchases. Eligible purchases included tax preparation software or services; financial coaching, advising, or financial planning services; professional or legal services for will and estate planning; personal finance programs, DVD's, videos, books, or program membership. In 2020, the program was expanded to allow eligible participants to receive a $250 match in a savings account.

While the program was comparable in 2019 and 2020, in 2021 the program included one additional incentive. FAME agreed to cover two-thirds of the total cost for the employee to establish or update their will and estate plan, up to a maximum of $1,000, as long as the individual agreed to participate in all aspects of the employee financial wellness program.

2.1 The organization

For other agencies to adequately evaluate whether or not the FAME financial wellness program would work in their contexts, it is important to understand the composition of employees at FAME.

The organization is 20.8% male and 79.2% female, with 62.3% of employees salaried (vs. hourly). The age and salary levels are depicted in Table 1.

Within the organization, 35 participated in the financial wellness program the first year, and 34 participated in the second year.

Since one may be concerned that the COVID-19 pandemic may have put additional stress on the households who participated, the survey conducted in January of 2021 asked questions pertaining to these changes. The results suggest that the pandemic did not financially harm (or help) FAME households. First, only one participant reported that their

[1]Spouses or partners were invited to attend as well. The initial session was one hour and the follow-up sessions were 30 minutes.

Table 1: Demographics of FAME employees

Salary level	Fraction
$\leq$ 25k	0%
25K-50K	43.6%
50K-75K	18.8%
75K-100K	18.8%
100K-150K	18.8%
$\geq$ 150K	0%

Age	Fraction
20-30	9.4%
30-40	13.2%
40-50	26.4%
50-60	28.3%
60-70	20.8%
$\geq$ 70	1.9%

spouse or partner lost their job or had a reduction in hours in the last year. Second, only two participants reported that they became a caretaker for a relative in the last year. Third, only three participants reported that someone not living in their household in January of 2020 moved in with them in the last year.

3 Evaluating the Program

Since the idea to evaluate the program began towards the end of 2020, it was not possible to compare the same individuals before and after the program began via a traditional pre- and post- survey design. While this makes evaluation more challenging, the design constructed uses two methods that will complement one another. First, respondents were asked questions at the beginning of one of their financial coaching sessions. These answers are recorded and are intended to understand how the individual has evolved over time. This strategy has the added advantage of allowing individual goals to vary. Second, respondents completed a survey in early 2021 to gauge their financial literacy and financial well-being. I compare this to observationally similar individuals across the country and region around the same time using the Federal Reserve Board's SHED data.

I begin with a discussion of the qualitative data collection. At the beginning of the session with their financial coach in the early months of 2021, individuals were asked three questions.

1. Think back to our initial session in 2019. At that time, you wrote down your primary financial goal. What was that goal? [Note: nearly every respondent recorded more than one goal and each was recorded.]

2. Describe any progress you have made towards that goal.

3. Follow up (if progress had been made): What did you have to give up to achieve that goal?
   Follow up (if progress had not been made): Did something hinder you from progressing, or did your goals change? [If the goal changed, respondents were asked about progress made towards the new goal.]

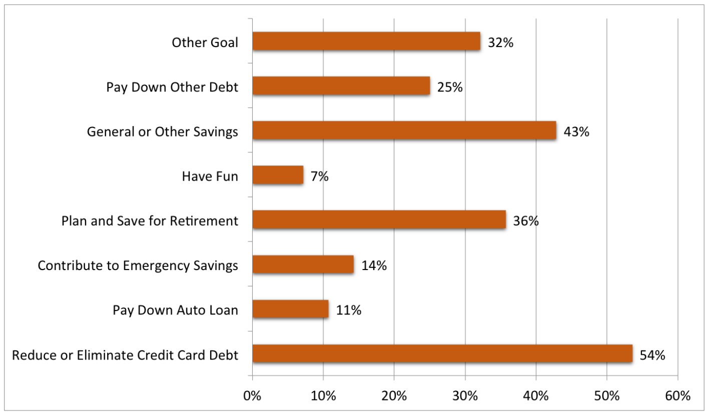
While one may naturally be concerned about recall bias—that individuals recalled only the goals that they achieved—the financial coach had been working with the individuals over the entire period and had a record of the initial goal. In each recorded session, she verified or added to the goals stated by the individual. This validates that individuals will not simply recall the goals they progressed on. That said, financial records were not used to validate the progress made on goals. Individuals may overstate their progress, though they would then have to continue their session with the coach—where their financial records would be discussed in depth. If they had overstated their progress during the beginning of this session, the remainder of the session would likely be uncomfortable.

3.1 Qualitative Data Findings

There are three clear takeaways from the qualitative data collected on financial goals.

First, goals varied drastically across respondents. While individuals were asked to state what their primary goal was, 22 stated more than one goal and 12 individuals recalled three goals. The most common categories of goals are depicted in Figure 1, where the majority of participants (54%) wanted to reduce or eliminate their credit card debt. The second most common goal was to increase general savings or contribute to other non-retirement or emergency-specific savings accounts (such as 529 accounts), and the third most common goal was to plan for and save for retirement (36%). 11% of participants wanted to pay down auto loans, and 25% of participants wanted to pay down other (non-credit card or auto loan) debt, such as mortgages, medical debt, or student loans. Some participants felt that they had actually been over-saving and were at an age that they needed to have more fun (e.g., take more vacations) while they were still healthy. The "other goals" category really highlights the diversity of financial objectives, ranging from working with a financial planner to seeking out long term care insurance options to building a garage.

Figure 1: FAME Financial Wellness Participants' Financial Goals at the Start of the Program



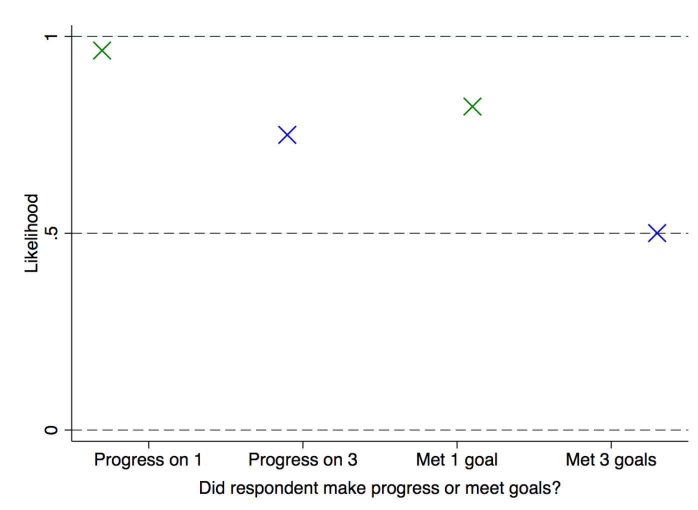
Notes: These fractions represent the frequency that an individual mentioned one of the topics when asked about the primary goal. Since 22 respondents mentioned two or three goals instead of just one, these do not sum to 100.

Second, individuals progressed towards their goals, as is show in Figure 2. Nearly all (27 out of 28) respondents made progress on at least one of their primary goals. For those reporting at least two goals, 19 of 22 reported making progress on both of those goals; for those reporting three goals, nine of 12 reported making progress on all three goals.

Even more impressive is the degree to which participants fully met their goals. For example, if their goal was to pay down credit card debt, fully achieving this goal means that they paid down all of their credit card debt. 23 of 28 respondents fully met their first goal. Of the 22 respondents listing a second goal, 16 reported meeting both their first and second goals. Half of those reporting three financial goals achieved them all (six of 12).

Some of the goals achieved were sizable, with one respondent paying off $9,000 in credit card debt over the two year period, and another eliminating $7,000 in credit card debt, while also paying off medical debt. Others made progress building up savings, estate planning, saving money by recalibrating insurance, and bought houses. The array of goals and progress towards these goals shows the importance of working with a financial coach in financial wellness programs. Since individuals are extremely diverse, one-size-fits-all programs may not help some meet their personal objectives. The accountability of meeting with the coach also seemed to help participants remain diligent—even when their goals were to spend more on personal enjoyment.

Figure 2: FAME Financial Wellness Participants' Progress on Financial Goals in 2021



Notes: The likelihood of reporting a specific goal as one of individual's main three goals is reported. The percentages add up to more than 100, as 22 of 28 respondents report more than one goal; 12 respondents reported three goals. Pay down other debt does not include credit card debt or auto loans; it includes medical debt, student loans, or mortgages. General or other savings includes any account except for retirement-specific saving or emergency savings; it includes saving for a specific purchase, saving for college, and any generic savings specified.

Third, the goals were achieved with minimal opportunity costs. While achieving a financial goal is important, if it comes at the cost of additional household stress, worsened health, or borrowing to save more the objective may have generated more issues than it solves. The financial coach asked this specific question, and answers were overwhelmingly reassuring. The answers can be grouped into three categories:[2]

- 19 respondents said they gave up nothing or very little. These respondents mentioned that they paid closer attention to their spending, dedicated time to consolidating accounts, and got past the anxiety thinking about finances used to generate.
- Five respondents mentioned cutting back on expenses, particularly those that were non-necessities. Some mentioned cutting back on eating out, reducing family trips, and using all extra money—such as tax refunds—to pay down debt instead of making new purchases.
- Two respondents had larger changes that helped them achieve their goals. In both cases, their partners experienced an increase in income.

One respondent said it best when asked what they gave up to achieve their goals:

> *Inertia and anxiety. I needed to pay attention, get my head in the game. My typical MO with finances is the ostrich strategy. Working with [the financial coach] was the perfect antidote for that—facing finances with an expert to offer guidance made it considerably less painful and intimidating, and provided some much needed accountability.*

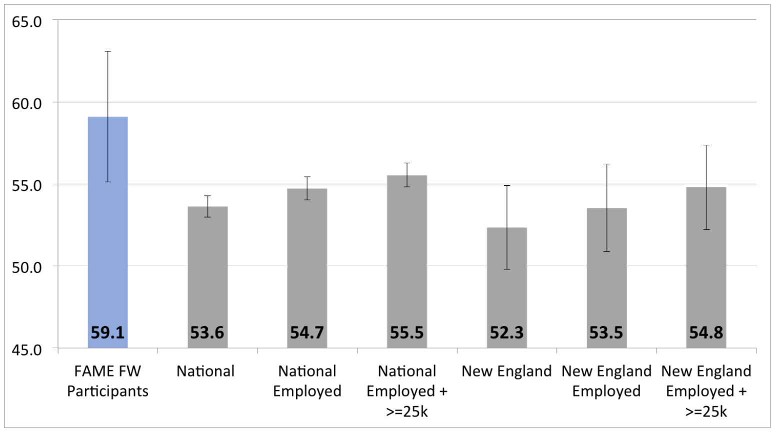
3.2 Comparing Financial Well-being and Financial Knowledge to another Sample

I next seek to understand how the FAME financial wellness program participants' financial well-being and financial knowledge compare to those of similar observable characteristics in other data from a similar time period.

The U.S. Consumer Financial Protection Bureau (CFPB) defines financial well-being as the ultimate goal of financial education (Consumer Financial Protection Bureau, 2015). They specifically define financial well-being as "a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future and is able to make choices that allow them to enjoy life." Subsequently, the CFPB created a

[2]One respondent did not achieve any of her goals, and one respondent did not answer the question.

Figure 3: Financial Well-being among FAME Financial Wellness Program Participants and other Comparison Groups



Notes: Means reported with 95 percent confidence intervals in the error bars. FWB is the financial well-being score constructed by the U.S. Consumer Financial Protection Bureau. It ranges from 0 to 100, with 100 being the maximum score. All of the grey lines come from data from the Federal Reserve Board's 2020 Survey of Household Economic Decision-making (SHED). The SHED data use the weights to account for non-response. The unweighted differences are in Figure 5.

scale that ranges from 0 to 100 with the intention of measuring financial well-being.[3] The scale consists of ten questions that capture one's ability to keep up with day-to-day and month-to-month finances, as well as meet one's personal financial goals. The full set of questions contained in the scale are listed in Appendix Figure 6.

I compare the financial well-being scores (henceforth, FWB) among FAME financial wellness participants surveyed in January of 2021 to respondents in the Federal Reserve Board's 2020 Survey of Household Economic Decisionmaking (SHED).[4] Figure 3 first depicts the average FWB score among FAME financial wellness participants in blue, where the average is 59.1. It is larger both economically and statistically than the national average in the SHED data (53.6), the national average among all employed respondents in the SHED data (54.7), and the national average among employed respondents making over $25,000 per year (55.5).[5]

To make an even closer comparison, I restrict the SHED data to only respondents who reside in the Census Bureau's New England division.[6] FAME financial wellness partici-

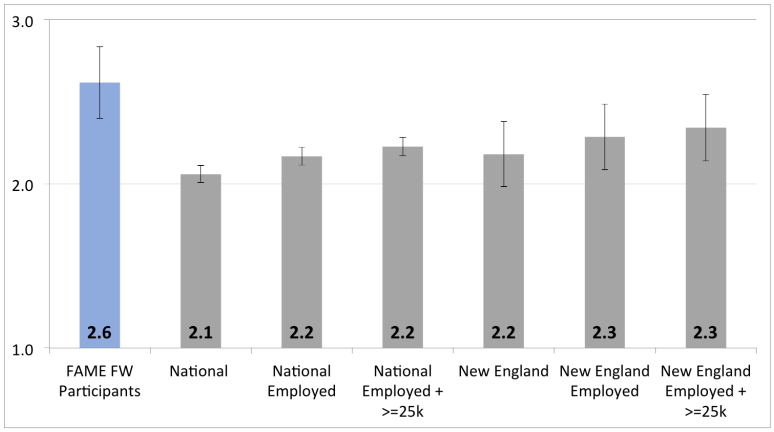
[3]For more on the scale, see Consumer Financial Protection Bureau (2017).

[4]When computing averages in the SHED data, I use the weights provided. For unweighted averages, see Figure 5 in the Appendix.

[5]This last restriction was made because no employees at FAME make under $25,000 per year.

[6]This includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont.

Figure 4: Financial Knowledge among FAME Financial Wellness Program Participants and other Comparison Groups



Notes: Means reported with 95 percent confidence intervals in the error bars. FK is the financial knowledge score, constructed by summing the number of correct responses to the the Lusardi-Mitchell "Big 3" financial literacy questions. All of the grey lines come from data from the Federal Reserve Board's 2020 Survey of Household Economic Decision-making (SHED). The SHED data use the weights to account for non-response. The unweighted differences are in Figure 5.

pants again have higher FWB scores than all comparison groups. This provides suggestive evidence that the financial wellness program sets its employees up to meet current and ongoing financial obligations, while helping them to feel secure in their financial futures.

The sample becomes too small when only including Maine respondents, but one can use data from the FINRA Investor Education Foundation's 2018 National Financial Capability Study (NFCS) where there is a state-representative sample for each state. While the comparison is not as direct, the average FWB score for adults in Maine was 52 (Consumer Financial Protection Bureau, 2019). Since it is likely that FWB was lower during the COVID-19 pandemic, this evidence points to an even higher FWB score for FAME financial wellness participants than the average adult Mainer.

I next examine the difference in financial literacy among FAME financial wellness participants and comparison groups in Figure 4. FAME participants were asked the "Big 3" Financial Literacy questions, as developed by Annamaria Lusardi and Olivia Mitchell.[7] These questions have been used extensively in research (Lusardi and Mitchell, 2014, 2007; Lusardi, Mitchell and Curto, 2010). Scores are reported as the number of correct answers out of three. Again, regardless of how the comparison group is defined, FAME financial wellness program participants scored higher than the comparison group with an average

[7]The questions are reported in the Appendix in Figure 7.

of 2.6 out of 3 questions correct.

Taken together with the evidence on individuals' progress towards their goals, these data points suggest that the financial wellness program developed has helped to create a more secure financial footing for participants.

4 Conclusions

In order to fully evaluate the program, one must compare the expected benefits with the costs. Since individuals' opportunity costs of achieving their goals were relatively low, I focus specifically on the monetary cost of the programs.

In evaluations, one often considers intent-to-treat measures, where outcomes for all eligible participants are considered. In this setting, there was negative selection. This means that those who did not participate had higher financial well-being scores, had higher financial literacy scores, and had higher financial skill scores than those who did participate in the program. Thus, it seems that those who were less likely to benefit from the financial wellness program were less likely to participate. This means that opportunity costs of time were less likely to be incurred for those who opted out. Also, since the financial coach's time was not incurred for those who were less likely to benefit from the coaching, this keeps the benefit-to-cost ratio high.

The total cost of the program was roughly $15,000 per year, or $450 per participant per year. This means the total cost of the program for 2019 and 2020 was $30,000. With three participants cumulatively reducing credit card debt by over $19,000 and additional respondents making progress on building emergency savings (of over $12,000), paying down medical debt, saving for home purchases, paying off car loans, and saving for retirement, it is very likely that the costs of the program were significantly less than the benefits.

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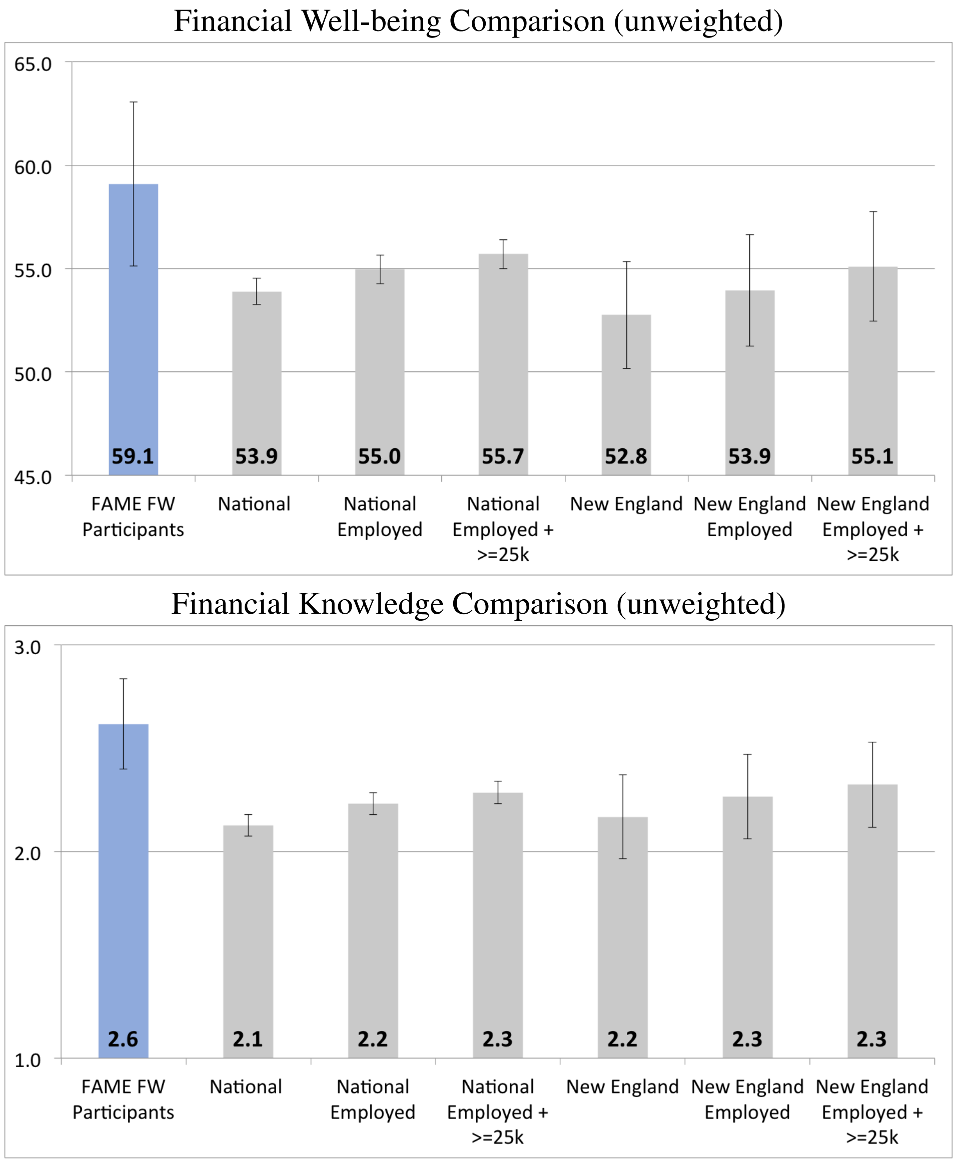
5 Appendix

Figure 5: Financial Wellbeing and Financial Knowledge (FAME vs. National Comparisons) without weights



Notes:

Figure 6: Financial Well-being Questions

		(For 1-6) This statement describes me….				
FWB1	I could handle a major unexpected expense	Completely	Very well	Somewhat	Very little	Not at all
FWB2	I am securing my financial future	Completely	Very well	Somewhat	Very little	Not at all
FWB3	Because of my money situation, I feel like I will never have the things I want in life	Completely	Very well	Somewhat	Very little	Not at all
FWB4	I can enjoy life because of the way I'm managing my money	Completely	Very well	Somewhat	Very little	Not at all
FWB5	I am just getting by financially	Completely	Very well	Somewhat	Very little	Not at all
FWB6	I am concerned that the money I have or will save won't last	Completely	Very well	Somewhat	Very little	Not at all

		(For 7-10) This statement applies to me…				
FWB7	Giving a gift for a wedding, birthday, or other occasion would put a strain on my finances for the month	Always	Often	Sometimes	Rarely	Never
FWB8	I have money left over at the end of the month	Always	Often	Sometimes	Rarely	Never
FWB9	I am behind with my finances	Always	Often	Sometimes	Rarely	Never
FWB10	My finances control my life	Always	Often	Sometimes	Rarely	Never

Notes: These questions are used to construct the US CFPB's Financial Well-being scale. Please see Consumer Financial Protection Bureau (2017) for more on the scale.

Figure 7: Financial Knowledge Questions

#	Question	Responses (bolded answer is correct)				
FK1	Suppose you had $100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?	**More than $102**	Exactly $102	Less than $102	Don't know	Prefer not to say
FK2	Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?	More than today	Exactly the same	**Less than today**	Don't know	Prefer not to say
FK3	Buying a single company's stock usually provides a safer return than a stock mutual fund	TRUE	**FALSE**	Don't know	Prefer not to say	

Notes: These questions are the financial knowledge questions used in the study, as constructed by Lusardi and Mitchell and commonly referred to as the "Big 3."