Employers have stake in workers' financial literacy

by Michael_Kinsman

Some co-workers in the office were just talking about their 401(k) investments and how much money they had lost in the stock market's recent upheaval.

I listened to what these educated and intelligent people were saying and my jaw dropped. I realized how little they knew about investing.

I shouldn't have been surprised by that. When it comes to financial literacy, the citizenry of the world's biggest economic engine seems to know very little.

Although this problem has been around for decades, it has been exacerbated over the 25 years as employers have increasingly turned over retirement saving and investment decisions to individuals.

It's a festering problem in the workplace because of the economic pressures individuals have today that make their jobs and job security more important than ever.

Yet, most companies seem only mildly concerned about.

Dallas Salisbury, president and chief executive of the Employee Benefits Research Institute, has been doing his part to get employers more involved in providing financial education for workers.

EBRI recently reported that only 15 percent of workers rank their pensions as the most important or second most important financial issues they face. Health benefits are far and away their biggest concern.

Adding to that is the belief by many individuals that they will receive fully funded health care and more than enough income once they retire. The prevailing attitude is that "it will all work out."

That's tantamount to believing that your best chance for financial security in life is to win the lottery.

Salisbury says that U.S. workers often lack financial literacy skills, nor do they see interested in developing them.

So why should employers be concerned?

It is very evident that the health and welfare of U.S. workers is dependent upon their employers and, in turn, employers count on having the financial well-being of their workers.

The largest investment workers will make in their lives will probably be their homes. Look at the mortgage crisis that is occurring now and think back about how many employers ever offered advice about subprime mortgage loans and the problems they might cause some day.

That matters to employers because employees bring their financial problems to work with them. And, they bring them every day.

When individuals don't have adequate health care coverage and they have a family emergency, it can spill over into the workplace.

And, how many people know workers who are staying on their jobs past retirement age because they need the health care or they face a shaky financial future in retirement so they are forced to keep working.

None of this contributes to a healthy workplace. Employers may not like filling the role of financial educator, but it is in their best interests. And, they need to do it in a way that gets the attention of their employees.