

HUMAN RESOURCES MANAGEMENT THE REWARDS AND CONSEQUENCES OF RETIREMENT PLANNING

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“One can live magnificently in this world if one knows how to work and how to love, to work for the person one loves, and love one’s work...”

– Leo Tolstoy

RAISING AWARENESS, UNDERSTANDING AND APPRECIATION FOR THE VALUE OF AN EMPLOYER-SPONSORED RETIREMENT PROGRAM IN THE EYES OF EMPLOYEE PLAN MEMBERS IS AN IMPORTANT OBJECTIVE FOR HR PROFESSIONALS. TOLSTOY RECOGNIZED HOW BASIC HUMAN BEHAVIOUR RESULTS FROM ONE’S ATTITUDES AND VALUES, AND WE KNOW THAT HOW PEOPLE SPEND THEIR TIME AND MONEY IS A REFLECTION OF THOSE VALUES.

The attraction and retention of employees – the often quoted “war for talent” – is based on best practices in each industry and is also reflected in each Aboriginal community. While there is no legal requirement for an employer to offer specific benefits, many Aboriginal businesses and communities do include retirement plans in their benefit programs.

What are the rewards when these communication and financial education programs are successful? And what are the consequences when these issues are not appropriately addressed?

Rewards for the employer and employee include:

- » Having a documented file that can be used by management to measure achievement of stated goals;
- » Ensuring continuity of the program over time, in terms of budgets and results;
- » Feedback from employees regarding levels of appreciation of, and satisfaction with, the retirement plan;
- » Guidance for HR regarding future workforce planning, especially attraction and retention strategies;
- » Reduced anxiety of employee financial and retirement planning security;
- » Increased employee productivity through reduced absenteeism and presenteeism.

Possible consequences if these issues are not appropriately addressed:

- » Not meeting compliance and governance guidelines adequately;
- » Employee misunderstanding and unrealistic expectations regarding the retirement program;
- » Current and future communication and education costs not being directed to resources efficiently;
- » Potential legal implications initiated by employees in the future due to inadequate knowledge regarding the retirement program, potentially leading to lower levels of income in retirement and unmet expectations.

COMMUNICATION AND FINANCIAL EDUCATION CHALLENGES

The mandate for integrating employer-sponsored retirement programs (such as pension plans) with their employees’ needs generally is handled through Human Resources departments. In Aboriginal communities, this mandate also falls under the purview of the Chief and Council, with involvement of the Band’s Human Resources Manager, Executive Director and Financial Officer. This is in addition to all the other challenges of managing an HR strategy, by aligning with the Band’s, or separate operating company’s, business strategy.



The continuum for retirement plan sponsors providing employee communication and financial education includes governance policies that meet minimum compliance standards. This can range all the way from simply providing Pension Statements to the furthest extent of the employer’s cultural philosophy of meeting, and perhaps exceeding, employee expectations for financial security from a “top employer.” This is typically accomplished with a comprehensive financial education program including seminars, individual counseling and online information.

Decades of surveys regarding employees’ knowledge levels about savings, cash and debt management, children’s education funding, investments, taxes and how much money is needed for retirement consistently show low levels of competency across all sectors in Canada.

Literacy had been traditionally defined as “you either can read or you cannot read.” Therefore, “you are either literate or not literate.”

Literacy is defined by behaviour – “using printed and written information to function in society, to achieve one’s goals, and to develop one’s knowledge and potential.”

– *The International Adult Literacy Survey, 1995*

Today’s definition also includes problem solving and essential skills. The long-awaited results from the Program for the International Assessment of Adult Competencies (PIAAC) will be released by the OECD and the twenty-four participating countries on October 8, 2013.

Canada, drawing on the largest PIAAC sample of all participating countries (more than 27,000 respondents), will produce six reports of its own on themes of skills in the Canadian labour market; skills, education and adult learning; competency profiles of official language minority communities (OLMCs), immigrants, Aboriginal populations; and competency profiles and everyday life – literacy’s health and social dimensions.

The financial literacy implications are significant when plan members review retirement program booklets, annual statements, termination or retirement statements – or are asked to make choices such as investment fund selections. Adult literacy and adult learning issues are not simple to solve. As society moves forward with enhancements to online learning, employers are relying more and more on technology to address commonly required communication and financial education content.

The ability to address, to cope with and to minimize stress in one’s daily life is an important skill. Stressors manifest in many ways, and stress from personal financial issues is a major factor in today’s society.

The Centers for Disease Control (associated with The Institute for the Future) estimates that 50% of an individual’s health is correlated to personal behaviour.

The increasing evidence is that stress over personal financial management issues has an impact on employee health, which can result in reduced productivity.

The following table shows the results of a 2008 poll conducted by AP-AOL, identifying the differences in the incidence of various health conditions as a result of high versus low personal debt levels.

HEALTH ISSUE	HIGH LEVEL OF STRESS FROM DEBT	LOW LEVEL OF STRESS FROM DEBT
Migraines / headaches	44%	15%
Severe depression	23%	4%
Insomnia / sleeping problems	39%	17%
Severe anxiety	29%	4%
High blood pressure	33%	26%
Heart attack	6%	3%
Ulcer / digestive problems	27%	8%
Muscles tension / low back pain	51%	31%

ISMO HEIKKILA, CFP, joined T.E. Wealth in 2004 and brings more than 30 years of training, organizational development and consulting experience to his role as National Director, Financial Education & Communication, Aboriginal Services. Working alongside T.E. Investment Counsel, Ismo provides advice on communication and financial education strategy to help Aboriginal leaders manage the change in their communities.

A student of human behaviour and passionate advocate for financial literacy, Ismo understands how education and planning can engage people to make the necessary decisions to secure their financial future. Having lived and worked in Finland, the United States and Canada, he appreciates the importance of language and culture in the design of effective communication and education programs. Through his business experience, whether leading the communication and education efforts for an international human resource and benefits consulting firm or advancing T.E. Wealth’s Financial Education & Employer Services, he has a proven track record of helping organizations successfully implement changes that can affect their people’s financial well-being.

Committed to making a difference, Ismo has lent his professional expertise and leadership to a number of community organizations. Recognized for his expertise in financial education, Ismo is a frequent contributor to financial services publications and speaker at industry conferences. He has written articles for the Aboriginal Financial Officers Association and presented at AFOA events.

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When their employees are not at work, or not fully functional while at work – due to personal health issues – there is productivity loss, which is costly to the employer.

Our experience with best practices indicates that the following are key ingredients to having a more successful communication and financial education plan, especially for retirement programs:

- » A clearly articulated philosophy regarding the extent to which the employer feels an obligation to provide additional resources beyond basic compliance and governance guidelines for employee communication and financial education concerning the retirement program;
- » Creation of a financial education strategic plan which includes measurable objectives for the plan sponsor and the plan members, a variety of resources and a documented file;
- » A tactical implementation plan – i.e., a project plan that is dynamic and flexible over time and that ensures accountability and plan member involvement;
- » And, of course, a serious and enthusiastic commitment from all levels of management and third-party providers to ensure continual success of the program.



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- investment advisory services
- financial education programs
- communication strategies

Celebrating over 40 years of excellence with offices across the country, T.E. Wealth provides completely independent and objective advice.

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Whether your community or business operation has a formal retirement plan or not, employees need to maximize the utilization of their compensation to achieve their personal financial goals.

Employers who invest in employee financial education programs for their employees experience a 3 to 1 return on investment.

– Personal Finance Employee Education Foundation

The return on investment is a combination of less absenteeism and less presenteeism, improved productivity and employees who are happier, healthier and more satisfied with their work-life balance, due to less overall stress outside of the workplace.

The continual, iterative assessment of one's future financial security requires skills, tools and certainly motivation to ensure a successful retirement. Everyone will retire someday – even those in management!