

INSURANCE COMPANY EMPLOYEES' FINANCIAL EXPERTISE AND PRACTICES: IMPLICATIONS ON BENEFIT PARTICIPATION AND SATISFACTION

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ABSTRACT

Employers continue to shift financial decision-making responsibility for employee benefits to employees. This article examines employees' financial practices, financial expertise, and levels of benefit participation and overall satisfaction. We show that there are significant differences in employees' financial practices and financial expertise based on socio-demographic characteristics. While levels of benefit satisfaction and employer ranking are high, significant differences in how employees feel toward their employer exist. Employees more highly value traditional benefits than nontraditional benefits, but satisfaction with benefits was high regardless of take-up rate. We also find that respondents are more knowledgeable over experiential financial concepts than more specific financial concepts like qualifying conditions for a traditional individual retirement account. Employer-sponsored financial education programs, which increase employee understanding of employer-provided benefits and their importance to employees' financial well-being, should improve overall employee satisfaction, loyalty, and productivity.

INTRODUCTION

The nature of the employment relationship is undergoing fundamental changes that have implications for how companies attract, motivate, and retain talent (Christensen, 2002; Fronstin and Helman, 2000, 2003; Roehling et al., 2000). The bond between employer and employee has shifted from a long-term relationship involving loyalty and commitment to a contract-like economic exchange (Tsui and Wu, 2005; Davolt, 2006). When employees do not have the financial skills to evaluate the benefits options that are available to them, they will push for more benefits, feel less financially secure, and be more dissatisfied with their place of work (Keating, 1997). As employee benefit costs and complexity continue

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to escalate, employer-sponsored financial education has proliferated (Bell and Lerman, 2005) and finding answers to knowledge-based employee benefit research questions has grown in importance.

Our article contributes to the relatively new program of research on financial literacy by analyzing insurance company employees' benefits-related financial expertise and practices. We expand the empirical literature in this area as follows. First, we provide evidence that overall levels of benefit participation and employer ranking can be very high while employees' financial practices, financial expertise, and attitude toward their employer vary based on socio-demographic characteristics. Next, results show that employees more highly value traditional benefits than nontraditional benefits. We also find that satisfaction with benefits was high, independent of take-up rate. Last, we find that respondents are more knowledgeable over experiential financial concepts than more specific financial concepts like qualifying conditions for a traditional individual retirement account. While baseline data provided in this study are most readily transferable to large firms where the demographics are predominantly female, married, and middle aged, our results should also be of interest to policymakers and regulators who are concerned with improving level of employees' financial expertise and understanding of employment-based benefits.

The remainder of the article is organized as follows. In the next section, the relevant literature is discussed and hypotheses and methods are presented. After that, differences in the variables tested are described in the "Results" section. We conclude and summarize in the penultimate section and also suggest areas for future research.

BACKGROUND, HYPOTHESES, AND METHODS

In a survey of related literature, Martin (2007) suggests that the value gained by financially informed employees spans a number of areas, including indirect wage options. Oamek (2005) calculates that effective financial education in the workplace generates a tangible productivity return on investment in the hundreds of dollars per employee, net of program costs. The relationship between employee benefits and productivity at the firm level through improvement of labor efficiency is developed by Tsai and Wang (2005).

The recently passed Pension Protection Act of 2006 statutorily recognizes the important role that plan sponsors and third-party advisors can have in reducing retirement information asymmetries and in helping employees achieve retirement income security (Office of the Press Secretary, 2006). McCarthy and Turner (2000) show that employees with greater financial knowledge and sophistication are significantly more likely to enroll in their 401(k) plan. Research also documents a positive relationship between participation in financial literacy programs and retirement preparedness (Bernheim and Garrett, 2003). Power and Hira (2004) show that retirement planning should begin earlier in an employee's career and that employer-provided retirement information and advice is a highly valued service. A Watson Wyatt Worldwide study concludes that companies with good benefit plans tend to serve their shareholders and employees better and that an important element of a good plan is good education and advice (Watson Wyatt Worldwide, 2005). Although expectations should not be unrealistic, the literature suggests that employer expenditures that advance financial knowledge mitigate information asymmetry during the choice-based phases of the employees' life cycle, while complementing institutional structures (Bell and Lerman, 2005).

While the employee benefits literature is robust on many issues, extant research on employee financial practices, level of financial expertise, and feelings toward their employer is limited. Additionally, there is very little research on the implications of financial expertise on benefit participation and satisfaction. In this study, we develop hypotheses recognizing that employee benefit attitudes, needs, and behaviors are influenced by one's life stage. We hypothesize that significant differences in levels of financial expertise, financial practices, and employee attitude toward their employer exist based on selected demographic characteristics of respondents.

We collected data from a large national insurance company. Surveys were mailed to selected respondents and a total of 1,359 completed questionnaires were returned for a response rate of 56.7 percent. The survey questions and focus areas of this study were developed after a review of the literature and consultation with the study insurer. Several examples of similar constructs include, but are not limited to Hilgert et al. (2003), ANZ (2006), and Moore (2003). The survey instrument focused in the following areas: employee benefits awareness, understanding, and appreciation; employees' financial practices and financial expertise; and employee feelings toward their employer.

Participants were asked to respond to a number of demographic questions, including their gender, age, ethnicity, marital status, household size, and job classification. Responses to questions were measured on a 5-point scale, where 5 = strongly agree and 1 = strongly disagree. For comparative purposes, indices were constructed to determine respondents' attitude toward their employer, good and poor financial practices, and financial expertise as explained in Babbie (1973). Cronbach's alpha was used to summarize the internal consistency of items included in each index. We employed chi-square analysis to test for a significant difference between variables of interest and socio-demographic characteristics.

RESULTS

Demographic and institutional characteristics of the sample of employees are presented in Table 1. Firm-specific information about the socio-demographic characteristics allows for within-firm comparisons and can also be used by other organizations to determine the relevance of our findings to their employee group. Briefly, Table 1 shows that the proportion of females was much larger than males (63 percent), average age of respondents was approximately 38 years, and a majority (70 percent) of respondents identified themselves as married. Institutional characteristics are reflective of the insurer's work environment, and almost all of the respondents (96 percent) were full-time employees and were primarily categorized as upper-level field claim workers (44 percent) and trainees (32 percent).

The study insurance company offered a total of 11 benefits, including commonly provided benefits such as health, dental, and life insurance policies; retirement plan; and flexible spending accounts. In addition, benefits that are less likely to be provided by employers such as medical expense reimbursement, long-term disability, long-term care policies, dependent care assistance, saving and thrift plans, and credit union services were available to employees. A large proportion of employees (75 percent) participated in the traditional benefits available to them, but take-up rates of nontraditional benefits were low.

TABLE 1
Socio-Demographic Profile

Characteristic	Respondents
Gender	
Male	37.0%
Female	63.0%
Age (mean)	38.2 years
Employment status	
Full-time	96.1%
Part-time	2.5%
Job classification ^a	
SF1–SF5	31.6%
SF6–SF7	8.5%
UESP, Estimator MA2N	1.9%
MA1–MA5, UNSP	43.9%
MA6–MA8	9.0%
FA1–FA5	3.2%
Marital status	
Married/living as married	71.3%
Divorced/widowed/separated	12.6%
Never married	15.5%

Note: $N = 1,359$.

^aJob classification reflects six categories that ranged from: Trainees (SF1–SF5), Temporary field claim worker (SF6–SF7), Lower-level field claim worker (UESP) and estimator (MA2N), Upper-level field claim worker (MA1–MA5 and UNSP), Lower-level headquarters management (MA6–MA8), and Medium-level headquarters management (FA1–FA5).

EMPLOYEE ATTITUDE TOWARD EMPLOYER

The majority of employees have a favorable attitude toward the study insurer. However, Table 2 shows that significant differences in employee feelings toward their employer exist. Differences in opinion toward company were explored by gender, age, marital status, job classification, and region. Five items were combined to create an index that cumulates employee attitude scores from the survey. Responses to these items were measured on a 5-point scale where 1 = strongly disagreed to 5 = strongly agreed. Total score varied from 5 to 25. A score of 5 means the respondent strongly disagreed with all the five statements while a score of 25 means the respondent strongly agreed with all five statements. This index is very reliable as is reflected by the reliability alpha coefficient of 0.90. Significant differences in attitude toward respondents' employer were found based on gender (0.019), marital status (0.088), job classification (0.010),

TABLE 2
Attitude Toward Company

	5%	6–10%	11–15%	16–20%	21–25%	<i>p</i> ≤
Gender						
Male	0.2	0.8	8.9	41.9	48.1	
Female	0.4	0.6	11.2	48.9	38.9	(0.019)
Age group						
19–21 years	0.0	0.0	8.3	66.7	25.0	
22–30 years	0.4	0.4	12.1	47.9	39.3	
31–40 years	0.4	1.3	11.9	45.6	40.9	
41–50 years	0.0	0.3	8.4	48.8	42.5	
51–60 years	0.0	0.0	5.4	47.0	47.6	
61+ years	0.0	0.0	7.7	30.8	61.5	(0.441)
Marital status						
Married, living as such	0.3	0.4	9.8	46.0	43.5	
Divorced, separated, widowed	0.0	1.2	9.9	42.7	46.2	
Single, never married	0.5	1.4	13.3	52.1	32.7	(0.088)
Job classification						
SF1–SF5	0.5	0.2	10.0	49.5	39.8	
SF6–SF7	0.9	1.7	6.9	48.3	42.2	
Estimator	0.0	0.0	11.5	30.8	57.7	
MA1–MA5, MA1N, MA2N, MA3N, UNSP	0.2	1.0	12.9	47.2	38.7	
MA6–MA8	0.0	0.0	7.4	37.7	54.9	
FA1–FA5, Upper level executive	0.0	0.0	2.3	29.5	68.2	(0.010)
Region						
Michigan	0.4	0.0	5.7	50.8	43.2	
N. Texas	0.3	0.6	12.2	48.9	38.1	
N. Eastern	0.3	1.3	15.4	47.2	35.8	
Sunland	0.4	0.9	10.7	40.0	48.0	
OK–Kansas	0.0	0.5	5.7	42.1	51.7	(0.001)

Note: The following five items were used to develop a 25-point index based on a 5-point scale for each item (1 = strongly disagree, 5 = strongly agree):

- (1) I am proud to say I work here,
- (2) This is one of the best companies to work for.
- (3) I will go out of my way to make the company successful.
- (4) What happens to the company is important to me.
- (5) The company has a sincere interest in the well-being of each employee.

Alpha = 0.90.

TABLE 3
Financial Practices

Practices	Percentage					Mean Score
	Never	Seldom	Sometimes	Often	Always	
Make plans for use of money	2.1	5.1	21.6	44.2	26.0	3.9
Save for goals	2.6	8.5	27.2	35.1	25.3	3.7
Evaluated spending	2.0	9.6	24.5	42.4	20.2	3.7
Paid interest on credit card	21.7	13.5	16.2	24.4	23.2	3.1
Made min. payment on credit card	43.6	19.7	18.2	13.5	3.8	2.1
Bought on impulse	3.8	24.9	49.3	17.9	2.9	2.9
Worried about money	21.8	31.9	28.2	10.7	6.4	2.5
Finances effected relationships	37.6	29.0	22.6	7.2	2.5	2.1
Felt no money problems	23.0	24.8	27.4	18.1	5.4	2.6

Note: $N = 1,359$. Based on a 1–5 scale (1 = never to 5 = always).

and region (0.001). Males and persons in high-level job categories were significantly more likely to be found in high-score categories, while singles' attitude toward their employer was not as favorable as the other two categories. Although the age item is not significant, these findings are consistent with the MetLife (2006) study, which showed that overall satisfaction varies significantly with life stage and that employees who are highly satisfied with their benefits reported that they are also highly satisfied with their job. The findings also suggest that target opportunities exist to improve dissatisfied employee attitudes. We now present the results of our investigation of existing levels of employees' financial knowledge and financial practices.

FINANCIAL PRACTICES

Information on various financial behaviors can be found in Table 3. Financial practices were grouped into good and poor practices, and were measured on a scale of 1 to 5 (1 = never and 5 = always). Majority of the respondents in both groups indicated that they follow these practices. However, at the same time, a fairly significant proportion of respondents are involved in poor financial practices. The discussion that follows provides information on good and poor financial practices by selected characteristics of the respondents.

Differences in Good Financial Practices

The three good financial practices—make plans to use money, save for goals, and evaluate spending—were combined to develop an index. Responses to each of the three practices were measured on a 5-point scale, where 1 = never and 5 = always; total scores on this index varied from 3 to 15. A score of 3 on the index shows that the respondent had never engaged in any of the three “good” financial practices while a score of 15 indicates that the respondent engaged in all of the good practices. The reliability alpha coefficient for this index is 0.78, indicating that this index is reliable.

Table 4 shows that there were significant differences in good financial practices based on demographic characteristics. Concerns with financial matters and how financial resources are used vary over persons' life cycles and may drive these results. Differences in good practices by gender, age, and region were not statistically significant. Statistically significant differences in good financial practices were found based on employees' marital status ($p \leq 0.044$). The largest proportion of respondents in the highest score category (13–15) were married and living as such and then followed by singles/never married. Those who were more likely to be found in the two lowest score categories (4–6 and 7–9) were most likely to be divorced, widowed, and separated. Significant differences in positive practices were also observed by different job classifications ($p \leq 0.009$). Employees in upper level job classes scored higher than those in lower job classes on the index. Those with the lowest scores on the positive practices index were more likely to be trainees and temporary field claim workers.

Differences in Poor Financial Practices

To determine if differences in poor financial practices exist, we created an index by combining three practices: pay interest on credit cards, buy on impulse, and make minimum payments only on credit cards. Responses were measured on 5-point scale where 1 = never and 5 = always; total scores varied from 3 to 15. A score of 3 means that respondent never engaged in any of the three poor practices, while a score of 15 indicates that the respondent always engaged all the three poor practices. Scores and levels of significance can be found in Table 5. The reliability alpha coefficient for this index was 0.63.

Significant differences in poor financial practices based on gender were found ($p \leq 0.002$). A larger proportion of males than females were in the lowest score categories on the poor financial practices index. Relationship between age and negative practices is unambiguous and significant. A significantly larger proportion of younger than older employees scored high on negative practices index ($p \leq 0.001$). None of employees in the 19–21 years age group were in the lowest category. This means virtually all respondents in this age group were at least sometimes engaged in poor financial practices. This finding is somewhat surprising given that respondents in the younger age cohorts had high scores on the good financial practices index. Perhaps the reality of younger persons' financial situation causes good practice plans to be abandoned and negative financial practices were the unsuspected reality.

The relationship between job classification and score on negative practices was positive and statistically significant ($p \leq 0.000$). A larger proportion of employees in the lowest three job classifications were more likely to have a higher score on the negative financial practices index than those in three upper job classes. Significant differences did not exist based on marital status and region.

Good and Poor Financial Practices Summary. Scores for good financial practices were high regardless of gender. However, significant differences were shown based on marital status and job classification. Persons just starting their careers and those near the end of their careers were more likely to get high scores for good financial practices. Persons in the middle of their careers and those that have endured negative marital events scored significantly lower on the good financial practices index. Predictably, persons in upper

TABLE 4
Good Financial Practices Index

	3%	4–6%	7–9%	10–12%	13–15%	<i>p</i> ≤
Gender						
Male	0.2	2.4	16.1	51.5	29.8	
Female	0.2	4.3	19.3	45.9	30.3	(0.128)
Age group						
19–21 years	0.0	8.3	8.3	50.0	33.3	
22–30 years	0.4	3.9	18.6	43.2	33.9	
31–40 years	0.4	3.4	19.3	47.2	29.7	
41–50 years	0.0	5.0	18.1	50.5	26.4	
51–60 years	0.0	1.8	15.7	53.0	29.5	
61+ years	0.0	0.0	7.7	38.5	53.8	(0.675)
Marital status						
Married, living as such	0.0	3.4	17.0	48.5	31.1	
Divorced, separated, widowed	0.6	5.8	20.5	48.0	25.1	
Single, never married	0.9	2.8	21.8	45.5	28.9	(0.044)
Job Classification ^a						
SF1–SF5	0.5	5.6	22.6	43.7	27.7	
SF6–SF7	0.0	3.4	21.6	54.3	20.7	
MA1–MA5, MA1N, MA2N, MA3N, UNSP	0.2	2.5	14.2	48.2	34.8	
MA6–MA8	0.0	2.5	18.9	52.5	26.2	
FA1–FA5, Upper level exec	0.0	0.0	11.4	59.1	29.5	(0.009)
Region						
Michigan	0.0	5.3	19.7	48.9	26.1	
N. Texas	0.3	3.9	17.7	47.8	30.4	
N. Eastern	0.3	3.0	16.7	47.2	32.8	
Sunland	0.0	2.7	19.6	46.7	31.1	
OK–Kansas	0.5	2.9	17.2	49.8	29.7	(0.920)

Note: *N* = 1,359. The following three practices were used to develop a 15-point index based on a 5-point scale for each item (1 = never to 5 = always):

- (1) Made plans on how to use money,
- (2) Saved for goals,
- (3) Evaluated spending.

Alpha = 0.78.

^aJob classification reflects six categories, which ranged from:

- Trainees (SF1–SF5),
- Temporary field claim worker (SF6–SF7),
- Lower-level field claim worker (UESP) and estimator (MA2N),
- Upper-level field claim worker (MA1–MA5 and UNSP),
- Lower-level headquarters management (MA6–MA8), and
- Medium-level headquarters management (FA1–FA5).

TABLE 5
Poor Financial Practices Index

	3%	4–6%	7–9%	10–12%	13–15%	<i>p</i> ≤
Gender						
Male	2.6	39.2	32.0	31.5	4.8	
Female	0.9	25.8	33.2	32.1	7.9	(0.002)
Age group						
19–21 years	0.0	16.7	33.3	33.3	16.7	
22–30 years	0.7	26.1	34.6	31.8	6.8	
31–40 years	1.3	7.6	34.6	28.8	7.7	
41–50 years	0.7	34.1	30.1	29.4	5.7	
51–60 years	4.2	43.4	29.5	17.5	5.4	
61+ years	7.7	38.5	30.8	15.4	7.7	0.001
Marital status						
Married, living as such	1.6	31.9	33.7	26.7	6.1	
Divorced, separated, widowed	1.2	22.8	33.3	32.2	10.5	
Single, never married	0.9	32.2	28.9	30.8	7.1	0.132
Job classification						
SF1–SF5	1.2	21.9	33.0	35.6	8.4	
SF6–SF7	0.0	25.9	31.0	31.0	12.1	
MA1–MA5, MA1N, MA2N, MA3N, UNSP	2.2	34.0	33.7	25.6	4.5	
MA6–MA8	0.8	41.8	32.8	16.4	8.2	
FA1–FA5, Upper level Exec	0.0	59.1	22.7	18.2	0.0	0.000
Region						
Michigan	1.9	33.3	32.6	27.3	4.9	
N. Texas	1.1	30.4	32.6	27.3	8.6	
N. Eastern	2.3	30.8	32.4	26.4	8.0	
Sunland	0.9	28.9	33.8	28.9	7.6	
OK–Kansas	1.4	30.1	32.5	32.5	3.3	0.673

Note: *N* = 1,359. The following three practices were used to develop a 15-point index based on a 5-point scale for each item (1 = never to 5 = always):

- (1) Paid interest on credit cards,
- (2) Made only minimum payments,
- (3) Bought on impulse.

Alpha = 0.63.

level jobs scored higher on the good financial practices index than those in lower job classes. Age and regional differences in good financial practices were not found.

Analysis of survey results also showed differences in poor financial practices based on selected characteristics. Older males in high paying jobs were less likely to exhibit poor financial practices than other respondents. In particular, females, young persons, divorced persons, and employees in the lowest three job classifications were more likely to participate in poor financial practices. These findings taken together suggest that target opportunities exist to improve financial practice behavior of the study insurer's employees. The next section of this article determines the level of financial expertise of respondents and if differences exist.

FINANCIAL EXPERTISE

Financial expertise¹ among participants was gauged using 15 questions that covered areas defined by the authors and study insurer as useful in effective individual financial decision making. The questions asked and indices used to measure financial knowledge are similar to many of the studies that examine the relationship between financial education and financial-management behaviors, as previously discussed. Table 6 shows participants' responses to the financial knowledge questions and several observations can be made. Most of the respondents were able to correctly answer at least some of the knowledge items. A majority of respondents were able to identify the correct answer in three areas: investment risk and return relationships (81 percent), status of jointly owned property at death (71 percent), and replacement rate of current income required to live comfortably during retirement (77 percent).

Less than half of the respondent knew the correct answer for the next two items: amount of deductible contributions to an IRA (40 percent) and the annual transfer amount without gift tax liability (39 percent). A large proportion of respondents indicated that they were not sure about the correct answer to several knowledge items. For example, 60 percent were not sure about levels of contributions to an educational IRA or about the one-time capital gains exclusion on primary residence that was in effect when the survey was administered, sales charges on no-load mutual funds, and amount of property that can be transferred free of gift tax to spouse. Slightly less than half of the respondents were unsure of the conditions for qualifying to make tax-deductible contributions to a traditional IRA, the recommended amount for disability income, pattern of common stock annual dividend payments, and annual gift amount without incurring gift tax liability.

Differences in Financial Expertise

An index of financial knowledge questions was created to explore differences in financial expertise by socio-demographic characteristics, job classification, and region. Scores on this index varied from a minimum of 0 to a maximum of 15. A score of 0 means the respondent answered none of the questions correctly while a score of 15 means all

¹ We appreciate a reviewer suggesting that we may be actually testing for financial expertise given the level of sophistication of several of the financial knowledge questions. As a consequence, in the revised paper, we address issues that relate to specific knowledge questions and then present results on the index, which measures differences in level of financial expertise.

TABLE 6
Responses to Financial Knowledge Questions

Financial Concepts ^a	True %	False %	Unsure %
a) Will necessary only when estate is large	2.9	93.1	4.0
b) 70 to 80% current income needed to maintain same standard of living in retirement	77.0	10.1	12.9
c) Can contribute \$500/ beneficiary into an educational IRA	23.3	8.5	68.3
d) No interest on credit cards if bill paid within 30 days	33.5	45.2	21.3
e) One-time \$500,000 capital gains exclusion on residence	28.2	8.6	63.2
f) High deductible on homeowner's/renter insurance increases premium	5.0	83.9	11.1
g) Conditions to contribute up to \$2,000 for a traditional IRA	39.4	13.8	46.9
h) No sales charge on "no load funds"	18.5	13.5	68.1
i) Greater returns involve higher risk	80.7	3.0	16.3
j) Have 60% of income in disability coverage	40.6	13.1	46.3
k) Common stock pays same dividend yearly	2.7	51.9	45.3
l) Net worth over time reflects household's financial health	43.5	14.2	42.3
m) Jointly owned property passes to surviving owner	71.0	8.8	20.2
n) Yearly \$10,000 gifts do not incur gift tax	39.1	12.0	48.9
o) Unlimited amounts of property transfer to spouse without paying gift tax	19.8	12.4	67.8

Note: $N = 1,359$.

^aAll concepts were presented according to the Internal Revenue Code (regulatory) requirements that were in force at the time the survey instrument was developed and subsequently administered.

the questions were answered correctly. For the purposes of further analysis scores were grouped into five categories with the lowest score category being 0–3 and highest score category being 13–15. The index was highly reliable and significant differences in financial expertise existed for all variables except region, which was marginally significant.

Table 7 shows that differences in financial expertise by gender were statistically significant ($p \leq 0.000$) and that a larger proportion of male respondents had higher scores than female respondents. About 47 percent of the female respondents were in the two lowest categories compared to only 27 percent for male respondents. Less than 5 percent of the females in the sample were in the highest score category (13–15), compared to almost 10 percent for the males. From these results, one may conclude that male respondents were far better versed in financial matters than their female counterparts. Older respondents

TABLE 7
Financial Expertise Index (Correct Answers)

	0–3%	4–6%	7–9%	10–12%	13–15%	$p \leq$
Gender						
Male	4.8	22.3	38.0	26.0	8.9	
Female	11.0	36.0	33.9	15.0	4.2	0.000
Age group						
19–21 years	25.0	41.7	33.3	0.0	0.0	
22–30 years	15.4	36.8	31.4	13.6	2.9	
31–40 years	7.0	31.0	34.4	19.6	7.9	
41–50 years	7.7	29.1	40.5	17.7	5.0	
51–60 years	4.2	21.7	38.6	28.9	6.6	
61+ years	0.0	15.4	30.8	30.8	23.1	0.000
Marital status						
Married, living as such	6.7	29.1	37.3	20.6	6.3	
Divorced, separated, widowed	13.5	34.5	28.7	18.7	4.7	
Single, never married	14.2	36.0	31.8	12.3	5.7	0.000
Job classification						
SF1–SF5	18.1	40.5	30.5	8.8	2.1	
SF6–SF7	11.2	41.4	30.2	13.8	3.4	
Estimator	3.8	46.2	46.2	3.8	0.0	
MA1–MA5, MA1N, MA2N, MA3N, UNSP	3.7	26.0	39.5	24.0	6.9	
MA6–MA8	2.5	18.0	37.7	32.8	9.0	
FA1–FA5, Upper level executive	0.0	6.8	20.5	40.9	31.8	0.000
Region						
Michigan	7.6	33.3	33.3	17.4	8.3	
N. Texas	9.1	31.8	34.8	19.6	4.7	
N. Eastern	13.0	27.4	32.1	21.1	6.4	
Sunland	6.2	31.1	40.9	16.4	5.3	
OK–Kansas	5.7	31.1	37.8	20.1	5.3	0.150

Note: $N = 1,359$. Fifteen items were used to create knowledge index; scores varied from 0 to 15. Alpha = 0.79.

were likely to have higher scores than younger respondents and differences based on age were significant ($p \leq 0.000$). As an example, 85 percent of respondents aged at least 61 years were in category 7–9 or above while for the 19- to 21-year-old respondents only 33 percent were in these categories.

Differences in financial expertise were also significant based on respondents' marital status ($p \leq 0.000$). Married respondents generally had higher scores than the other

two categories. The largest proportion of those in lowest score categories was the divorced/separated/widowed group. Significant differences in the financial expertise index by job classification were observed ($p \leq 0.000$) as well. Employees in two lowest job classes (SF1–SF5 and SF6–SF7) were more likely to be found in the two lowest knowledge score categories, 0–3 and 4–6. Conversely, respondents in upper job classifications were most likely to be among those in two highest score categories, 10–12 and 13–15. Regional differences in score were only marginally significant ($p \leq 0.150$).

Financial Expertise Summary. Significant differences in level of financial expertise among respondents were shown. Respondents were more knowledgeable over experiential financial concepts such as the importance of a will, the relationship between risk and return, retirement income replacement levels, and the effect of deductibles on property insurance premiums when compared to more specific (regulated) financial concepts such as qualifying conditions to make deductible contributions to an IRA, annual transfer amount without gift tax liability, and capital gains exclusion on the sale of a home.

In general, the results show that male respondents exhibited higher levels of expertise in financial matters than their female counterparts. Not surprisingly, older respondents were more likely to have high scores on the index, while younger respondents were more likely to have a low score. The largest proportion of persons in the lowest score category based on marital status was the divorced/separated/widowed group. Analysis by job classification showed that respondents in the upper job classification were most likely to be among those in the two highest score categories, 10–12 and 13–15, while the opposite is true for persons in the lowest two categories.

SUMMARY AND CONCLUSIONS

We investigated existing levels of employees' financial practices, financial expertise, and attitude toward their employer and determined implications that levels of financial knowledge have on benefit participation and satisfaction. Overall levels of benefits satisfaction and insurer ranking were high, but significant differences in how employees feel toward their employer existed. This gives the study insurer opportunities to target dissatisfied employees with financial education programs and improve levels of financial understanding, practices, and employee feelings toward their employer.

Our results supported the hypotheses tested in this study by showing that significant differences in levels of financial expertise, financial practices, and employee attitude toward their employer exist based on selected demographic characteristics of respondents. We also find that respondents are more knowledgeable over experiential financial concepts, such as the relationship between risk and return, than over more specific (regulated) financial concepts, such as qualifying conditions to make deductible contributions to an IRA. Interestingly, although levels of financial expertise, financial practices, and employee feelings toward their employer varied significantly, the majority of employees positively viewed the employee benefits offered by the study insurer. While a large proportion of employees participated in most of the benefits available to them, traditional benefits were more valued than nontraditional benefits such as dependent care assistance and employer-provided benefits education (i.e., retirement planning) programs. Surprisingly, a large proportion of respondents indicated they were satisfied or

very satisfied with benefits even where the participation level was very low. This finding suggests that merely offering a benefit positively affects the overall level of benefit satisfaction even when take-up rates are low.

Differences in levels of financial expertise, financial practices, and employee attitude toward their employer also varied based on selected characteristics and can be used to identify employee groups that might benefit from financial education programs. In general, the employee groups that had significantly lower financial expertise scores exhibited poor financial practices and had less favorable attitudes toward their employer were females, young persons, divorced/separated/widowed persons, and employees in the lowest three job classifications. Targeting financial education toward these groups should increase employee understanding of the value of employer-provided benefits and of the role that the employer plays in improving employees' financial well-being over their entire life cycle.

We suggest the insurance industry furthers its leadership role in innovating financial education programs for employee groups. This recommendation makes sense for two important reasons. First, the insurance industry has a large number of employees in the cohorts (women and young persons in lower level jobs) where financial expertise and financial practice deficiencies exist and employees' attitude toward their employer could be improved. Second, insurance companies are leaders in the development and sale of employment-based financial products, as well as providers of administrative, educational, and investment services. Our industry should improve the level of financial knowledge of their own employees and take advantage of the growing market for services designed to improve levels of financial understanding, financial practices, and employees' attitude toward their employer. Future research should be undertaken to determine if targeted educational initiatives actually improves financial knowledge, practices, and employee satisfaction with their employer.

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