Careers

Turning Personal Adversity into a Business Opportunity

I help employees learn how to solve some of their financial problems.

BY NED LENHART, CPA

Entrepreneurs start businesses for a variety of reasons. Last year I formed Financial Literacy Partners, LLC, to help employers solve a serious problem that at least 25% of their employees face. The problem usually isn't voiced in public, but the impact on corporate profits, employee moral, and productivity can be dramatic. Some researchers estimate that it costs employers about $7,000 per year/per employee in lost productivity alone.

FINANCIAL STRESS

The problem is employee financial stress. Money problems don't stay at home when employees come to work. Since it has been reported that money is the number one cause of stress in today's society, employee financial stress is a big problem for employers, too. In the past year, rising interest rates and increasing fuel costs have been causing some two-income families great stress, and, for single-income families, the pressure can be unbearable. Some research says that 70% of the U.S. workforce lives paycheck to paycheck. Putting that a little closer to home, 70% of *your* workforce is living paycheck to paycheck, and more than 25% of your workforce spends about an hour each day distracted by their money concerns.

Why would I, as a 48-year-old tax consultant and CPA with almost 25 years of Big 8/6/4 and government experience, start a business focused on solving a problem that can be hard to identify, difficult to discuss, and as multidimensional as there are employees in the workforce? After 25 years of helping companies deal with challenging financial situations, I decided it was time to combine my accounting and teaching experience with my passion for helping people. The goal was to provide a solution that would help employees recover from their current level of financial stress and become empowered to deal with future financial challenges. Helping employees do this is good for them, their employers, and the U.S. economy in general. Besides, the lack of basic financial literacy and money management skills at all levels of U.S. employment is terrifying. Even the Federal Reserve Board has recognized financial illiteracy as a serious issue.

My other motivation was to help people deal with a problem with which I had firsthand experience. If there was something I knew about, it was financial stress.

I FEEL YOUR PAIN

When you tell someone you're a CPA, they often assume that your personal financial house is in order. That could be the case for some, but not me. Aside from the individual income tax course I took as an undergraduate, my nontraditional path toward CPA licensure involved no coursework that could remotely be considered pertinent to individual money management. Early in my career I was confident that possessing an MBA degree and a CPA was the ticket I needed to secure a great job, advance regularly up the corporate ladder, and have a well-funded early retirement. I was going to live the American dream. Credit was easy to get, and I had plenty of time to worry about retirement savings.

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Fast-forward just five years. The economy had moved into a recession, and those great job opportunities weren't quite as available as they once were. In fact, job retention was the key to keeping my bills paid and my head above water. I was married and had one small child and a mortgage for a home that was just a little more expensive than what we could really afford. Two car payments and a variety of credit card bills loomed large each month. There was also the cost of clothing required to work in a Big 8 public accounting firm. Add in a few bad investments, and things were a little challenging. Not to worry, though—annual bonus time was just around the corner, and the normal 10% raise was all but assured. One good payday and I could restore the family finance balance and harmony of life.

But to everyone's utter amazement, bonuses had been suspended, and raises were going to average about 5%. We were told that "record partner distributions" that year had left the firm a little short on cash for the worker bees. (Sometimes honesty is *not* the best policy!) My personal financial situation wasn't bleak, but it wasn't great either. I was edgy at home and preoccupied at work. "Suck it up and work harder" was probably the response I would have received from my supervisor. This was well before

Workshop Topics

Here are some examples of what we go over in a workshop:

Goal setting. Without at least one short-term and one long term-goal, our spending, saving, and investing behavior is like a ship without a rudder. As a family, setting short-term goals (under one year) and long-term goals (over one year) takes much of the guesswork out of decision making. Setting, visualizing, and verbalizing the goals creates the buy-in needed to prioritize our spending. Funding the goals needs to be a regular part of our monthly spending.

Setting and achieving goals helps us build confidence in our money management abilities. The more confident we become by achieving short-term goals, the more we can all take control of our overall financial position and have confidence that we will meet our long-term goals. Unless you have unlimited resources, every dollar you put aside for a short-term goal is one less dollar you have available for a long-term goal. This forces families to set priorities and averts a lot of tension over money. Rather than just saying "we can't afford __________(fill in the blank)," you can point to your family goals and say that "because we have decided to save our money for __________(your goal), buying __________ is not consistent with our goals, and we will not be able to."

Identifying and plugging the leaks in our spending. Many people who struggle with money management issues haven't focused their attention on the right areas of their consumption. The monthly leaks in their budget occur in the area we consider "flexible" spending. Most people don't overpay their mortgage, car payment, or utility bills, but many have no idea how much money they spend monthly on trips to discount stores, convenience stores, coffee shops, etc. These are the places where we leak money. The leaks often occur because we use credit cards, debit cards, and checks to pay for the things we buy. To help stop the leaks and to help people realize how much they spend on these categories, we encourage them to use cash to pay for these items. Using cash is powerful in several ways. First, we can't overspend cash. Second, we have an emotional connection with cash that we don't have with checks, debit cards, or credit cards. Many people need to reconnect emotionally with cash. When they see how much cash they are spending and start tracking their expenditures, their behavior changes almost immediately. Many are able to cut their flexible spending by 30% or more simply by developing the discipline to spend cash on the routine items they buy every day. The money saved by spending cash is used to fund their goals.

Techniques for getting out of debt. For some families, the burden of consumer debt is an anchor dragging the entire family down. Paying off part or all of the consumer debt should be one of a family's first goals. I encourage people to pay off their debts in full. First, I believe we all have a moral obligation to meet our commitments. We expect others to keep their commitments to us, and we have an obligation to keep our commitments to others. Second, people who have paid off their own debts will never get themselves into the same situation again. The long-term satisfaction of getting out of debt far exceeds the short-term pain incurred to pay off these debts. It teaches you how to prioritize your life and to prioritize spending. Third, stop using credit immediately. You have to stop the bleeding before you can fix the problem. As long as you continue to incur debt, you will never be able to pay it off. Fourth, list your debts, and pay off the low-balance ones first. The gratification you get from paying off a liability and marking it off your debt list reinforces your efforts. Fifth, be realistic, and set some short-term goals. Don't set a five-year plan for getting out of debt. Set a three-month or a six-month plan for paying off a few credit cards first. When that's done, set another six-month goal.

Teaching by example. Most of us learned to manage money by watching what our parents, relatives, and friends did. If we had good role models, then the odds are that we are in good financial shape. In this regard, what are we teaching our children as they watch the way we spend money or as they hear us argue about money and spending? If money is a taboo subject in many households, this creates an unnecessary mystique about money that could confuse our kids and lead them to repeat many of the bad habits we have. We have to find ways to teach them about money. If they only see you use a credit card, have them see you write the check to the credit card company when the payment is due. Involve them with family budgeting, and help them open up their own bank accounts. Whether we like it or not, our kids are learning money management techniques from us, and we want to make those positive.

General Advice

1. It's never too late to implement a new system of money management. Anything you do to improve your cash flow, pay off debts, and save for the future will be beneficial.

2. Start slow. Find one or two categories of spending that you want to focus on. Most people choose grocery shopping first. This is one of the largest flexible expenses we have each month, and it's the one where a lot of waste occurs. In general, 14% of our annual food purchase dollars are wasted. Food spoils, we forget about leftovers, we make too much and throw it away, we buy premium products when generic will do just fine, and we give into our kids' demands for certain products. I'm still amazed at how few people use coupons or shop with a list and how many shop while starving. Buying groceries is still cheaper than going out to dinner. For some, learning how to cook at home is one of the best ways to save money!!

3. No one cares more about your money than you do. You are the only one who can take control of your spending. If you can't resist the spending temptations placed on you by your friends, then change your friends. Don't fall for the TV and radio hype about the real estate and home business plans that are advertised. There are far better ways for you to use your money.

4. It's good to get help when you need it. Acknowledging that you need some guidance and coaching in a few areas is critical to your long-term success. But getting the right help is important. Be careful that the person you are using for help is the right person. Stay away from people who will try to sell you products as a solution to your problems. If you are having short-term cash flow problems, buying term-life insurance won't be an effective solution to your problem.

5. Get in tune with your spending habits. If you tend to overspend when you take the kids along, find a time when you can shop alone. If you go crazy in new stores, then shop in familiar places.

the Internet, so getting information on how to deal with my situation was quite challenging. Moreover, I was convinced that I was the only one with this problem.

Thankfully, I was young and had time on my side. After consuming a large slice of humble pie, I realized that the only way to overcome my financial stress was to change our spending habits and reduce our lifestyle to fit our income. With the elimination of some monthly expenses and a scaled-back social life, it was amazing how quickly we paid off the credit card debt and were able to increase our participation in the firm's retirement plan. We held onto the cars a bit longer and avoided those situations where overspending normally occurred. Dining out moved from a routine event to a twice-a-month family treat. Shorter vacations and neighborhood "Pictionary" parties were now the order of the day. It took a couple of years, but when we were done, my wife and I had built a solid financial foundation for ourselves and our two children. Even as I write this, I'm reminded of the stress and anxiety I was going through on a daily basis.

Making the changes needed to slow the outflow of cash wasn't easy or pleasant. We sometimes felt "deprived" when we saw our friends doing the things we wanted to do. In addition to reduced spending, my wife returned to work on a part-time basis as a registered nurse. She opted for the evening shift, which minimized childcare costs and left me as Mr. Mom for three evenings a week. When personal computers became generally available, we carefully tracked our income and expenses in VisiCalc spreadsheets, which we reviewed each month to track our progress. That was not usually the highlight of our month!

After a couple of years, we checked our investment account balances and our consumer credit balances and realized that both had improved significantly. As a couple, we had accomplished a very good thing for ourselves and our children. We also realized where we had come from and pledged to never return there again. Every commitment we "needed" to make was being handled. Our need to consume and to have it all was in balance, and our stewardship to our church had increased significantly. Our lifestyle had changed, but, more important, our view of money had changed. We had matured as money managers and had realized that no one will ever have more concern for our financial security than we will. We also realized that we went through this process alone and really wished we hadn't.

Financial stress may be a national problem, but each financially burdened person has a face, a name, and probably a family to support. I wanted to start doing something locally to help a few folks understand that they don't need to suffer in silence.

GETTING STARTED

While conducting some research in 2004, I came across a number of interesting articles about the problem of employee financial stress and the price employers pay for having employees who are distracted by personal money management problems. I was stunned as I read the material and had immediate flashbacks to my own struggles in the late 1980s and early 1990s. I was flooded with thoughts of my past financial stress and was surprised at the large percentages of people who suffer silently with the same problems my wife and I overcame years earlier.

On one hand, it was reassuring to know that our problems weren't unique. On the other hand, it was terrifying to see the national statistics on the stress level of the American workforce. Thirty million workers are so concerned about their personal finances that they spend more than an hour each day on the job distracted by their money problems. Several million more employees routinely lose sleep over them and frequently worry about how they will pay their bills. The connection between financial pressure and the rate of divorce is irrefutable. Also, new research is emerging on the connection between family and workplace violence and employee financial stress. Compounding these problems are record credit card debt levels and very low levels of retirement savings. As I kept reading, it became apparent that financial stress and financial illiteracy weren't just an employee/employer problem—they had grown into a family security and national economic security problem.

Financial stress may be a national problem, but each financially burdened person has a face, a name, and probably a family to support. I wanted to start doing something locally to help a few folks understand that they don't need to suffer in silence. With a little time, easy-to-use tools, and a fair amount of personal discipline, they can dig themselves out of debt and build a solid financial foundation for their future. Early in my career, I was a college accounting instructor and taught adults who were completing their degrees. I loved teaching and felt a calling to combine my varied experiences into a business that would help employees. Remember, I had been there!

With all this research on financial issues, I thought that surely someone must have developed a program to teach employees how to manage money better. But after looking at a variety of the so-called "financial literacy" courses available, I was distressed to learn that most were nothing more than glorified insurance or investment sales programs and did little to teach employees how to deal with money. I didn't want to sell insurance or annuities or become some kind of retirement planner. I was looking for material that would allow me to teach employees a variety of basic, easy-to-use money management tools. There are plenty of quality books and programs around to teach people how to invest their extra dollars, but very few resources show employees how to "find" the extra dollars to invest or use to pay off debts. After reviewing the available teaching materials, I selected the "Take Charge" series licensed by the Lifetime Financial Education (LFE) Institute in Springfield, Mo. This curriculum has been used for more than 20 years and is focused on teaching employees how to stretch their paychecks, get out of debt, and start

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meeting some of their short- and long-term financial goals. The format includes 1.5 hour workshops designed for the "lunch and learn" time frame. Plus it didn't involve the sales of any insurance or investment products, and it wasn't a franchise with royalty payments.

MAKING IT HAPPEN

Gaining a Web presence with vital information about my new company seemed like the first order of business, so I created www.LifetimeFinancialLiteracy.com. Developing the website forced me to focus on what I wanted the world to know about my business. Electronic brochures and webcasts have also become standard protocol in outlining the curriculum to target audiences and other interested parties.

The next order of business was to identify my target market and attempt to connect with them in the most effective way. I started by teaching workshops. Through telemarketing, trade shows, networking, and public relations, I'm attempting to raise awareness about employee financial stress as a serious and long-term problem that can be solved.

It has been challenging starting a new business in a relatively new industry to help solve a problem that few employers even recognize as being a serious threat to their profit and to their employees' well-being. When I contacted human resources officers, they acknowledged the problem, but many seemed overwhelmed with other, more pressing issues and were concerned about the budget. Some even suggested that their existing 401(k) plan administrator provided financial literacy education, but it was clear that what was being marketed as "financial literacy" was, at best, "investment information." Some employers thought this type of information was sufficient to help employees overcome their money management stress.

Other employers seemed unconcerned that their employees had money management problems. Some believed it was none of their business, and some vowed that they wouldn't knowingly employ anyone who had money management problems. There are also a large number of employers who believe that since they employ primarily "professionals" who are well paid, there could be no financial stress issues in their workplace. Apparently, engineers, lawyers, accountants, and executives have some innate ability to manage their incomes that others at the more mundane employment levels of an organization don't have. Yet many of these organizations have only 50% participation in their 401(k) plan, and many employees who are participating aren't even contributing to the company match level.

Employers did begin listening, however, when we discussed the cost to them in lost productivity. Government studies indicate that 50% of American employees spend five hours a week of paid time on the job focusing on their personal finances. Other business costs include workplace accidents, workplace violence, employee turnover, increased healthcare costs arising from stress-related illness, increased use of employee assistance programs, and 401(k) contribution limitations on executives. These issues speak volumes to the operations and financial executives of the business who have an incentive to maximize profits and optimize human capital contribution.

WHAT'S AHEAD?

During the past year, I've had the absolute pleasure of conducting about a dozen workshops for small companies in the Atlanta area, and each one has had about 20 participants. The primary workshop has been one called "Managing Your Money." The goal of this workshop is to help employees identify and plug the leaks in their spending, learn how to stretch their paychecks, get out of debt, and find money to put aside for retirement. Many employees report they "find" $3,000 or more from their existing pay that can be redirected to debt reduction and retirement.

My current challenge is balancing and properly prioritizing Financial Literacy Partners with my tax consulting business. Thankfully, the cash flow created by the latter has allowed me the luxury to take my time in building local exposure for the former. (I'm targeting companies with 100 to 2,000 employees that are located in the Atlanta metropolitan area.) No matter what happens, though, I want to make sure that employees receive help in getting rid of their financial stress. ■

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