



United Nations Secretary-General's  
Special Advocate for Inclusive Finance for Development

**UNSGSA**

UNSGSA Working Group on Financial Health

# Financial Service Providers and Financial Health

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# Why Financial Health?

The business case for financial health

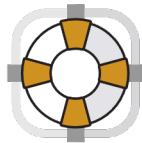
# What is financial health?

Financial health or wellbeing is the extent to which a person or family can smoothly manage their current financial obligations and have confidence in their financial future.\*

## The Four Elements of Financial Health



**Day to day**  
Smooth short-term finances to meet financial obligations and consumption needs



**Resilience**  
Capacity to absorb financial shocks



**Goals**  
On track to reach future goals



**Confidence**  
Feeling secure and in control of finances

\*Note: UNSGSA adopted definition

# Customers care about financial health but need help to achieve it.



## The top four financial concerns:

*Source: PwC 2019 Employee Financial Wellness Survey*

- Not having enough emergency savings for unexpected expenses
- Not being able to retire when I want to
- Not being able to meet monthly expenses
- Not being able to keep up with my debts

“We believe financially healthy people contribute to a healthy economy and help drive social progress.”

**ING**

## Customers who think their financial institution supports their financial health are:

*Source: Financial Health Network 2019 Pulse Survey*

- 3 times more likely to recommend it
- 2 times more likely to continue their relationship
- 5 times more likely to express interest in using more products and services
- More likely to use products and services beyond core checking/savings accounts

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**Adopting financial health as a core business purpose and integrating it into policies, products and operations can have important business benefits:**

- More, happier and more profitable customers-- maximizing customer value
  - Larger deposit balances
  - Lower delinquency and loan loss
  - Customers engage more with banks that support their financial health
  - Attracts and retains customers
- Enhanced brand and reputation
- Competitive differentiation
- More resilient due to resilience of customers
- More engaged and productive workforce
- Fulfills business purpose



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# Becoming a Financial Health-Focused Business

# What does it mean to be a pro-financial health FSP?



## A financial service provider that supports financial health does the following:

- Shifts corporate orientation and adds financial health as a part of vision and definition of success
- Measures customer financial health, disaggregated by segment
- Invests in new products and services that support customer financial health, and upgrades existing products and services (uses behavioral design principles)
- Ensures consumer protections are in place and seeks positive customer outcomes
- Supports the financial health of employees

“...a shift in corporate philosophy -- from being in the financial services business to being in the financial health business -- with the promise of returns for both customers and shareholders.”

***Financial Health Network***



# Measuring the Financial Health of Your Customers



## Companies measuring financial health have experimented with:

- Demand-side surveys -- baseline on financial health status
- Use of a Financial Health Index for regular monitoring
- Connecting survey data with transaction and account status data
- Early warning indicators
- Defining segmentation models
- Customer-facing measurement tools

### **Commonwealth Bank of Australia**

CommBank partnered with the Melbourne Institute to develop and promote the use of two financial health indexes. CommBank shared its (anonymized) customer data with the Institute to enable this.

### **Measuring financial health can help your business:**

- Inform product development and develop strategic partnerships.
- Evaluate the financial health impact of products and programs.
- Engage with customers and deepen business relationships.

*Source: Financial Health Network*

# Products and Services that Promote Financial Health



**FSPs working with financial health have developed products to “help your customers spend wisely, build savings, borrow responsibly and plan for the future.”** *(Financial Health Network)*

- Planning and budgeting tools
- Automatic savings products
- Pro-health product features (e.g. overdraft protections)
- Responsible lending
- Behavioral nudges -- just in time alerts
- Emergency assistance
- Coaching and debt counseling

**Financial institutions that offer digital tools for customers to evaluate their own financial health:**

- NatWest Bank
- Even
- Servus Credit Union
- Commonwealth Bank of Australia
- BBVA
- Many more and the list is growing!

## **Commonwealth Bank of Australia**

In addition to Spend Tracker, a basic budgeting and planning tools, CommBank instituted alerts to customers at critical moments:

- Transaction notifications
- Prospective notice of insufficient funds for recurring expenses

*Source: Financial Health Network*

# One Place to Start: Financial Health of Employees



**Companies have found that supporting the financial health of employees creates a more productive and loyal workforce.**

- 59% of employees in a survey said financial money matters causes them the most stress in their lives -- outranking jobs, relationships, health and other matters. *(Source: PwC)*
- 55% of workers in the UK said that financial pressure distracts them from fulfilling their roles at work.
- Lost productivity and absenteeism due to money stress costs UK employers £10s of billions. *(Source: Neyber)*
- Financial wellness programs are increasingly moving beyond only pensions to address all dimensions of financial health.



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# Case 1: Commonwealth Bank of Australia

A bank embraces customer financial health

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# Commonwealth Bank of Australia (CommBank)

Implementing a Commitment to the Financial Wellbeing of its Customers



**“Improving the financial wellbeing of our customers is at the heart of what we do. It is an integral part of our role in supporting Australia’s economy and is a responsibility we take seriously.”**

CommBank created a team of data, digital and behavioral science experts, led by (then) General Manager of Group Financial Wellbeing Mohamed Khalil, to find ways to improve the financial wellbeing of its customers.

The Group Financial Wellbeing team focused its work on:

- measuring financial wellbeing,
- developing behaviorally informed products and services, and
- accelerating the scale of the resulting solutions.

To unite staff and customers around this work, it devised language known colloquially as the “Days’ Framework,” which clearly defines financial wellbeing around day-to-day, resilience and goals.



Every Day



One Day



Rainy Day

Source: <https://www.commbank.com.au/articles/business/evidence-based-financial-wellbeing.html>

# CommBank: Measuring Financial Wellbeing



Rigorous analysis of customer responses and administrative data to learn about the financial well-being of customers

Through a partnership with the Melbourne Institute of Applied Economic and Social Research, [CommBank created two financial health scales.](#)

## The Reported Scale (customer responses)

1. I can enjoy life because of the way I am managing my money.
2. I could handle a major unexpected expense.
3. I feel on top of my day-to-day finances.
4. I am comfortable with my current levels of spending relative to the funds I have coming in.
5. I am on track to have enough money to provide for my financial needs in the future.

## The Observed Scale (account & transaction data)

1. Experienced payment problems in the last year
2. Days in last year with low liquid balances
3. Months in last year when spending exceeded 80% of inflows
4. Days in last year during which customer had the ability to raise 1 or 6 months expenses from savings or available credit
5. Savings relative to people their own age

[Among the findings:](#) Active management of finances plus good spending and savings habits are more important than education, employment or income in determining financial health.

[During the Covid-19 pandemic,](#) CommBank provided information from its financial wellbeing research to the Australian government to verify the effect its pandemic support policies were having on the ground.

# CommBank: Designing Services to Support Financial Wellbeing

Using behavioral science to devise and test solutions



CommBank partnered with Harvard's Sustainability Transparency and Accountability Research (STAR) Lab and other universities. They developed five of the most used services on CommBank's banking app:

- **Goal Tracker**, a digital experience that drove 20% of non-savers to start saving regularly
- **Benefits Finder**, a service that matches customers against more than 250 government benefits to determine which they may be eligible for. Almost 1 million customers have accessed hundreds of millions of dollars in benefits.
- Additional services include **Spend Tracker, Transaction Notifications, Bill Sense, and Cash Flow View.**

CommBank developed messages to assist customers to navigate finances at key decision moments, from starting a family, to losing a job, to paying for a car and more.

**“Once we had our strongest evidence-based solutions defined, we worked hard to find clever ways to run rapid, but valid, experimentation so as to quickly deliver solutions at scale,” Mohamed Khalil.**



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## Case 2: PayPal

Commitment to employee financial wellness

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# PayPal and Employee Financial Wellness



In 2019, PayPal launched a program for employees with four main elements:

- **Reduced cost of health-care benefits** for entry level and hourly workers by about 60%.
- **Made every worker a PayPal shareholder.** Employees at all levels received stock grants.
- **Increased wages where appropriate** around the world. The company has maintained 100% pay equity among peers for women and men.
- **Financial wellness education and personal finance coaching** for all employees, to help them budget and save.

**“65 percent of our customer-service and entry-level employees reported they were frequently running out of money between paydays...They had to make difficult trade-offs in educating their kids, paying for healthcare, and planning for the long term.**

**Knowing that our employees were struggling in this way was simply unacceptable. So, we decided to take some significant steps to shore up their financial security and health.”**

**Dan Schulman, President and CEO, PayPal**



Learn about the [Worker Financial Health Initiative](#), co-sponsored by PayPal, Just Capital, the Financial Health Network and the Good Jobs Institute [here](#).

# PayPal and Employee Financial Wellness



## Setting a Standard for Employee Financial Wellness: PayPal-defined Estimated Net Disposable Income (NDI)

NDI shows the discretionary income remaining for employees after taxes and typical living expenses are paid. Employee wellness initiatives have so far helped raise the NDI from as low as 4-6% for some U.S.-based hourly and entry-level employees to at least 18%, making significant progress towards its target of at least 20% for all employees globally.

**“We made a significant investment in these programs. But we feel strongly as a leadership team that investing in our employees is the smartest thing that we can do to build value for all of our stakeholders.”**

**Franz Paasche, Chief Corporate Affairs Officer, PayPal**

### Results:

- Fewer employees reporting financial emergencies
- More employees enrolling in health-care benefits and upgrading beyond the basic plans
- More employees putting money into retirement accounts and participating in the company’s Employee Stock Purchase Program
- Increased employee engagement and intent to stay at the company

Source: Condensed from Kevin Delaney, [“A Close Look at PayPal’s Employee Financial Wellness Initiative.”](#) charterworks.com, Jan. 10, 2021



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# Case 3: ING

Information, Innovation and Involvement

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# ING: Information, Innovation and Involvement

*Using insights from its research on why people make financial decisions, ING organizes its financial health work into three groupings: information, innovation and involvement.*

The right information at the right time can help people make better financial decisions.

- **Planning and predicting.** In the Netherlands, the “Kijk vooruit” (“Look ahead”) forecasting tool gives customers an overview of their planned and predicted transactions, giving them greater financial control.
- **Coaching.** The “Digitaal vooruit” (“Digital forward”) initiative in the Netherlands places coaches in pop-up stores.
- **Workshops.** EmpowerCamp in Austria and Romania is a five-week program to help customers understand their financial profile and improve their finances.
- **Videos.** YouTube videos give people financial insights. In Poland, for example, these kinds of videos have had over 100 million views.

**ING Bank promotes financial health as part of its commitment to the UN’s Sustainable Development Goals.**



# Innovation: Financial Health Tools Differentiate ING's Offerings

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- **Automated savings.** In Australia, Everyday Roundup allows customers to round up card purchases to the nearest dollar, then moves the difference to their savings or mortgage account. The 300,000 ING customer accounts using Everyday Roundup saved a total of €46.6 million in 70 million transactions.
- **Digital investment advisors.** My Money Coach in Spain and Coach Epargne in France
- **Subscriptions management.** ING partnered on the development of Minna, an app that helps customers avoid paying for subscriptions they no longer use.
- **Behavioral Nudges.** A feature on ING's banking app prompts customers with little savings to save more. ING tests the effectiveness of such nudges and continually adjusts them.

# Involvement: ING Partners and Participates with Community, Government and Business Organizations

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- **Youth and women programs.** The Youth Perspective Fund in the Netherlands offers an innovative approach to helping people aged 18 to 27 manage their debts, with coaches working with young people to plan and get their finances in order. Social Builder in France provides three months of digital skills training to women with a social project who have been particularly economically affected by the coronavirus crisis. The aim is for them to generate revenue and get to financial independence quickly.
- **Staff involvement.** Hundreds of ING colleagues take part in Global Money Week each year, volunteering in classrooms across the Netherlands, Spain, Czech Republic, Luxembourg, the Philippines and Turkey.
- **Financial counseling.** ING is a founding partner of the Nederlandse Schuldhulproute, a public-private collaboration to prevent and solve problematic debt. In Romania, the program Banometru help adults with financial difficulties with financial planning and counseling.



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# **Annex: About the UNSGSA Financial Health Working Group**

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# About the UNSGSA

United Nations Secretary-General's Special Advocate for Inclusive Finance for Development



## H.M. Queen Máxima of the Netherlands

- As Special Advocate, the UNSGSA is a leading global voice on advancing universal access and responsible usage for affordable, effective and safe financial services.
- The UNSGSA raises awareness, serves as a convener, encourages leaders and supports actions to expand financial inclusion at a global and country level, all in close collaboration with partners from the public and private sector.
- The Office of the UNSGSA, based in New York, supports the Special Advocate's work. It manages the working group on financial health (among many other activities).





## Objectives

- Elevate the standing of financial health as a concept among policymakers and private-sector companies
- Promote measurement of financial health
- Greater clarity and consensus around measurement
- Articulate a pro-financial health policy agenda
- Articulate a research agenda around financial health
- Articulate actions financial service providers can take to support financial health

# Financial Health Working Group Members



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**Hennie Bester**  
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**Sarah Parker**  
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