

## The benefits of financial wellness for educators

There's no one-size-fits-all solution for a financial wellness and benefits package, but employers can help their employees establish a foundation of employee benefits and educational opportunities that can provide sound financial knowledge, improving their financial stability and helping them achieve the long-term financial goals that lead to financial wellness.

When considering financial wellness opportunities for educator employees, it is imperative to consider the unique challenges educators face – in and out of the classroom.

- Financial literacy
- Student loan debt
- Out-of-pocket classroom spending
- Retirement savings gaps

### Financial literacy

Greater financial literacy is linked to higher financial well-being. A 2022 study<sup>1</sup> showed that individuals with low levels of financial literacy tend to be less satisfied with their current financial situation and are:

- 6 times more likely to have difficulty making ends meet
- 3 times more likely to be debt constrained
- 3 times more likely to be unable to cope with a \$2,000 financial shock
- 5 times more likely to lack emergency savings sufficient to cover one month of living expenses
- 4 times more likely to spend 10 hours or more per week dealing with personal finance issues.

Educational workshops focused on financial wellness can help educators understand the financial basics of spending, budgeting and saving wisely, including establishing and maintaining good credit, creating a monthly budget, the importance of saving early and the power of compound earnings. Workshops focused on preparing for retirement can show educators how their state retirement benefits and supplemental retirement plans can work together to help them achieve retirement goals, as well as discuss options for filling any financial gaps that may exist.

Financial literacy educational opportunities for employees can help provide resources needed for them to make informed financial decisions today and better plan for their financial futures so they can stay in the job they love.

### Student loan debt

One of the biggest issues impacting educators outside of the classroom is the potential burden of student loan debt. More than 60% of educators have student loan debt, and that debt weighs heavily on their ability to stay in the profession, with 34% considering leaving the profession due to financial stress.<sup>2</sup>

Although student loan debt plays a major role in employee retention and financial wellness, it may be surprising that 77% of educators haven't heard about loan forgiveness opportunities from their loan servicer, and 80% haven't heard about it from their school district.<sup>2</sup> Without awareness of the forgiveness opportunities available to them, educators may not know what programs they qualify for or how to get started.

In addition to lack of awareness, the U.S. Department of Education shows that 98% of applications for Public Service Loan Forgiveness (PSLF) from November 9, 2020 to April 30, 2021 were rejected – with only two out of every hundred applicants approved.<sup>3</sup>

<sup>1</sup> Lusardi, Annamaria, and Global Financial Literacy Excellence Center. "How financial literacy varies among US adults", 2022

<sup>2</sup> Horace Mann Educators Student Loan Debt Study, June 2020

<sup>3</sup> [forbes.com/sites/adamminsky/2021/06/14/new-data-shows-most-who-apply-to-this-student-loan-forgiveness-program-are-denied](https://forbes.com/sites/adamminsky/2021/06/14/new-data-shows-most-who-apply-to-this-student-loan-forgiveness-program-are-denied)

With limited awareness and high rejection rates, educators may be left feeling hopeless in their struggle with student loan debt – adding to the concern with staying in their profession. By providing awareness, resources and tools to aid educators in making progress toward student loan debt relief, administrators may see an increase in employee retention and morale – a particularly worthwhile goal in the current educational landscape.

### **Out-of-pocket classroom spending**

On average, teachers spend over \$500 of their own money on classroom supplies and materials. Traditional school fundraising activities to cover costs for unmet needs, such as bake sales, raffles, or PTA auctions, can be labor intensive and require students, teachers and parents to devote time and resources to help meet the goals.

To aide in lowering out-of-pocket spending and limit additional fundraising efforts, promoting and providing education for crowdfunding services like DonorsChoose could prove effective in assisting with financial resources educators may need while also simplifying the process involved in obtaining those resources. On average, 82% of projects posted to DonorsChoose are funded.<sup>4</sup>

DonorsChoose is a nonprofit organization that connects teachers in need of classroom resources with donors that want to help. These resources help students both in and out of the classroom. Since 2000, DonorsChoose has enabled the funding of more than 2.25 million classroom projects and has brought in more than \$1.27 billion in resources to public school classrooms.<sup>4</sup>

### **The retirement savings gap**

Many states offer a state teachers retirement pension, but it is important to consider if state pensions will provide enough income to support educators' retirement goals. Depending on the retirement lifestyle

they would like to enjoy, their goals might be to maintain approximately the same income they had while working. However, many state systems only replace about 60% or less of final year educator income.

Establishing employer-provided supplemental retirement savings plans, such as a 403(b) or 457(b), can help make up the difference between employee income before and after retirement, help your employees build a retirement strategy that fits their specific needs and assist them in reaching their retirement goals.

<sup>4</sup> DonorsChoose

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