



Workers' Financial Woes Impact Small Business

*Many Employees Only One Paycheck
Away from a Financial Crisis*



Many Small-Business Employees Are One Life Event Away from a Financial Crisis

Small-business owners think a lot about keeping their teams happy and motivated to serve their customers. When employees are happy, they're more focused on business, which translates into satisfied customers. Everyone wins.

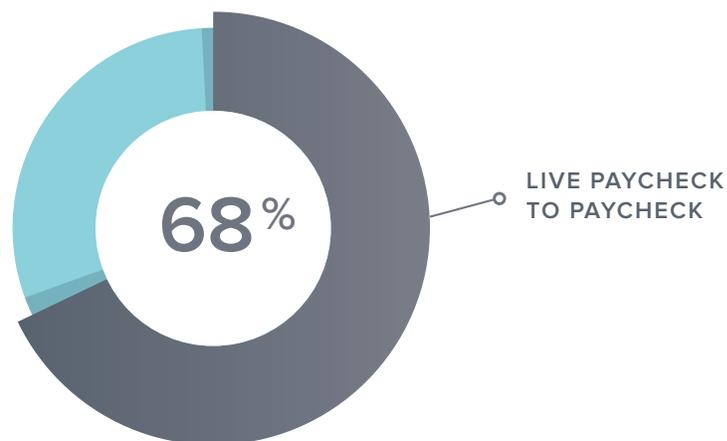
But in far too many businesses across America, something is stopping employees from achieving maximum success at work: a lifestyle of living paycheck to paycheck. And this issue isn't limited to large companies. In fact, research shows it's making just as big an impact on the nation's smaller businesses and their employees.

The majority of small-business workers can't get through a pay period without exhausting their money. As a result, many are living far too close to the edge. This lack of preparedness can sometimes impact small businesses most because of their reliance on smaller teams and their limited HR personnel.

Across the Board, Workers Are Just Scraping By Financially

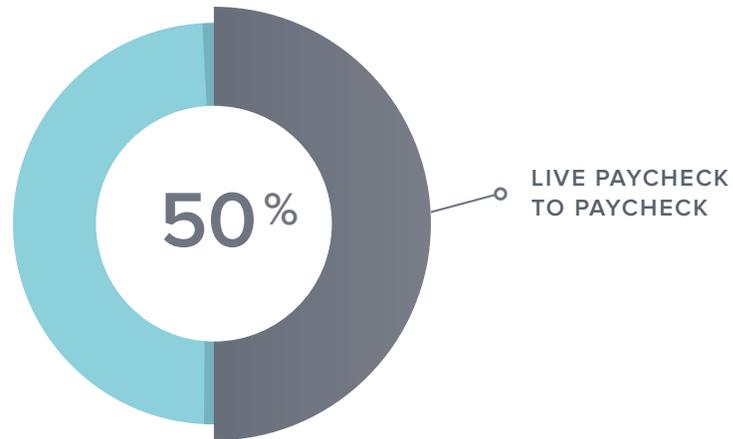
A SmartDollar analysis of financial wellness assessments completed this year revealed a high majority (68%) of people who work at small businesses (defined as companies with fewer than 200 employees) are living paycheck to paycheck.

Small-Business Workers Living Paycheck To Paycheck



Many assume that higher earners have avoided this issue. So it's surprising to realize that half of workers earning \$100,000 or more struggle to make ends meet sometimes, often, or very often.

Small-Business Employees Earning \$100,000 Or More



Small-business employees who are often running out of money don't have a hopeful outlook on debt, while their peers who don't live paycheck to paycheck have strong expectations. Three out of five small-business workers who live paycheck to paycheck also said paying off all of their consumer debt was their most important financial goal. But only 29% report confidence they can do so within the next two years. By contrast, 72% of the group who never live paycheck to paycheck feel confident or very confident they'll be debt-free in the same time period.

Confidence In Paying Off Consumer Debt Within Two Years

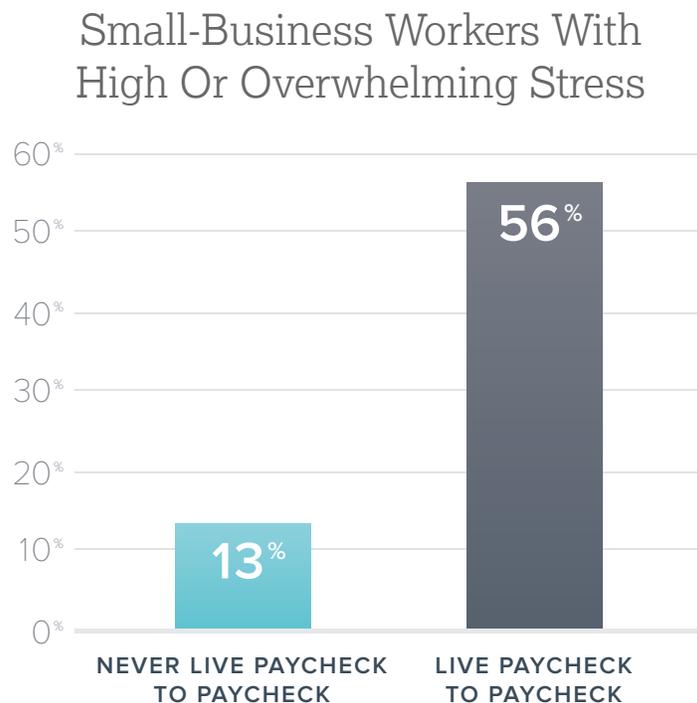


When employees have to spend time and energy staying afloat financially, the stress harms their mental and physical wellness, often leaving them feeling sick and tired. This on-the-edge lifestyle often leads to higher levels of payroll advances and garnishments as well as more distractions at work and higher absenteeism.

“Becoming debt-free is a goal for the majority of workers we talk to,” Brian Hamilton, Ramsey Solutions Vice President of SmartDollar, said. “The trouble is that so many workers have way too much debt to make any headway. Usually they have no plan for how to improve their finances at all. At the same time, small-business owners tell us that their day-to-day business tasks are being interrupted all the time by issues arising from employees’ financial troubles. With so many of their people living paycheck to paycheck, it’s tough for both owners and employees to stay focused on the business at hand.”

Money Struggles Are Stressing Employees and Draining Their Joy

How is this lifestyle impacting small-business employees’ wellbeing? It’s hardly surprising to note that workers who are usually living paycheck to paycheck also feel more stress than their better-prepared peers. Fifty-six percent of workers who reported living this way also said they often feel high stress or overwhelming stress. And when workers are stressed, it means less energy and less focus on the job.



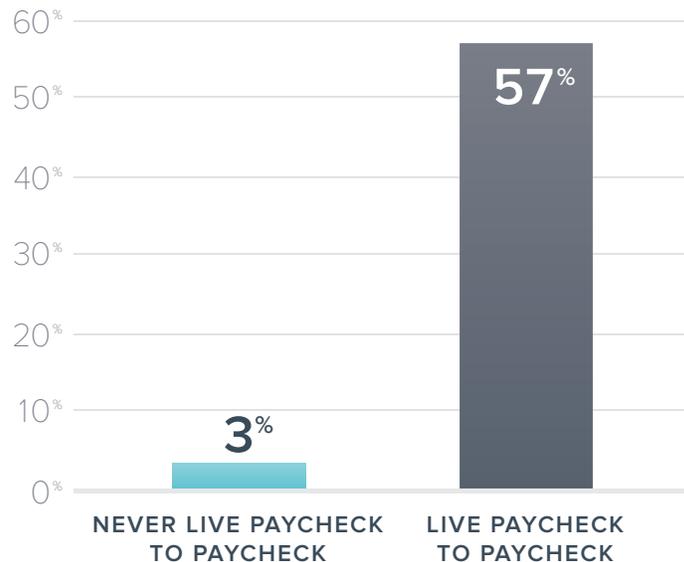
“It’s hard to feel happy and focused at work when you’re living paycheck to paycheck,” Hamilton said. “So often an employee’s whole paycheck has been allocated to bills and debt before it arrives. That’s a really stressful way to live. And when a big life event pops up, as it does from time to time in everyone’s life, these workers are caught unprepared.”

Life's Little Emergencies Increase Debt and Sap Retirement Confidence

Among small-business workers, the reality of living paycheck to paycheck is closely related to another worrisome trend: a widespread lack of emergency funds to cope with life's inevitable financial surprises.

Most employees (57%) who reported living paycheck to paycheck would also have a hard time covering a \$1,000 emergency without borrowing. In fact, they are **19 times more likely** to be unable to do so. But workers who never live this way present an encouraging contrast. Only 3% of those who reported never living paycheck to paycheck would be unable to pay a surprise \$1,000 bill without borrowing.

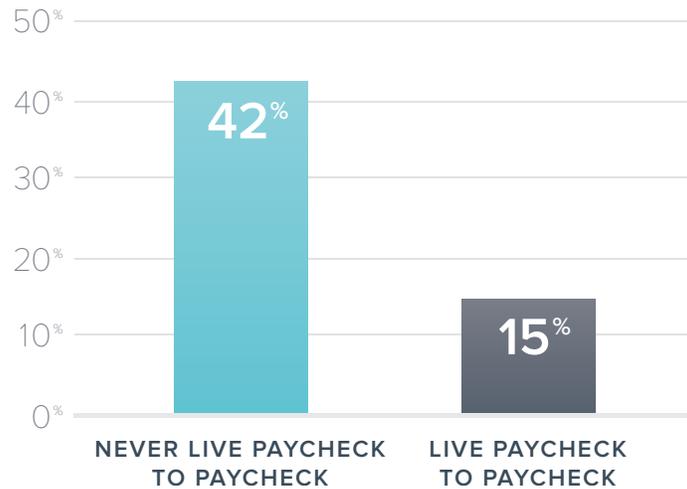
Employees Unable To Cover A \$1,000 Emergency Without Borrowing Money



The combination of often having little or no funds along with high levels of debt has a way of eating up a paycheck fast. This situation often prevents small-business employees from feeling much hope for the future.

Very few employees (15%) who said they live paycheck to paycheck also said they were confident about their ability to retire when they want. On the other hand, nearly three times that number (42%) who never find themselves scraping by reported feeling either confident or very confident about their retirement.

Employees' Confidence About Retiring When They Want



“What kind of impact would it have on your small business if most of your employees shared high confidence about when and how they’ll retire?” Hamilton asked. “That kind of hopefulness strengthens morale across the board. And when workers have enough emergency savings to avoid living paycheck to paycheck, they also experience fewer distractions at work and show up with more focus and energy. Company leaders find themselves in fewer conversations with team members requesting payroll advances or loans against retirement accounts.”

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Debt Robs Many Employees of Hope, but Saving Builds Confidence for the Future

Most employees of small businesses said eliminating consumer debt is a top goal. In that case, why are so many going into and remaining in debt? Once again, the answer appears to be a lifestyle of running out of money on a regular basis and lacking any hope for change.

“Those doubts about the future are not surprising, because workers who are in bad shape financially will be spread thin while juggling debt and emergencies,” Hamilton said.

“The truth is that the debt itself often feels overwhelming to the employees who are in it. Despite having a desire to get out of debt, very few employees who are living paycheck to paycheck also feel confident they will become debt-free any time soon.”

“But the opposite is true of the workers who maintain an emergency fund and have a consistent plan for their money. Nearly three out of four of these employees feel confident or very confident about becoming debt-free over the next two years,” Hamilton said.

Hamilton went on to say those who own or lead small companies care deeply about their teams and sympathize when their employees are struggling financially.

“We often hear from owners and leaders of small businesses about how their people are being squeezed financially and living on the edge,” he continued. “And because of how much owners care, they sometimes feel as if they have to do everything for their team, even if it hurts the company or the employee.”

Hamilton thinks the key to improving financial wellness is addressing underlying problems.

“The key in financial wellness is to treat the actual problems rather than merely dealing with the symptoms. Frequently employers are trying to help their employees. But part of the trouble is how they sometimes wind up enabling these bad behaviors like failing to budget or borrowing to get by. Whether it’s through giving employees advances on salaries or one-time gifts, the effect is that employees are forever putting off the need to take better care of their own finances and break the cycle of debt and emergency living. Too often workers wind up living one event away from a true financial catastrophe. And that’s risky both for employees and the small businesses where they work.”



The Long-Term Solution for the Paycheck-to-Paycheck Lifestyle

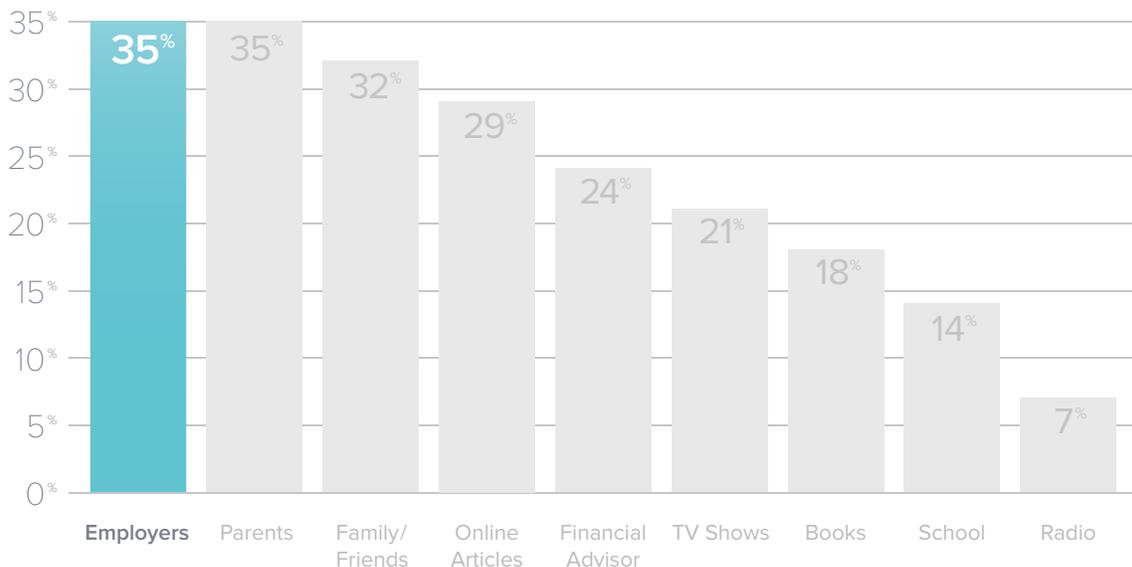
“Fortunately there is a long-term solution that will help the people who work on your team far more than a payroll advance or loan could ever do,” Hamilton said.

“The solution is to give them access to the information and inspiration that can effect true behavior change. Too many workers have never known any lifestyle other than going from paycheck to paycheck, and they desperately need a plan to move forward.”

Hamilton said when small-business owners are seeing the same employees dealing with financial crises on a regular basis, that’s a sign they need more help than they may be willing to admit.

[Previous research](#) also revealed that of all the places employees look for retirement education, their employers were their most likely source. More than a third (35%) of American workers said their employers were their most common source for such information, tied with parents. **And a high majority (87%) of workers said they would be comfortable getting help from their employer in regards to retirement education—a willingness that holds true regardless of age or income level.**

Employers Seen As A Top Source For Retirement Education



A benefit focused on true financial wellness provides your employees with a proven plan to build an emergency fund, pay off and stay out of debt, and invest with hope to face the future.

“Feeling ongoing stress, fear, and doubt about the future is common, but employees in smaller companies all over America are transforming their personal finances,” Hamilton said. “As workers eliminate debt and leave behind the paycheck-to-paycheck lifestyle, employers are seeing drops in payroll advance requests, reduced absenteeism, and higher levels of engagement and productivity.”

Study Abstract

This research study was conducted using data obtained in the SmartDollar user onboarding process. Data was assembled in 2016. For the purposes of this study, small businesses are defined as companies employing fewer than 200 employees.

About SmartDollar

SmartDollar is an online, turnkey financial wellness program that can be utilized within the office, at home, or on the go. Featuring financial experts Dave Ramsey, Chris Hogan, and Rachel Cruze, SmartDollar allows participants to track their progress as they move through the short video lessons and tools, which can be accessed via computer, tablet, or mobile device.

SmartDollar can be used as a financial wellness benefit within individual companies or may be provided by retirement plan advisors, record keepers, and health wellness providers. More than one million employees at thousands of businesses currently have access to SmartDollar.

About Ramsey Solutions

Ramsey Solutions is committed to helping people take control of their money, build wealth, grow their leadership skills, and enhance their lives through personal development. The company's success is defined by the number of people whose lives are changed by a message of hope. Through a variety of mediums, including live events, publishing, syndicated columns, a financial wellness program, and two nationally syndicated radio shows, Ramsey Solutions uses commonsense education to empower people to win at life and money. More than one in three high schools now use the Ramsey Solutions curriculum *Foundations in Personal Finance*, and more than 4.5 million people have attended a *Financial Peace University* class.

The company was started more than 20 years ago by CEO Dave Ramsey, America's trusted voice on money and business. Ramsey Solutions' world-class speakers have brought vision, inspiration, and encouragement to more than a million people. Voted one of the Best Places to Work in Nashville nine times, Ramsey Solutions employs more than 550 team members focused on and dedicated to doing work that matters.



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