

How to Get Started: Other Wealth-Building Programs

How else can I help my employees save for the future and build wealth?

If one of these more traditional retirement arrangements isn't right for you or your business, consider adopting another financial incentive plan that helps your employees increase their earning (and saving) potential while aligning their interests with the best interests of your business:

Align employee and business goals with employee ownership and variable pay programs

In recent years, innovative business owners have [increasingly looked for ways](#) to grow their employees' participation and financial stake in their companies. From offering bonuses based on sales goals to transitioning to a [worker-owned cooperative](#) model or sharing equity through [Employee Stock Ownership Plans](#), companies big and small are finding ways to align employees' interests more closely with those of the business. Cooperative models and stock-sharing plans are not always suitable for the small retailer, except as an exit option (for more detail on this process, see the case study on King Arthur Flour below). Still, there are other steps you can take to boost your staff's buy-in to the financial success of your business—and in the process, help them earn more, save, and build wealth.

Some small businesses elect to use [profit sharing](#) to incentivize productivity and increase employees' earnings. While profit sharing can take different forms, some business owners choose to structure it as a [formal retirement benefit](#). Profit-sharing retirement plans are [designed and regulated](#) much like a 401(k)—and can be offered in addition to a more typical retirement plan like a 401(k)—but can only be funded by the employer with profits from the business. One key advantage with profit-sharing plans is their flexibility: employers get to decide how much and how often to contribute toward staff accounts (though allocations among individual employees must be based on a documented [formula](#)). Business owners can also contribute to employees' accounts one year but not the next, depending on how profitable they are from year to year.

If you like the idea of increasing employee buy-in to the financial health of your company, but are more interested in short-term incentives than long-term savings plans, consider [sharing your profits](#) through cash payouts, or offering [bonuses based on performance](#). Both of these financial incentives are taxed as part of employee income (unlike most retirement contributions), but they offer much greater flexibility to employers. With cash profit sharing, employers reward employee productivity by providing a predetermined cut of company profits in the form of cash, a check, or, in some cases, company stock, usually on an annual basis.

One common downside to this kind of profit sharing, however, is that employees often have little understanding of how their contributions to the company impact its profitability, weakening the link between performance and incentives. With well-designed bonus plans, on the other hand, employers set clear goals and expectations for their employees, and reward those who meet their goals with one or more bonus payments throughout a given year. One essential component of operating a bonus plan successfully is to pair it with [open-book management](#), sharing your financials and strategic goals with your staff so that they understand clearly how their performance adds or detracts from the overall business.

Develop financial wellness program

You can help build the financial stability and capabilities of your employees by developing a Financial Wellness Program. The need for such programs is clear: according to the Federal Reserve, nearly half of all Americans would not be able to come up with \$400 dollars to pay for an emergency without borrowing the money. And according to a 2017 study of financial stress in America, 30 percent of surveyed workers reported that personal finance issues are distracting them at work, contributing to productivity losses, increased absences and healthcare claims, and higher turnover. Offering a Financial Wellness Program has the potential to help employees manage their financial resources better, reduce stress, and improve productivity at work by providing tools to help them budget, save, and make payments on time.

If you're interested in implementing a financial wellness program, talk with your employees about which kinds of services would be most useful to them, and consider the following options:

- Offer [short-term loans](#) or [accrued wage advances](#) for employees in financial straits.
- Suggest [safe credit-building products](#), such as a [credit-builder loan](#).
- Connect your workers to financial counseling and debt management services from providers in your area. Check out the [Workplace Financial Wellness Services Directory](#) from Prosperity Now, an economic security-focused nonprofit, to find services near you.

- Encourage employees to use online and mobile financial management tools like [DoubleNet Pay](#), [Digit](#), and [Qapital](#).
- Direct employees to free financial education programs offered by government agencies, including the [Consumer Financial Protection Bureau](#) and the [Financial Literacy and Education Commission](#).
- Offer employees an [Income Advance Program](#), which helps employees build savings and better cope with financial emergencies.
- Making sure your employees are banked can be a great step to help support your employees' financial stability. If needed, consider inviting a good, local bank to speak to employees and help them set up an account without high fees or minimums. Check out this Ideas42 brief [on Financial Stability for the Workplace](#) for more information.

Offer other benefits

For employers who can't offer retirement benefits or the other wealth-building strategies outlined above, consider reviewing the rest of your employee benefits and workplace practices. If your employees find it difficult to save, you could adopt some of the other workplace improvements outlined in this toolkit, from adopting a formal healthcare plan to implementing more stable schedules. Minimizing your workers' personal expenditures for things such as healthcare, transportation, and childcare not only enables them to put more money into savings, but also fosters engagement, productivity, and retention.