

The Corporate Market for Personal Financial Planning Services Benefits

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Abstract

The corporate market provides a tremendous opportunity for the delivery of personal financial planning services, yet little is known about the workings of this market. This study develops insights into the corporate market for personal financial planning services benefits and explores opportunities for future research into this market. The results provide new insights into the nature and scope of the market for personal financial planning benefits at large corporations. However, there is room for much additional research into this market on both theoretical and empirical levels. © 2003 Academy of Financial Services. All rights reserved.

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1. Introduction

This study begins to develop insights into the corporate market for personal financial planning services benefits and explores opportunities for future research into this market. Though anecdotal evidence suggests that a corporate market for personal financial planning services benefits exists, there has been little research into the current state of the market and its future direction. We survey the chief human resources officers of the Fortune 500 companies to gather data on the characteristics of the corporate market and to begin an

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assessment of the viability of the market. The results, based on a sample of responding Fortune 500 companies, suggest that there is a viable corporate market for personal financial planning services benefits. This market provides considerable opportunity for financial planning professionals and for individuals seeking financial planning services, and provides opportunities to study an alternative delivery mechanism for personal planning services.

Recent trends and developments in the administration of employee benefits have placed increased responsibility on employees to manage their retirement plans. The major shift from defined benefit to defined contribution pension plans has transferred much of the responsibility for asset allocation from employer to employee. In addition, as individuals invest more money in the stock market, employees are investing more of their personal savings in risky assets. The increased responsibility for employees to manage their own retirement accounts, coupled with the temptations of volatile financial markets and cheaper and easier online investing, brings with it a myriad of complex issues and tradeoffs that employees need to assess in order to maximize the potential for achieving their life goals. In response, employers offer employees varying degrees of assistance and training related to retirement planning and investment management and personal financial planning services.

Prior research suggests that employers pay a price for reduced employee productivity caused by stress related to personal financial mistakes. Garman et al. (1996) argue that the costs of reduced employee productivity because of poor personal financial behaviors are substantial. Garman (1999) argues that corporate financial education benefits can reduce employee stress and enhance productivity. He estimates that the potential savings for employers of the nation's 18 million clerical workers is \$440 million per year. These results suggest that corporations can realize tremendous cost savings by providing personal financial education to employees. Garman et al. (1999) find that 91% of employees who participated in employer-sponsored personal financial planning workshops agreed that the education gave them the information that they wanted, and 90% were very satisfied with the education provided. Seventy-five percent of the participants report that they made better financial decisions after attending the workshop and were more confident in making investment decisions. Eighty percent of the employees desired additional workshops. Supervisors' performance ratings of employees were significantly correlated with the employees' financial wellness. Despite the potential benefits to employers, there is little research into the scope and nature of personal financial planning education and benefits provided to employees in the corporate market.

The corporate market involves a different delivery mechanism for personal financial planning services. In traditional models, the delivery of personal financial planning services to individuals flows from the planner directly to the end user (the individual). When planners sell services through a corporate market, they may be selling to the human resources department, which then channels their services to employees. This is a different delivery mechanism, not unlike the market for prescription drugs (marketed by pharmaceutical companies to physicians, who then prescribe to patients) or the market for college textbooks (marketed by publishers to professors, who then select books for students). Black et al. (2002) develop a model of the delivery of personal financial planning benefits to individuals and note the need for further empirical testing. Similarly, more work is needed on both the

theoretical and empirical dimensions of the corporate market, which may represent a group purchase rather than delivery directly to the client as end user.

Black et al. (2002) utilize the framework of modern portfolio theory (MPT) as a theoretical foundation for comprehensive personal financial planning. The MPT framework may be extended to the corporate market. Corporations seeking to maximize shareholder value need to compete in the managerial labor market (Jensen and Ruback, 1983). Corporations seek to offer an optimum portfolio of compensation benefits to attract, retain, and properly motivate managers to maximize shareholder value. Corporate financial planning benefits represent one potential part of the compensation portfolio. More research is needed to better understand this component of the portfolio and how it impacts corporate objectives.

Another issue that arises in the delivery of personal financial planning services and planner selection is that of opportunity and search costs. Sirri and Tufano (1998) discuss the importance of search costs in selecting financial advice. Black et al. (2002) discuss search costs and planner delivery mode, noting that a comprehensive personal financial plan delivery provides clients with economies of scope that lead to reduced information, search, transaction, and monitoring costs. Elmerick et al. (2002) provide empirical support for this hypothesis, finding that families with higher income and education levels (implying higher search costs) are associated with higher likelihood of using a comprehensive personal financial planner. Utilizing the corporate market for the delivery of comprehensive personal financial planning benefits may be impacted by search and opportunity costs. Corporate executives with high levels of wealth and income may benefit from further reductions in search costs provided by corporations screening and selecting providers of comprehensive personal financial planning services. Warschauer (2002) argues that wealthy individuals may have met their financial goals through accumulated wealth, but have more complex financial advisory needs (e.g., estate and investment planning, asset protection), suggesting a need for comprehensive and high-quality personal financial planning services for corporate executives.

The evidence, or lack thereof, to date suggests a need to better understand the motivation for, state of, and potential for the corporate market for personal financial planning services benefits. More research is necessary to provide this information. Warschauer (2002) argues that academics need to evaluate the decisions of practitioners and raise complex issues to encourage the level of practice to improve. To assist with the development of new theory, he calls for the academic community to review how important financial decisions are made in practice. More understanding of the corporate market for personal financial planning is needed and one means for understanding the current state of the market is to gather data on the state of the art from practitioners. We gather information from Fortune 500 companies in five categories related to corporate personal financial planning education and benefits, including: (1) company background; (2) personal financial planning education offered; (3) personal financial planning services offered; (4) the administration of personal financial planning benefits; and (5) the corporate market for personal financial planners.

The remainder of the paper presents our empirical findings and proposes several possibilities for further research into the corporate market for personal financial planning benefits. Section 2 provides a description of the data and methodology. Section 3 summarizes the results. Section 4 summarizes the paper and suggests avenues for future research.

2. Data and methodology

The Fortune 500 companies were selected from the 1999 *Fortune* ranking disseminated in 2000. Addresses were obtained from Standard & Poor's *Research Insight*. The names of the chief human resources officers were obtained from either Standard & Poor's *Research Insight*, *Hoover's Handbook of American Business*, 2000, *The Career Guide*, *Dun and Bradstreet Employment Opportunities Directory*, 2000, *hoovers.com*, or *hrexecutive.com*.

A preliminary survey instrument was developed with questions designed to obtain the desired information from the executives surveyed. Four representatives of the financial planning, corporate, and research communities reviewed a preliminary instrument with questions for the chief human resources officers. Based on the comments received from the reviewers, a final draft of the instrument was prepared. The survey instrument is available from the authors upon request.

To assist in obtaining a better response rate, a letter was sent to the chief human resources officers of the Fortune 500 companies by the Foundation for Financial Planning. The letter described the importance of this research to the financial planning community and asked the executives to take some time to complete the forthcoming survey questionnaire. The survey questionnaire was mailed to the chief human resources executives of the Fortune 500 companies in January 2001. The survey was mailed with a cover letter (guaranteeing strict anonymity), a postage-paid reply envelope, and a form the respondents could use to request a copy of the survey results. Second requests were mailed in April 2001.

3. Results

The results for each of the five areas of interest (background, personal financial planning education offered, personal financial planning services offered, administration of personal financial planning services, and the corporate market for personal financial planners) are presented as follows.

3.1. Background information

Responses were received from 56 companies (11%), with 45 companies (9%) returning completed questionnaires. While low, this response rate is commensurate with those in other surveys of senior executives; see, for example, Trahan and Gitman (1995). Given the low response rate and the possibility of response bias, the results are taken to provide insights into the experience of the sample of responding companies and may not be statistically valid in generalizing to the population of Fortune 500 companies.

Though we do not claim to control for response bias, we do conduct some tests to compare characteristics of the responding firms to those of the population of Fortune 500 firms. The mean and median values of sales and assets are gathered from the *Fortune* report for responding and nonresponding companies. Mean (median) sales in millions of dollars are \$16,849 (\$8,694) and \$12,368 (\$6,717), respectively, for responding and nonresponding companies. Mean (median) assets in millions of dollars are \$29,579 (\$8,336) and \$31,846

(\$9,060), respectively, for responding and nonresponding companies. Tests for statistical significance show that there is no difference in the size of responding companies when compared to nonresponding companies. These results suggest that responding companies are similar to nonresponding companies with respect to the variables measured.

We also examine the organizational level of the respondents. Questionnaires were mailed to the heads of human resources for the Fortune 500 companies. Because the questionnaires may be forwarded upon receipt by the head of human resources to others within the company, each respondent was asked to provide his or her job title. The results show that 20 (45%) of the questionnaires were completed by vice presidents, 10 (22%) by managers, 7 (16%) by directors, and 2 (4%) by other; 6 (13%) left this field blank. The majority of respondents appear to be a relatively homogeneous group of high-level corporate personnel.

Companies were asked to provide information on their number of employees, ranging from 1,000 to more than 100,000. The results show a relatively symmetric distribution around the midpoint values. Responding companies represent the entire range of values of number of employees, suggesting that they are similar to the population with regard to number of employees.

It is possible that there is a response bias in that responding companies may be more likely to offer personal financial planning benefits than nonresponding companies. Anecdotally, we would expect that the majority of Fortune 500 companies would offer some of these benefits, but this is not ascertained and the possibility of response bias exists. Overall, there does appear to be some consistency between responding and nonresponding companies with regard to firm size and number of employees. The executives filling out the survey questionnaires appear to be fairly homogeneous across respondents. But, given the low response rate and the possibility of firms offering benefits being more likely to respond, we take the results to represent only the responding firms and note that they are not necessarily generalizable to the population of Fortune 500 firms. In some areas of the questionnaire only subgroups of companies, often depending on whether or not they offer certain benefits, respond to certain questions, resulting in a responding group that includes less than the 45 responding firms. In these cases, we also compare sales, assets, number of employees, and titles of the person filling in the questionnaire to the population of Fortune 500 firms and find no significant differences.

For further background, companies were also asked to provide information on the types of benefits offered to employees. Several common benefits were listed for check off and space was provided to list other benefits. One hundred percent of the companies provide life, medical, and dental insurance to employees. More than 90% of respondents report providing 401(k) plans, disability income insurance, and reimbursement of educational expenses to employees. A large number of companies (86%) also report providing incentive compensation to employees, consistent with an increasing trend toward pay-for-performance compensation systems, although only 30% report offering traditional profit-sharing plans. Other benefits denoted by a majority (50% or greater) of the responding companies include: pension plans, personal financial planning services, stock purchase programs, financial planning education, and long-term care insurance. Overall, the responding companies report that they offer a wide range of employee benefits.

Overall, responding companies are similar to nonresponding companies in terms of sales,

Table 1
 Personal financial planning education provided by responding companies

Educational benefit	Senior management	Middle-level management	Lower-level management	Clerical and hourly employees
Investing	30 85.7%	20 80.0%	20 80.0%	19 79.2%
Retirement	31 88.6%	23 92.0%	23 92.0%	23 95.8%
Income taxes	23 65.7%	6 24.0%	6 24.0%	5 20.8%
Estate planning	24 68.6%	11 44.0%	115 44.0%	10 41.7%
Insurance	20 57.1%	9 36.0%	9 36.0%	7 29.2%
Comprehensive personal financial plan preparation	18 52.9%	4 16.0%	2 8.0%	3 12.5%
Personal budgeting	16 45.7%	9 36.0%	9 36.0%	8 33.3%
Housing decisions	10 28.6%	4 16.0%	3 12.0%	3 12.5%
Other	2 5.7%	35 12.0%	2 8.0%	2 8.3%

Percents shown are number of companies responding “yes” for each benefit divided by number of companies responding “yes” or “no” within each employee class. These represent the percentage of companies offering a particular education benefit to an employee class relative to the total number of companies offering any financial education benefits to that particular employee class. Of the 45 responding companies, 35 (77.8%) reported providing some personal financial planning education to senior management, 25 (55.6%) to middle-level management, 25 (55.6%) to lower-level management, and 24 (53.3%) to clerical and hourly employees. (Note: For comprehensive personal financial plan preparation under senior management, one company did not check off “yes” or “no” resulting in 34 responses for this item.)

assets, and number of employees. The managers completing the survey questionnaires are largely high-level corporate employees. The companies responding offer a wide variety of benefits to their employees.

3.2. *Personal financial planning education offered by Fortune 500 companies*

We next ask companies to provide information about the types of financial planning education provided to various levels of employees and their history and experience in providing this education. A variety of types of financial planning education are listed, and companies are asked to denote whether or not they offer this education to different levels of employees (senior management, middle-level management, lower-level management (supervisory), and clerical and hourly employees). The results are summarized in Table 1. Of the responding companies, 78% provide some education to senior management, 56% to both middle-level management and lower-level management, and 53% to clerical and hourly employees. Though the percentage of companies providing financial planning education is

highest for senior management, a majority of companies provide some financial planning education for all levels of employees.

We report the number of companies offering each type of financial education benefit (investing, retirement, income taxes, etc.) to each class of employees (senior management, middle-level management, etc.) as well as the percentage of companies that offer each type of education relative to the number of companies that offer any financial planning education to the relevant class of employees. For example, 35 firms provide some financial education to senior management, and out of these 35 firms 30, or 86%, provide investing education to senior management.

Retirement education is the most commonly provided education benefit, with levels exceeding 90% of firms offering education benefits to an employee class, for all employee classes but senior management. A wider range of educational benefits is offered to senior management, with higher percentages offered for all categories of education except retirement education.

Companies were asked to provide other information pertaining to the financial planning education offered to employees. The results are summarized in Table 2. The companies were asked how many years they have provided financial planning education, ranging from less than 1 to more than 10 years. The results show that the majority of companies (74%) have provided these benefits for more than 1 but less than 10 years. Companies were asked who provides the personal financial planning education offered to employees. The results show that the majority of education is provided by outside financial planners and outside advisors. None of the respondents utilized the services of company financial planners. Three companies wrote in other providers, indicating that online services are utilized to provide personal financial planning education benefits. This is consistent with Brown et al. (1990) discussion of the use of expert systems as financial planning tools. Companies' responses indicate that almost all or a majority of employees take advantage of these services. Respondents indicate that generally, personal financial planning education meets employees' needs, with 82% indicating that needs are extremely well to reasonably well met, 18% indicating that needs are not very well met, and no companies responding that needs are poorly met.

Overall, a high percentage of the responding companies provide financial planning education, covering a variety of topics, to employees at all levels. The percentage of companies providing this education is highest for senior management and is comparable at lower percentages for different levels of employees below senior management. The majority of companies have been providing this education for between 1 and 10 years. The education is primarily provided by outside financial planners and outside advisors. Only a slight majority of companies report that almost all or a majority of employees take advantage of the financial education provided, although a high percentage of companies indicate that employees' needs are extremely well to reasonably well met by the education provided.

3.3. Personal financial planning services offered by Fortune 500 companies

A primary objective of this study is to gather information on personal financial planning services offered as employee benefits by Fortune 500 companies, the administration of those services, and the market for them. We asked the companies to provide information on the

Table 2
Personal financial planning education attributes

Financial planning education	Number of companies	Percent
How long has your company provided personal financial planning education?		
Less than one year	4	11.4%
1 to 5 years	16	45.7%
5 to 10 years	10	28.6%
More than 10 years	6	17.1%
Who provides the personal financial planning education offered to employees?		
Outside financial planners	22	61.1%
Outside advisors	21	58.3%
Company employees	6	16.7%
Other	5	13.9%
Company financial planners	0	0.0%
How many employees take advantage of the personal financial planning education that your company offers?		
Almost all	9	27.3%
A majority	11	33.3%
A minority	12	36.4%
Few	1	3.0%
How well does the personal financial planning education meet employee's needs?		
Extremely well	10	30.3%
Reasonably well	17	51.5%
Not very well	6	18.2%
Poorly	0	0.0%

Percents shown are number of companies responding "yes" for each benefit divided by number of companies responding "yes" or "no." Some totals may exceed 100% due to multiple responses. (Note: Not all companies responded to all items.)

types of personal financial planning services provided to various levels of employees and their experience in providing these services. A variety of types of personal financial planning services were listed and companies were asked to denote whether or not they provide these services to different levels of employees (senior management, middle-level management, lower-level management (supervisory), and clerical and hourly employees). The results are summarized in Table 3. Of the responding companies, 67% provide some personal financial planning services to senior management, 27% to middle-level management, and 24% to both lower-level management and clerical and hourly employees. Not surprisingly, the percentages of companies offering these services to each level of employees are less than the percentages of companies providing financial planning education. The majority of companies provide personal financial planning services only to senior management. The most common forms of benefits provided to senior management are comprehensive personal financial plan preparation and retirement planning. The majority of companies providing planning services to senior management also provide these executives with investment advice, insurance planning, income-tax planning, and estate planning. For other levels of employees, the most commonly provided personal financial planning service is retirement planning (exceeds 90%

Table 3
Personal financial planning services offered by responding companies

Personal financial planning benefit	Senior management	Middle-level management	Lower-level management	Clerical and hourly employees
Investment advice	22 73.3%	6 50.0%	6 54.5%	6 54.5%
Insurance planning	18 60.0%	3 25.0%	2 18.2%	2 18.2%
Retirement planning	24 80.0%	11 91.7%	10 90.9%	10 90.9%
Income-tax planning	23 76.7%	4 33.3%	4 36.4%	4 36.4%
Estate planning	22 73.3%	6 50.0%	5 45.5%	4 36.4%
Comprehensive personal financial plan preparation	24 80.0%	4 33.3%	3 27.3%	3 27.3%
Personal budgeting	8 26.7%	2 16.7%	3 27.3%	3 27.3%
Other	0 0.0%	3 25.0%	3 27.3%	3 27.3%

Percents shown are number of companies responding “yes” for each benefit divided by number of companies responding “yes” or “no” within each employee class. These represent the percentage of companies offering a particular financial planning benefit to an employee class relative to the total number of companies offering any financial planning benefits to that particular employee class. Of the 45 responding companies, 30 (66.7%) reported providing some personal financial planning services to senior management, 12 (26.7%) to middle-level management, 11 (24.4%) to lower-level management, and 11 (24.4%) to clerical and hourly employees.

for all employees below senior management). Approximately 50% of these companies also provide these employees with investment advice. Other services are less common for companies providing personal financial planning services to employees below senior management, and the percentages generally drop off moving from middle-level management to clerical and hourly employees.

Companies were asked to provide other information pertaining to the personal financial planning services offered to employees. The key results from responding companies are summarized in Table 4. Companies were asked to check off all reasons why they provide these services. Seventy percent of the companies that provide personal financial planning services do so as part of a comprehensive benefits package, 67% do so to retain key people, 47% to be competitive with similar companies, 40% to keep employees focused on the business, and 33% to recruit exceptional people. These benefits represent a piece of the portfolio of compensation components provided to attract, retain, and motivate corporate executives. The great majority of employees receiving personal financial planning services are between 40 and 60 years old. This is consistent with the findings of Elmerick et al. (2002) that the average financial planning client is between the ages of 45 and 54. Only one company has employees between 30 and 40 years old receiving these services, and no companies have employees under 30 or over 60 years old receiving them. The average annual compensation of employees receiving personal financial planning services ranges from \$25,000 to \$50,000 per year, to greater than \$500,000 per year. The largest percentage is in

Table 4
Personal financial planning services attributes

Financial planning service	Number of companies	Percent
Why does your company provide personal financial planning services?		
Part of a comprehensive benefits package	21	70.0%
To retain key people	20	66.7%
To be competitive with similar companies	14	46.7%
To keep employees focused on the business	12	40.0%
To recruit exceptional people	10	33.3%
Other	5	16.7%
What is the approximate age of employees receiving personal financial planning services?		
20 to 25	0	0.0%
25 to 30	0	0.0%
30 to 40	1	3.7%
40 to 50	15	55.6%
50 to 60	11	40.7%
Over 60	0	0.0%
What is the average annual compensation of employees who receive personal financial planning services?		
\$25,000 to \$50,000	1	3.6%
\$50,001 to \$100,000	4	14.3%
\$100,001 to \$200,000	3	10.7%
\$200,001 to \$400,000	10	35.7%
\$400,001 to \$500,000	3	10.7%
Greater than \$500,000	7	25.0%

Percents shown are number of companies responding "yes" for each benefit divided by number of companies responding "yes" or "no." Some totals may exceed 100% due to multiple responses. (Note: Not all companies responded to all items.)

the \$200,000 to \$400,000 range, and 71% of companies report that employees receiving these services earn more than \$200,000 per year. These represent individuals with high incomes that may benefit most from reduced search costs and higher quality advice obtained through employer-provided benefits.

Companies were asked the factors that determine eligibility for personal financial planning services. The results are summarized in Table 5. Of the 24 companies responding to this question, only one (4%) company checked years of service, whereas 23 (96%) checked employee level. The company checking years of service noted that a minimum of 20 years was required for eligibility. The companies checking employee level generally denoted high levels of employment required for eligibility, for example, executives, officers, directors, vice presidents. Companies were asked how long they have provided personal financial planning services. Responses range from less than 1 year to more than 10 years with few companies responding only 1 year and roughly one third each responding 1 to 5 years, 6 to 10 years, and more than 10 years. Companies were asked if any of the benefits they offer continue after retirement; the majority responded "no." Companies were asked who provides the personal financial planning services. As is the case for providers of financial planning

Table 5
Personal financial planning services attributes

Financial planning service	Number of companies	Percent
What factors determine eligibility for personal financial planning services?		
Employee level	23	95.8%
Years of service	1	4.2%
Both	0	0.0%
How long has your company provided personal financial planning services?		
Less than one year	2	7.1%
1 to 5 years	8	28.6%
6 to 10 years	9	32.1%
More than 10 years	9	32.1%
Do any benefits continue after retirement?		
Yes	11	39.3%
No	17	60.7%
Who provides the personal financial planning services?		
Outside advisors	17	56.7%
Outside financial planners	16	53.3%
Company employees	2	6.7%
Other	1	3.3%
Company financial planners	0	0.0%
How well do the personal financial planning services meet company goals?		
Extremely well	9	31.0%
Reasonably well	20	69.0%
Not very well	0	0.0%
Poorly	0	0.0%

Percents shown are number of companies responding “yes” for each benefit divided by number of companies responding “yes” or “no.” Totals may exceed 100% due to multiple responses. (Note: Not all companies responded to all items.)

education, the majority is provided by outside advisors and/or outside financial planners. Finally, companies were asked how well the personal financial planning services meet company goals. Again, similar to the responses for financial planning education, all respondents indicate that the services meet company goals extremely well or reasonably well.

To summarize, a majority of the responding companies provide some personal financial planning services to senior management, and a minority also provide these benefits to other levels of employees. The most common benefits provided to senior management are comprehensive personal financial plan preparation and retirement planning. Responding companies note that they primarily provide personal financial planning services to retain key people. The great majority of employees receiving these services are between 40 and 60 years old and receive annual compensation between \$200,000 and \$400,000. Employee level is the major factor determining eligibility for personal financial planning services. Most companies do not offer the benefits after retirement. The major providers of personal financial planning services to employees of the Fortune 500 are outside advisors and outside

Table 6
Personal financial planning services administration

Financial planning service	Number of companies	Percent
Does the company pay all financial planning fees?	18	60.0%
Is the fee fixed	26	86.7%
Is the fee an important factor in determining the level of and eligibility for benefits?	9	31.0%
Are the personal financial plans reviewed annually?	17	65.4%
Do employees meet with planners on company time?	25	83.3%
Who chooses the personal financial planner?		
Company	14	46.7%
Employee with no restrictions	10	33.3%
Employee with restrictions	6	20.0%
Other	0	0.0%
How often does the benefit allow the employee to meet with the planner?		
Quarterly	12	40.0%
Semi-annually	0	0.0%
Annually	6	20.0%
Other	12	40.0%

Percents shown are number of companies responding "yes" for each benefit divided by number of companies responding "yes" or "no." Some totals may exceed 100% due to multiple responses. (Note: Not all companies responded to all items.)

financial planners. Those companies offering personal financial planning services feel they clearly meet company goals.

3.4. Administration of personal financial planning services at Fortune 500 companies

To better understand the relationship between Fortune 500 companies and the financial planning community, we asked the companies to provide information on the administration of personal financial planning benefits.

Companies were asked to provide "yes" or "no" answers to a series of questions regarding their administration of personal financial planning benefits. The results are summarized in Table 6. Of the respondents, 60% pay all financial planning fees, which are fixed fees for 87% of the respondents. Thirty-one percent of the respondents indicate that the fee is an important factor in determining the level of and eligibility for benefits. The benefits provide for an annual review of the plans for 65% of the respondents, and 83% allow employees to meet with planners on company time. Respondents report that the company chooses the planner at 47% of companies, employees choose the planner with no restrictions at 33% of companies, and employees choose with restrictions at 20% of the respondents. The majority of companies do retain full or partial control over planner selection, which reduces search costs for executives. Plans are reviewed quarterly for 40% of the respondents, annually for 20%, and at other intervals for 40%, indicating that often employees meet with planners whenever or as needed, often subject to a dollar limit.

Overall, administration of personal financial planning benefits at responding companies

varies. Most companies enter into fixed-fee arrangements with the planners and allow employees to meet with planners on company time. Plans are reviewed quarterly or whenever necessary at 80% of the companies. Most companies retain at least partial control over planner choice.

3.5. *The corporate market for personal financial planners*

To help better understand the corporate market for personal financial planners and identify opportunities in this market, companies were asked to rate, on a five-point semantic differential scale, their degree of disagreement or agreement with several statements related to their demand for personal financial planning services. These issues are categorized into three areas: market and benefit trends, company and employee satisfaction, and criteria for planner selection. The results, in descending mean-rank order for each area, are summarized in Table 7.

Companies were asked to rate their agreement or disagreement regarding growth in the corporate market for planners. There is general agreement that the market for personal financial planners is growing, with a mean score of 3.91 and all respondents rating this statement at three or above. Companies were also asked to provide their degree of disagreement or agreement with statements pertaining to past and expected future trends in benefit levels for personal financial planning services at their companies. The agreement score was 3.28 (47% four or five) that the level of personal financial planning benefits at the company has increased over the past five years. The agreement score was 3.22 (47% four or five) that the level of personal financial planning benefits at the company is likely to increase over the next five years. These results suggest that, on average, companies are neutral regarding an upward trend in the level of recent past or expected future benefit levels for personal financial planning services offered by their companies. There are, however, a high percentage of companies that have seen their benefits increase and that expect benefits to increase in the future.

Companies were asked to rate their levels of satisfaction (from both the company's perspective and the employee's perspective) with financial planning services provided by the company. Respondents are generally satisfied with the personal financial planning services that their companies provide, and feel that their employees are also satisfied with these services. Both of these statements received mean responses of 3.88, with most companies responding at a 3 or higher. Interestingly, although the mean response scores are identical at 3.88, overall the respondents rate the company's satisfaction level higher than their perceived employee satisfaction level (for example, 29% strongly agree that the company is satisfied, whereas 21% strongly agree that employees are satisfied).

Companies were asked to provide their degree of disagreement or agreement with statements pertaining to the importance of a variety of professional designations and other factors relevant to the selection of financial planners. Reputation of the planner was the most important criterion in planner selection, receiving a score of 4.54 and 89% four or five. National affiliation was also an important selection criterion, with a score of 3.66 and 52% four or five.

Looking at professional designations, the CPA and CFP designations received the highest

Table 7
The corporate market for personal financial planners

Statement	Strongly disagree		Neither disagree nor agree		Strongly agree	
	1	2	3	4	5	Mean
Market and benefit trends						
The corporate market for personal financial planners is growing	0 0.0%	0 0.0%	9 27.3%	18 54.5%	6 18.2%	3.91
The benefit level for financial planning services at my company is likely to increase over the next five years	3 9.4%	5 15.6%	9 28.1%	10 31.3%	5 15.6%	3.28
The benefit level for financial planning services at my company is likely to increase over the next five years	3 9.4%	3 9.4%	11 34.4%	14 43.8%	1 3.1%	3.22
Company and employee satisfaction						
My company is satisfied with the personal financial planning services that we provide	0 0.0%	3 8.8%	8 23.5%	13 38.2%	10 29.4%	3.88
Our employees are satisfied with the quality of the financial planning services provided	0 0.0%	1 3.0%	9 27.3%	16 48.5%	7 21.2%	3.88
Criteria for planner selection						
Reputation is an important criterion when selecting a planner	0 0.0%	0 0.0%	3 10.7%	7 25.0%	18 64.3%	4.54
National affiliation is an important criterion when selecting a planner	1 3.4%	2 6.9%	11 37.9%	7 24.1%	8 27.6%	3.66
The CPA designation is an important criterion when selecting a planner	3 10.3%	2 6.9%	10 34.5%	7 24.1%	7 24.1%	3.45
The CFP® designation is an important criterion when selecting a planner	3 10.7%	1 3.6%	12 42.9%	5 17.9%	7 25.0%	3.43
Price is an important criterion for my company when selecting a planner	4 12.5%	2 6.3%	10 31.3%	9 28.1%	7 21.9%	3.41
The CFA® designation is an important criterion when selecting a planner	3 10.3%	2 6.9%	15 51.7%	4 13.8%	5 17.2%	3.21
The CLU designation is an important criterion when selecting a planner	4 13.8%	4 13.8%	11 37.9%	6 20.7%	4 13.8%	3.07
The ChFC designation is an important criterion when selecting a planner	4 14.8%	2 7.4%	15 55.6%	3 11.1%	3 11.1%	2.96
Attorney designation is an important criterion when selecting a planner	4 13.8%	5 17.2%	15 51.7%	5 17.2%	0 0.0%	2.72

Values shown indicate the number of companies responding to each point on the 5-point semantic differential scale. Percentages are the number of responses for a scale point divided by the total number of responses. Mean values are calculated by taking the sum of the product of the percentage for each scale point times the value of the point (1, 2, 3, 4, or 5). (Note: Not all companies responded to all items.)

Table 8
The corporate market for personal financial planners

Financial planning service	Number of companies	Percent
How much does your company spend annually for the typical financial plan?		
\$100 to \$1,000	5	18.5%
\$1,001 to \$2,000	1	3.7%
\$2,001 to \$4,000	4	14.8%
\$4,001 to \$7,500	3	11.1%
\$7,501 to \$10,000	8	29.6%
Greater than \$10,000	6	22.3%
How do you assess the quality of financial planning services?		
Feedback from employees	23	79.3%
Not assessed	6	20.7%
Evaluate complaints	2	6.9%
Other	2	6.9%
Are outside financial planners retained by fee?	15	53.6%
Do the financial planners implement the plans?	11	42.3%
Do employees buy other services through the financial planner?	10	40.0%
Does the price charged by the financial planner reflect a discount from street value?	18	75.0%

Percents shown are number of companies responding “yes” for each benefit divided by number of companies responding “yes” or “no.” Some totals may exceed 100% due to multiple responses. (Note: Not all companies responded to all items.)

agreement scores of 3.45 and 3.43, respectively. The CPA was rated as a four or five by 48% of respondents, whereas the CFP was rated four or five by 43%. Braham (2002) argues that the CFP designation is the most recognized credential for financial planning, but notes that some advisors question whether designees are sufficiently educated. Our results suggest that the CFP designation is only moderately important in the corporate planner selection process and is not rated as more important than the CPA designation. Overall, the importance is only 3.43 out of 5. There appears to be room for improving the recognition of the importance of these designations. Black et al. (2002) argue that consumers will likely turn to credentials as a proxy for quality and trustworthiness, but the corporate market is not reporting strong reliance on these credentials as important for planner selection. Whether or not price is an important determinant in selecting a planner received mixed responses. The average score was 3.41 (just below the CFP designation in mean-rank order), with 16 companies rating the statement one through three, and 16 companies rating it a four or five. The CFA, CLU, ChFC, and Attorney designations received lower scores for agreement regarding their importance in the planner selection decision. The average scores were 3.21 for the CFA (31% four or five), 3.07 for CLU (35% four or five), 2.96 for ChFC (22% four or five), and 2.72 for Attorney (17% four or five).

Companies were asked to provide information on the market for personal financial planners—the cost of personal financial planning benefits, quality assessment of these benefits, and fee structure. The results are summarized in Table 8. Responding companies check off a range representing how much they spend annually for the typical financial plan. Responses range from \$100 to \$1,000 to greater than \$10,000. Though 19% of responding

companies spend \$100 to \$1,000 annually on the typical financial plan, the majority of respondents (78%) spend greater than \$2,000, 52% spend greater than \$7,500, and 22% spend greater than \$10,000. Companies were asked how they assess the quality of personal financial planning services. The majority (79%) rely on feedback from employees, whereas 21% report that they do not assess quality. Other means of quality assessment include periodic satisfaction surveys and meetings with providers. Of the responding companies, 54% report that the outside planners are retained by fee, 42% report that the financial planners implement the plan, 40% report that employees buy other services through the planners, and 75% report that the price charged by the financial planners reflects a discount from street value.

Overall, responding companies indicate that the corporate market for personal financial planning services is growing and report that they and their employees are satisfied with these services. The price of these services is a factor for some companies, but is also not a factor for many other companies. Companies report that they spend substantial amounts annually for personal financial planning benefits, with 52% responding that they pay more than \$7,500 annually for a typical plan. Professional credentials of planners often have an impact on planner selection. The CPA and CFP designations are moderately important criterion to planner selection, whereas the CFA, CLU, ChFC, and Attorney designations are less important. The reputation of the planner and national affiliation are also factors that are considered in planner selection. On average, companies are neutral regarding an upward trend in the level of recent past or expected future benefit levels for personal financial planning services at their company. There are, however, a high percentage of companies that have seen these benefits increase and that expect benefits to increase in the future. The responding companies typically use feedback from employees to assess the quality of personal financial planning services, although several of the responding companies (21%) do not assess quality. The majority of responding companies (75%) report that the prices charged by financial planners reflect a discount from street value.

4. Summary and avenues for future research

As corporations compete for scarce managerial talent and employees face increased responsibility for managing a myriad of complex personal financial decisions, there has been little study of the scope and effectiveness of the personal financial planning services that corporations offer as employee benefits. This article surveys the chief human resources officers of the Fortune 500 companies to provide insights into the nature of personal financial planning benefits offered by these companies, how the benefits are administered, and the nature of the corporate market for personal financial planners. There does appear to be a vibrant corporate market for personal financial planning services. Almost 67% of responding companies provide financial planning benefits to senior managers. Many companies have seen growth in these benefits and project growth in the future. Substantial resources are committed to providing these benefits as part of the compensation portfolio.

These results suggest that there are many opportunities for qualified financial planners in the corporate market for personal financial planning benefit services. The results

should be of interest to individuals seeking personal financial planning services, personal financial planning professionals interested in serving this constituency, and corporations interested in benchmarking their benefits to Fortune 500 companies. The results should also be of interest to researchers interested in the distribution and delivery of personal financial planning benefits. We have provided new insights into the nature and scope of the market for personal financial planning benefits at large corporations. However, there is room for much additional research into this market on both theoretical and empirical levels. We will briefly discuss some issues and questions that pose avenues for interesting future research.

Other constituents and methods can be utilized to gain a better understanding of the corporate benefits market and its effectiveness as a delivery mechanism for financial planning advice. The response rates to surveys of executives of large corporations are typically low. Field research methods that provide more in-depth analysis for a sample of companies may yield interesting new insights. Greater understanding may be achieved by surveying medium and smaller companies. In this study, we obtain data from the corporate purchasers of financial planning services. Additional insights may be obtained by gathering data from other constituents, namely the executives receiving the benefits and the planners providing them. More information on product design and pricing issues and strategies for developing products is needed.

The optimal benefit structure could be studied to better understand the economics of offering personal financial planning benefits to corporations and their shareholders and how these benefits fit into the overall compensation portfolio. This may lead to a better theoretical foundation for the corporate market for personal financial planning benefits that would make the market better understood by both corporations purchasing the services and planners providing the services. The MPT foundation developed by Black et al. (2002) may be extended to the corporate market.

Other interesting research questions may grow out of this research. For example, what prompts the selection and changes in planners by corporations? What is the role of in-house financial advisors? Do different types of planners, for example, specialists versus comprehensive, or planners with different professional designations, provide different types of benefits? Why don't corporations place a high degree of reliance on widely recognized professional credentials, for example, the CFP in addressing information asymmetry between the planner and client? Do companies distinguish between investment advice required by ERISA and 401(k) regulations and other voluntary financial planning advice, for example, use of debt by employees, evaluating diversification between retirement and personal portfolios, and adequacy of insurance coverage and liquidity? And finally, why do some companies provide these benefits and others do not?

As these research questions and others are developed and refined, it may be more efficient to develop ideas in conjunction with further input from various practitioner constituencies as opposed to development in an academic vacuum. Warschauer (2002) argues that the academy and the profession should foster panel discussions that would lay the groundwork for publishable decision models. This represents but one means for gathering practitioner input about this market.

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