Employers can assist employees to break poor financial habits

By Zeldeen Müller

5 Oct 2015

Employers and retirement funds can go a long way in assisting employees to break the poor financial habits created since childhood.

Our habits are formed when the brain links an action to a specific reward often enough for this action to become routine. Your financial habits are often those you learned from your parents, before you were old enough to know if they were wise. Sometimes, a child has to forgo instant gratification in order to achieve a long-awaited objective.

Zeldeen Müller

If, as a child, you never had to save up your pocket money so that you could buy something really great, you would never have learned the rewards that come with delayed gratification. Numerous studies have shown that children who do learn this lesson grow up to be more successful, more responsible, and generally better at making long-term decisions.

Real issue

At induction, employers provide a lot of information to employees on saving enough for retirement. However, the issue is not the initial decision to save more for the future, but the financial habits that have been created over many years, which will either support or thwart that decision. Habits are very difficult to break, as they become automatic and self-affirming.

Employees can be persuaded to save more, but if they have poor financial habits, they might be so indebted in five years' time that they will be forced to cash in all their retirement savings just to keep their heads above water. And so the cycle continues, where savings are redirected to cover living expenses or clear debt.

The Finscope South Africa 2014 Survey revealed that 4.9 million South Africans are showing signs of over-indebtedness, an increase from 4.7 million in 2013. 1.9 million have applied to have their debt rescheduled, while 2.2 million have considered cancelling insurance and investment policies in order to pay back borrowed money.

Financial security

Creating financial security requires a change to people's attitudes about money and finances. As is the case with physical wellness, you first have to believe that what you put into your body matters, before you will consider changing your diet. But actually changing your diet is an entirely different matter.

This is clear when we look at those who kick the smoking habit: stopping smoking is not the most difficult challenge - staying stopped is. Knowing what is right does not always lead to doing the right thing.

As employers, we need to slowly but surely change our employees' attitudes towards savings and debt management. Reminders need to be very regular and very consistent, and basic financial literacy should form the cornerstone of all employee financial wellness initiatives. If employees cannot comprehend the massive positive impact that sacrificing lifestyle will have on their future, the battle is going to be a long and hard one.

But if we get it right (and we can), they will pass the lessons on to their children, and a much healthier cycle will begin.

ABOUT THE AUTHOR

Zeldeen Müller is CEO and Founder of [[http://www.insiteeducation.co.za/ inSite Innovative Education Solutions (Pty) Ltd]]