



## **April 18, 2019 Podcast Transcript**

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**Phoebe Richards:** I'm Phoebe Richards and today we're going to explore the financial wellness aspect of HII's benefits and wellness strategy. Last spring I talked to HII's Chief Human Resources Officer Bill Ermatinger about the company's wellness strategy, so if you haven't listened to that episode yet I recommend going back and listening to it.

Here to talk about financial wellness today is Karen Velkey, HII's Corporate Vice President of Benefits and Compensation. Karen, welcome to Talking Points thanks for joining.

**Karen Velkey:** Thanks for inviting me, Phoebe.

**Phoebe Richards:** So your team is responsible for HII's benefits and wellness programs and they've expanded over the years. So to start, can you tell us a little about the evolution of the company's wellness strategy and how financial wellness fits in?

**Karen Velkey:** Sure. Several years ago, we started with physical wellbeing as one of our main strategies. As we broke off from Northrop Grumman, as we spun off in 2011, we changed some of our benefits designs programs to things that would better suit us as a standalone company. Then we started to really build out this physical wellbeing programs.

One of the most notable things that people probably notice are the Family Health Centers at both of our shipbuilding divisions, here in Newport News and at Ingalls Shipbuilding. But we made a lot of other changes too. We improved our pharmacy programs, as well as adding on some other programs that we really thought that were beneficial to people. So you look around now and you'll see things like onsite dental and vision centers, as well as some enhanced programs within our medical plans.

But we also knew that we wanted our wellbeing strategy to be more all-encompassing. So we also looked at financial wellness, as well as mental wellbeing. We always say, "Healthy body, healthy wallet, healthy mind," because those things just go hand-in-hand with all families. You know we always segment those when we think about them, but that's not the way that works in everyday life, you really can't separate those three things.

So we started to look across all of our retirement programs and we especially think about families, employees who don't have a pension plan, who don't have a traditional pension plan. Anyone hired into this company after 2008 really relies on their 401(k) plan and their retirement account contributions from the company as their main source for retirement income.

So when we started to look at that what we realized is those employees may not be as well suited or prepared for retirement as we would like. And as a company we had over twice as many loans and hardship withdrawals as other companies in our industry. So that was really a concern for us and really kind of a catalyst for how we wanted to setup our financial wellbeing plans.

**Phoebe Richards:** So as you've mentioned you know a lot of companies offer retirement plans but then that's it. HII, however, has expanded our financial wellness offerings to go beyond just retirement. So can you talk a little bit about the thought process behind that decision?

**Karen Velkey:** Yes. Like I said, when we did our research and we started looking at what we wanted to do -- you're right -- a lot of companies have financial wellness programs or financial wellbeing programs and what those really focus on are how to get employees to increase their contributions to their retirement savings plan and that's a great thing. Encouraging people to save more for their retirement is exactly what we want to do.

But when we started to look at our population and we saw that people have increased loans and increased hardship withdrawals over other companies that really got us to thinking.

Personally, I think that companies in the industry in general, we kind of created this problem for ourselves, right? Thirty years ago companies would say to employees, "You know, if you need to take a loan take it against your 401(k), it's your own money." But what that doesn't tell people is every time you take that money out you're not earning interest for yourself, you're not saving for your retirement. That money in your 401(k) account is now a smaller pot of money to do what it is supposed to do, to help you live better later on. So we have to kind of get people out of that mindset.

Then when you think about the fact that you have to have a documented hardship to take a withdrawal out of most plans or you have to meet an age requirement, that means that we have a set of our population, especially if we have more hardship withdrawals than most, that are having trouble making ends meet.

So it's pretty disingenuous for a bunch of corporate folks like myself to go tell people, "Put more money in your retirement account," when they may be really having trouble making a budget or getting out of a bad credit situation. So we realized that really very much like our physical wellbeing plans our financial wellbeing plans had to meet needs. We have to meet people wherever they are right now on their financial journey. We have to start at the very beginning and say, "We can help you make a budget." "We can help you learn how to manage your finances better. And sure down the road we can help you make a really good plan for your retirement."

**Phoebe Richards:** So you talk a little bit about this all-encompassing financial wellbeing strategy. Can you share with our listeners a little bit about the actual programs that are available?

**Karen Velkey:** I would love too, because I like this program.

**Phoebe Richards:** Yeah.

**Karen Velkey:** So one of the very first ones, especially for people that are more what I would call "beginners" or who want help with specific areas, is called "SmartPath." SmartPath comes in person to our two shipbuilding divisions every month and does seminars on a wide variety of topics. But they're typically targeted, and they also do webinars now starting this year for our Technical Solutions division,

so that's very exciting, they are on a wide variety of topics. The SmartPath for April is going to be on retirement planning.

Then they do individual coaching sessions that you can do over the phone. So they're on what SmartPath calls "Care Plans." So it can be on anything basically that you need in your life, from they call it "Budget Boot Camp," which I think is great, to how to financially prepare if you're having a baby, if you're sending your child off to college, if you want to buy a new house and maybe you don't know if you're ready to be a homeowner yet. They can really walk you through that decision-making process and see if you're financially ready. So those are really good programs.

In addition to that, we have a full suite of financial planning tools for our salaried employees that are on our Huntington Ingalls Savings Plan. You can access those through UPoint. They start kind of from the beginning as well. They're really good financial planning tools to help you with what I would call "midrange finances," so how you kind of do your financial planning. You can look across credit cards and debt that you have, how you're saving your money and how you're spending money and your retirement accounts.

So the really nice thing about the retirement accounts there's two options for this. One is called "Online Advice." You can look online at all of your retirement accounts, you can include your spouse's accounts into the analysis if you want too. And you can get advice online or by talking to someone on the phone about how you should invest your retirement money, you're portion of your retirement account, your 401(k). They will give you advice on how you should do that. You have to make the changes. So if you decide you want to make a change, you need to do that and then you follow-up periodically maybe once a year, once every two or three years to make those changes in the investments.

It's absolutely free. It costs you nothing to do that. And it's a really good way to make sure that the way you're investing your money is in line with what you're future goals are.

The second option is for people who maybe feel a lot of stress around finances and just don't want to do that for themselves or they just don't feel like they have the financial expertise to do that. In that situation the first steps are exactly the same as Online Advice, but once you get that advice for how you want to spend, how you should allocate your investments then a financial advisor from Alight makes those changes for you and they constantly update those changes as the market changes.

There is a fee for that but it's really competitive as compared to if you went out into the marketplace and hired a financial planner. The one thing that's really exciting about both of those tools, the online tools, is that both online advice and professional management will be available to Newport News steelworkers later this year.

**Phoebe Richards:** All right so have we seen any outcomes from some of these programs so far?

**Karen Velkey:** We have. I'm actually really proud of the success of our financial wellness programs. We always said that one of our goals for the program would be a reduction in loans, so we have seen that and I'm really proud of that.

We have had nearly 13,000 people access our online portal in 2018 and our loan utilization has dropped 7.5 percent in 2017. So that's really exciting to me. That says to me that people are moving forward and

don't need to take those loans as much. There could be a lot of reasons for that, but I think that's one of the reasons for that.

Our in-service withdrawals which are also typically like I said before a sign of hardships has also dropped 2.3 percent, so we're very happy that.

In addition to that, I think one of our other signs of success is what our participation numbers are in both of our plans. They have been good in the past, but they're much, they are improving. Participation in our Huntington Ingalls Savings Plan is at 88 percent, which is very, very good. Participation in our steelworkers plan here at Newport News has approached, is over 80 percent now actually, which is really much higher than it's been in several years.

And we've also recently done some work with our Ingalls metal trades plan and they're numbers are continuing to increase as well. So we're very happy to see that. It's just really a sign of people taking control of their finances.

**Phoebe Richards:** So we talked a little bit about this, but Bill Ermatinger talks about wellness in those three blocks that you mentioned, healthy body, healthy wallet, healthy mind. Obviously, today we're talking about the healthy wallet portion, but do you see overlap in the programs and the needs that they meet in terms of those blocks?

**Karen Velkey:** I do. I think there's definitely overlaps in those areas. One of the things is we started to study particularly for our financial wellness and what our program would be, we found is that there is a lot of overlap in those two kinds of stress if that's the right word. So a lot of physical illnesses can lead to financial stress and vice versa. I mean you think about if you have a lot of medical bills it makes you financially stressed and the financial stress can lead to illness.

Research would even show us that people who have high levels of financial stress are more likely to suffer from really specific illnesses like anxiety, stomach ulcers, depression, and even heart attacks. Those are things that really weigh on your life. So like I said before, when we think about things in three different buckets programmatically, for my team they're not really very separate in our personal lives.

That's why one of the main goals of our wellbeing program really in all, across all of our wellbeing programs, is really just to help people gain a sense of control over their lives. Things are always going to happen that you can't predict both in your physical wellbeing and in your financial wellbeing, but we want to help people have the tools that they need to control what they can control and take you know good steps towards being able to manage that.

I think about even in physical wellness, everybody kind of has a bump in the road, but you can make that more manageable. Sure, you're going to have a diet and exercise plan and eventually you're going to slip up and have that big piece of cake or in your financial plan you're going to slip up and spend a little bit too much money once month, but you're going to have a plan and that's your normal that you can move back to and have that really nice sense of control.

**Phoebe Richards:** One more question, and it's related to what we were just talking about. Some people may feel overwhelmed by their financial situations and don't know where to start, they don't have a plan. So what's your advice to those folks who may end up pushing the problem down the road because they don't feel like they have a plan?

**Karen Velkey:** Don't do it, don't wait. As soon as you finish listening to this podcast, you should finish listening first, then go call a financial coach that's the first thing you should do. Check on your 401(k), up your contributions.

**Phoebe Richards:** A SmartPath coach?

**Karen Velkey:** Yes call a Smart Path coach, up your 401(k) contribution, whatever step you're at you should definitely do that. But listen to the podcast first, right, that's the very first thing you should do. [Chuckles]

When I think back about my personal life, I didn't have great role models when it came to finances. I didn't come from a family that saved. So my husband really was my first financial coach. He was really insistent, even when we were grad students, that we put a percentage of our money away to save. So I really sometimes felt like we were the only college students putting away money in our 401(k) plans.

But we had a very strict budget out of necessity. We had no safety net. We didn't have a rich uncle. So there was nothing to fall back on, so we had to be really strict. For example our budget allowed for \$50.00 every two weeks for groceries. So now you know two things about me. You know that money was really tight and I'm really old, because \$50.00 would really buy two weeks' worth of groceries!

But to keep ourselves accountable, we paid in cash. We went to the grocery store with our cash in an envelope and we put the money in the calculator. We put how much we spent in the calculator. At the end, when we got to \$50.00 we were done, we were done shopping. I even weighed the apples, big apples went back, little apples went in the cart and that's how we did that.

And that might sound a little bit crazy, but we had control over our financial situation. We knew that we weren't going to go over budget, that we knew how much money we had to spend and we were planning for our future even when we were 22 years old that we were doing that.

I think that's really what financial piece of mind has to do with it. It's for your situation. And the Consumer Financial Protection Bureau, which they have a really good website by the way, says that financial wellbeing doesn't really have anything to do with a set amount of money. They say it's really about having control over your day-to-day, month-to-month finances, having the capacity to absorb a financial shock, being on track to meet your long-term financial goals, and having the financial freedom to make the choices that allow you to enjoy life.

So I think a lot of times people think you have to have money before you can start to save money, but that's kind of like saying you have to be in shape before you can start to exercise. There's no time like the present and it's really all about having that sense of control over your own life.

[Music]

**Phoebe Richards:** Right. Thanks Karen. Well thank you for sharing on financial wellness today.

**Karen Velkey:** Thanks for inviting me.

**Recorded Voice:** Thanks for listening to HII Talking Points. This podcast was produced by Huntington Ingalls Industries Corporate Communications Team. We welcome your feedback and ideas for future podcasts at [www.huntingtoningalls.com/podcast](http://www.huntingtoningalls.com/podcast).

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