



Wealth Building at Work

How Canary's Emergency
Relief Fund Helps Workers
Maintain Assets and Avoid Debt

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ABOUT THE ASPEN INSTITUTE FINANCIAL SECURITY PROGRAM

The Aspen Institute Financial Security Program's (Aspen FSP) mission is to illuminate and solve the most critical financial challenges facing American households and to make financial security for all a top national priority. We aim for nothing less than a more inclusive economy with reduced wealth inequality and shared prosperity. We believe that transformational change requires innovation, trust, leadership, and entrepreneurial thinking. Aspen FSP galvanizes a diverse set of leaders across the public, private, and nonprofit sectors to solve the most critical financial challenges. We do this through deep, deliberate private and public dialogues and by elevating evidence-based research and solutions that will strengthen the financial health and security of financially vulnerable Americans. To learn more, visit **AspenFSP.org**, join our mailing list at **<http://bit.ly/fspnewsletter>**, and follow **The Aspen Institute Financial Security Program** on LinkedIn.

Introduction

The majority of U.S. households are vulnerable to hardship when they experience financial shocks: 51 percent have expenses that are equal to or greater than their income, and 55 percent lack the necessary savings to weather a simultaneous drop in income and spike in expenses.¹ On average, households experience an income dip every nine months and an expense spike every four months, and they need cash buffers equivalent to nearly three weeks of their typical income to cover those fluctuations.² Without such savings, they must turn to higher-cost sources of liquidity, such as debt; cut spending; leave other bills unpaid; or even forego necessities.

Workers' limited savings and exposure to financial shocks also erodes the effectiveness of their employers' workplace wealth-building tools, a key component of total compensation. Increasing numbers of employers have added liquidity solutions to their benefits packages to maximize the value of wealth-building benefits.³ Some retirement account features, such as savings pockets within retirement accounts, help overcome liquidity barriers that prevent workers from participating in those plans. Others, such as allowing employees to take loans from their retirement accounts, help limit costly pre-retirement withdrawals.

The Aspen Institute Financial Security Program (Aspen FSP) is exploring how additional liquidity solutions can help workers solve today's problems, be resilient to financial shocks, save, and successfully build long-term wealth. In addition to good pay, traditional benefits, and access to financial advice, employers can offer liquidity solutions like emergency savings accounts, loans, and hardship funds. Employee emergency hardship funds are notable because they are almost always distributed in the form of grants to eligible applicants.⁴

We partnered with Canary, a provider of employee emergency relief funds, to explore how workers used this workplace offering. We conducted six in-depth interviews with employees of a firm that offers Canary's emergency relief fund, called the Grant Circle, to learn about their experiences accessing emergency funds. Our goal was to understand how they thought about, understood, and leveraged this offering when faced with financial emergencies, as well as how it impacted their financial security and experiences at work.

The employees we interviewed used the emergency relief fund for different reasons but shared similar financial realities. Liquidity was a constant challenge; as one interviewee told us, "It is always bills whether it is rent or any of our utilities, groceries ... My fiancé and I get paid on the same schedule. When we get our paychecks, it is gone within a four-day period. I have a loan out right now that I make monthly payments on."

Already under financial pressure, interviewees lacked the ability to cover major, unexpected expenses or to cope with simultaneous income dips and expense spikes. For some, major life events like purchasing a home, having a child, and losing a loved one either drained their liquidity—leaving them without savings to cope with financial shocks—or directly triggered their need for financial relief. Others accessed the program to help cover car repairs, medical expenses, and overdue bills. This brief shares key insights from those interviews.

How does Canary's emergency relief fund work?

A firm's emergency relief fund is an offering that eligible employees can access if and when they need it. The firm, and sometimes its employees, contribute to a pool of funds that colleagues can draw from to cope with financial shocks in order to prevent greater hardship.⁵ Employers that make Canary's Grant Circle offering available to employees place a maximum limit on how much employees can receive from through a single application and over time. Workers we interviewed could access up to \$750 per year.

Typically, employees apply for an emergency grant after experiencing an unexpected and unavoidable financial shock that causes a crisis in their life. The charitable grant enables them to handle the emergency with less stress, fear, and potential negative consequences such as eviction or losing the family car. To apply, workers complete a simple, eight-step application on their computers or phones. They select the type of financial shock they need help to pay for (e.g. natural disaster, medical expense, unpaid leave, etc.) and can provide additional information in their own words. Applications are reviewed by Canary grant specialists within 48 hours, if not sooner.

When applications are approved, employees receive funds within another 48 hours. In some cases, applicants may be asked to provide additional expense documentation, like an invoice, quote, or estimate. One interviewee, facing an urgent situation, chose to pay up front and submit a record of their purchase for reimbursement. As they explained: "They wanted a copy of the purchase amount so we had to use some of our house mortgage money to pay upfront ... I had to get the process going [to receive the emergency grant]." Once they submitted the documentation, they received reimbursement quickly and did not have to worry about missing funds for their mortgage payment.

In some cases, employees can receive funds in advance of upcoming events. For example, one interviewee applied for funds while pregnant that would help cover the gap between their typical pay and what they would receive on short-term disability while recovering from childbirth. They were asked to provide a letter from their doctor stating their due date as well as share their disability claim form and pay stubs. Their application was approved and money delivered. The difference between their typical pay and short-term disability coverage was greater than the maximum Grant Circle payment, so they received \$750.

Canary's emergency relief fund was a crucial source of stability for employees and improved their financial well-being.

Interviewees reported that having access to emergency grants helped them maintain savings, avoid debt, or encouraged them to take measures to avoid needing to borrow in the future. Two people reported the option to take loans from their retirement accounts but decided not to touch those funds because they had previously borrowed against their retirement.

One person told us, "It means a lot that I can use the money that I would normally take from savings or a credit card that accumulates interest. I don't have to pay to borrow money." When asked whether they have taken a payday loan out to help cover expenses, one person said they've taken out "plenty" and another reported having a short-term loan currently.

Access to this employee relief fund also improved subjective aspects of the employees' well-being, such as feeling prepared for the unexpected and supporting their mental health: "The Grant Circle was an eye opener. I told myself, 'Okay, don't get any more loans on your 401(k), make sure you have something available to fall back on.' The Grant Circle opened my eyes to save more. It put me in a bad spot mentally to have to ask for help because most times people come to me for help."

Emergency relief funds can have the greatest impact when paired with complementary financial tools.

One person described Canary's emergency relief fund as one "part of our toolkit in the event of emergency situations." All six interviewees said that the program helped them weather financial shocks and protect their existing assets, but their perspectives suggest that the offering may work best in combination with other liquidity tools. Some experienced emergencies that cost more than the \$750 limit. One person successfully used the emergency relief fund only to experience an additional emergency expense within a few months, and their application for additional funding was denied because they had already met the available limit.

Another interviewee said that Canary Grant Circle and retirement savings "are both there as emergency funds. I'm 30, so I won't need that [retirement] money for a while. That's my money and I can pull from it." They and other interviewees identified additional benefits offered by their employer, including short-term disability and loans from their retirement accounts, as parts of their toolkit.

Low- and moderate-income employees viewed their retirement accounts as part of their emergency toolkit as well as a long-term investment.

Five out of six interviewees participated in their employer-sponsored retirement plan. The plan allows employees to take loans, and all five had taken loans against their retirement savings (a majority did so before accessing the emergency relief fund). They used the loans to cover funeral expenses, medical expenses for family members, car payments, and other financial shocks. Explaining their choice to apply for the grant, one said, “I considered my retirement, but I already had one loan and that would leave me really short of my paycheck, plus I needed the money immediately.”

Several interviewees described themselves as bad at saving money, yet also described consistent efforts to contribute to their retirement account. One said, “I’ve always relied upon my 401(k). I don’t like to go to loan companies and pay high interest rates, a payment that is too expensive. I lean heavily on my 401(k) and that’s why I like to put money towards that.”

This sentiment aligns with previous FSP research that suggests that the traditional savings model—a savings balance that consistently grows—is not reflective of the dynamic savings behavior of many LMI households which can be described as a process of building, using, and replenishing savings.⁶ Their behavior—putting money into their retirement accounts with each paycheck, taking loans from those accounts rather than withdrawing funds, and using emergency relief funds—demonstrates success at saving even as their financial circumstances made it difficult for their savings to accumulate. It also illustrates the importance of having access to the right set of tools.

Insight 4

Receiving emergency grants helped employees set goals focused on building savings and increasing self-reliance.

Most interviewees stated they would turn to the emergency relief fund again in the event of another financial shock, but also said that receiving the grant sparked their desire to build their personal resources. “[Using the Grant Circle] encouraged me to save for a rainy day,” one person said. They deeply valued the support that the program provided, especially when they had already tapped all other available resources, but also felt a strong desire to be able to weather financial shocks independently. Another interviewee told us, “Now that I had something so sudden happen to me, I told myself, ‘You need to start planning better going forward.’” This response reflects Canary’s founding in behavioral economics principles, in that recipients felt empowered by their experience.⁷

Another common theme was the desire to help sustain the Grant Circle for others. As one participant said, “My first go-to will always be my retirement because I feel like that is my money, and I don’t want to take money from people who might need it more than I do.” Interviewees planned to continue contributing to the collective resource for employees, even as they also worked to build more personal savings.

Having access to emergency grants improved workers' morale and positivity toward their employer.

A primary reason that employers offer tools like hardship funds is to improve their workforce's productivity by supporting their financial well-being. In the case of this employer and their emergency relief fund, this appears to have succeeded. Interviewees noted that they were able to resolve financial emergencies quickly, with less stress. They also highlighted that the offering made them feel positive about their employer and staying in their jobs: "It meant that I was able to have help whenever I needed it. My job actually cared about me. I felt secure, [knowing] they're there for me."

Conclusion

Grant Circle, Canary's employee emergency relief fund, is an offering that employers can offer to support their workers financial stability, reduce their financial stress, and facilitate their productivity. Workers can apply to receive funds as a grant when they experience certain unexpected hardships or financial shocks. This case study of how one firm's employees use their emergency relief fund involved interviews with six workers who had applied for and received grants. These employees shared financial challenges related to liquidity. Some described themselves as living paycheck-to-paycheck, while others described a cycle of putting money aside as savings, experiencing financial shocks that exceeded their savings, struggling to make ends meet, and replenishing their savings.

Key insights from our interviews include:

- An emergency relief fund was a crucial source of stability for low- and moderate-income employees and improved their financial well-being. The emergency funds helped them preserve their assets, avoid taking on debt, and support their mental health.
- The emergency relief fund delivered powerful results for employees, staving off crises and leaving them better off financially and empowered to save money in the future. For our interviewees, the grants' impact was amplified when paired with other liquidity tools provided by their employer. For example, interviewees named their retirement accounts and short-term disability policies as part of their emergency toolkits alongside the grant program.
- Low- and moderate-income employees strategically viewed their retirement accounts as both emergency resources and long-term investments. Because they were able to take loans from their retirement accounts, they could use them flexibly without depleting their long-term savings.
- Grant recipients' financial goals focused on building savings and increasing self-reliance, with the grant program serving as a catalyst for positive change. They reported that applying for and receiving grants inspired them to increase their efforts to save. They hoped to handle future financial shocks with their own resources, leaving grant funds available for coworkers with greater levels of need.
- Having access to an emergency relief fund improved workers' morale and positivity toward their employer. As one interviewee said, "I have never worked with another company that has something like this. It's awesome that Canary does this."

Endnotes

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