

Up the Ante: Time to Play the Financial Benefits Card

Elizabeth is your newest hire and she's fresh out of college. When she filled out her new-hire paperwork, she checked the box to participate in the 401(k) plan you offer because in her words, her dad told her to. But he didn't tell her how much to save, or to be sure and contribute enough to get the match, or what "pretax" means. When she received her first paycheck, she was shocked by all the deductions and said she was considering opting out of the 401(k) — even though she was only contributing 2%!



Is her aversion to socking away money for retirement her fault? Or is it yours?

Long-term thinking

Everyone wants instant gratification, so compelling employees to think long-term can be challenging. Most employees have an employer-sponsored retirement account, such as a 401(k). Yet:^{1 2 3}

- 60% of participants say they don't have an actual plan for how they will manage money in retirement.
- 25% have no idea how much income they'll need to replace.
- Only one in five project they'll have adequate retirement savings.

If Elizabeth knew that participating in a 401(k) actually saves her money through pretax contributions — and although it looks like the money is being taken out of her paycheck, it still belongs to her — maybe her attitude about saving for retirement would change.

Employers are no longer expected to merely offer a 401(k) with an adjustable contribution rate and diverse investment options. More and more, workers want their employers to be educators. And what employees want is a more holistic service, such as one that offers lessons in debt management, investment strategies, and saving for college or a home, for example.⁴

Therefore, it's not surprising, that offering financial education benefits is becoming a draw for candidates of all generations. A financial wellness program could help distinguish your business as you compete for talent in today's tight labor market. In addition to retirement savings, remind your employees that life insurance and long-term care benefits are important aspects of long-range planning.

But I'm not a financial expert

Serving as a financial authority isn't necessarily a role employers want to play, but the advantages are clear. A company that offers

financial education could save \$3 for every \$1 they spend on their programs.⁴ Because money problems may cause stress that leads to poor health, financial wellness programs can reduce absenteeism and worker disability costs.

If you're considering starting or ramping up your financial wellness support, you're not alone. In a recent study, 35% of employers say they've altered their retirement savings and planning benefits in the prior 12 months in order to increase retention.⁵ Another 56% of employers say they are very likely to create or focus on financial well-being for employees beyond retirement decisions.

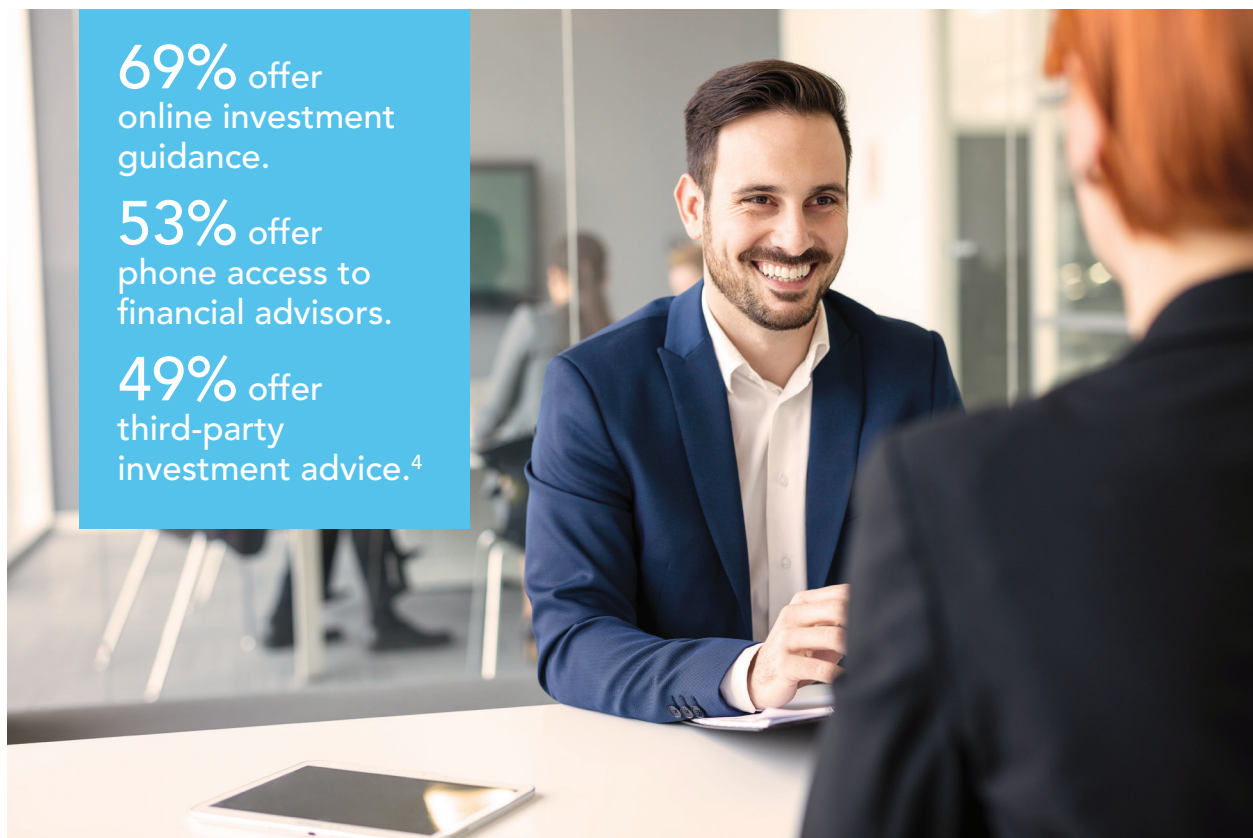
It starts with education. According to Aon Hewitt's Hot Topics in Retirement and Financial Well Being report,⁶ employers are offering tools, services, and education campaigns on:

- Basics of financial markets
- Budgeting
- Debt management
- Financial planning
- Health care planning
- Saving for life stages
- Prioritizing savings

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And more companies are now partnering with financial planning service providers to give their employees access to personalized financial coaching, tools, and education that can even help them choose the medical plan that best fits their budget.



Instant gratification

If Elizabeth thinks a 401(k) is the only financial benefit you offer, you can proudly point out how your many other benefits have helped her coworkers avoid financial disaster.

For example, Dan, your 40-year-old foreman, fell from a ladder during his annual gutter cleaning a couple years ago, landing him in traction and preventing him from working for the next six weeks. Because he was enrolled in short-term disability insurance, he had income coming in the whole time he was laid up.

The same with Katherine, your 28-year-old receptionist, who was able to take 12 weeks of maternity leave following the birth of her baby because she had long-term disability insurance to replace a portion of

her salary. Today, she takes full advantage of her Dependent Care Flexible Spending Account, which lets her set aside pretax dollars to pay for child care services so she can continue working.

Then there was Marie, your 60-year-old bookkeeper, who was devastated after her husband was diagnosed with lung cancer. However, she was able to concentrate on him and not the medical bills because she had critical illness insurance through your group plan.

HIPAA regulations would, of course, prevent you from revealing the names of Elizabeth's coworkers, but these real-life situations are important examples of the ways your benefits mix can protect your workers from financial loss and hardship.

A young worker like Elizabeth may not be able to relate to benefits she can only use if she's sick or on leave. If that's the case, she may be interested to learn about money-saving programs that can benefit her immediately, such as:

Benefit	Why they need it
Life insurance, accidental death and dismemberment, long- and short-term disability coverage	Helps protect your workers and their families from financial loss and hardship.
Accident and critical illness protection	Safeguards the family's finances in case of unexpected medical expenses.
Long-term care insurance	Provides the opportunity to use tax-free money to pay for nursing home or in-home care.
Flexible Spending Accounts	Lets participants set aside pretax earnings for health care, dependent day care, and commuter expenses. Depending on the accountholder's tax bracket, they can save between 15% and 30%.
Health Savings Accounts (a savings vehicle available with a qualifying high-deductible health plan)	Provides triple tax benefits: when the money goes in, while the savings grow, and when the money is spent on qualifying purchases.
Identity theft protection	Can be a godsend if an employee's private information is compromised.
Other voluntary benefits that can aid in financial wellness	Legal plan, tuition assistance, student loan repayment, home and auto insurance, etc.

If you failed to impress Elizabeth with all the money-saving benefits she can take advantage of by working for you, she might sit up and take notice of perks like flexible schedules, working from home, travel and shopping discounts, fitness club memberships, day care, and more.

But I'm not a communications expert

You don't have to be a communications expert to promote your suite of benefits. Just send simple communications using posters, text messaging, or a basic email to remind your staff how valuable income-protection and tax-saving benefits can be. Use a chart like the one above to explain why those benefits are worth considering.

ADP® has you covered

ADP's HR outsourcing solutions can help you take a holistic approach to your benefits program so it meets the needs of your individual workforce. From access to Fortune 500®-caliber benefits and a 401(k) plan to communication strategies that promote your offering, to current and prospective employees, ADP has you covered.

¹ Aon Hewitt Financial Mindset Study.

² Aon Hewitt: The Real Deal—Retirement Income Adequacy at Large Companies.

³ Employee Benefit Research Institute's Retirement Confidence Survey.

⁴ Time.com.

⁵ SHRM 2016 Strategic Benefits Survey.

⁶ Aon Hewitt 2016 Hot Topics in Retirement and Financial Well-Being.