MINNESOTA LIFE | SECURIAN

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Benefits needs by generation

Contents

By understanding unique benefit needs and preferences across generations, employers can ensure employees are better informed – and better protected.

More than ever, it is important for employers to understand the current demographic trends in the labor market to better comprehend their employees' benefits needs.

The current labor force is made up of three generations, each with unique benefit needs and preferences. Research has revealed distinct generational differences in levels of insurance coverage, buying preferences and expectations about benefit options.

What's most important is that employers still consider benefits important tools in attracting, recruiting and retaining skilled employees, and employees continue to place a high value on obtaining benefits at work

To fulfill the expectations of both employers and employees, communication and education about benefits must be tailored – in style and delivery – to inform employees about the need benefits serve, the gaps they fill and the value they offer.

What is the "gap?"

The insurance "gap" is simply the difference between the median amount of insurance coverage Americans have and the amount they should have based on their self-reported needs. Though their financial situations may be improving since the trying times of the economic recession, the gap is widening at an alarming rate. On average, a study by New York Life reports, Americans are underinsured by $320,000, and attributes the gap to consumers' misconceptions of life insurance – overestimating its cost, for example – how they access information and the resources they are given to make a purchasing decision.

Closing the insurance gap for Generation X

When compared to all generations, Generation X (those individuals born between 1965 and 1981) shows the widest gap between their need for life insurance and the amount they currently have in place. The New York Life study shows the gap for Generation X as 40 percent greater than for the American population as a whole. What's worse, the gap has increased by 24 percent since 2008.

How did this generation fall so far behind? In the early '90s, when they were mostly in their 20s and began entering the workforce, they were less optimistic about their job prospects and financial future than their parents and grandparents. Having been witness to regular company layoffs, downsizing, and mergers and acquisitions, they also had less long-term commitment to employers.

Their angst about economic prospects has been a self-fulfilling prophecy. Although the recession is partially to blame for their

A glimpse at the generations

Generation Y: born between 1982-1993

- Skeptical of corporate life
- Rely on technology to learn, but appreciate guidance

Generation X: born between 1965-1981

- Technologically savvy, favor shopping online
- Mistrust institutions

Baby Boomers: born between 1946-1964

- Remain the largest segment of the workforce
- More private about financial information

Source: Deloitte Center for Financial Services, 2013 inability to seek adequate financial protection, their own skepticism and mistrust have kept the insurance message from getting through.

It's time to catch up

What Generation X doesn't disagree on is their need for coverage. Now in their early thirties to late forties – prime earning years – most Generation X families not only have children, but also are taking care of aging parents or relatives. So how best to reach this tech savvy and brand conscious consumer?

According to the Deloitte Center for Financial Services, it will take a team approach. Employers and their group life insurance benefits providers need to formulate a plan that takes into consideration the Generation X profile (see sidebar).

Connecting with Generation X

When attempting to reach this group, employers must:

- **Embrace virtual marketing –** As computer pioneers and members of the internet revolution, they are highly connected, use the Web for online banking and shopping, and are influenced by social communities.
- **Focus on casual informational sessions –** Setting up informational sessions within a trusted environment can leverage Generation X's social connectedness, while reducing their general skepticism of institutions.
- **Key in on significant life events –** Marriage, divorce, having children or changing jobs are opportunities to remind this group of the impact these changes have on their financial status and what steps they can take to protect their lifestyle.
- **Get the education part right,** then give them time to complete the purchase process.

It would be a mistake, however, to think a one-size solution will fit Generation X as a whole, warns LIMRA research director, Mary Art. "Our findings [from focus groups conducted with Generation X and Generation Y participants] emphasize that within this key consumer demographic, individuals will retain very distinct preferences for how to interact with companies and shop for and purchase life insurance," says Art.

Enhancing the benefits experience for Generation Y

Generation Y, born between 1982 and 1993, has entered adulthood and the workforce during a time of significant economic and cultural change. Their reality according to a recent BMO Wealth report is an ever-increasing overall cost of living. With record-high levels of student debt, they are less likely than previous generations to meet their goals for home ownership, saving and investing.

The Generation X Profile

- 72 percent are married; 62 percent have dependents
- Seek value for their money
- Low- to mid-level jobs
- Comprise nearly 40 percent of the U.S. workforce
- Technologically savvy/highly connected
- High brand loyalty
- Fragmented media consumption
- Self-oriented
- Pragmatic
- Distrust of large institutions/government
- Value opinions of social circle
- Very diverse demographic
- Change jobs frequently (average of 5.5 significant career events during lifetime)
- Favor shopping online, and at mass supercenters and mass retailers

Source: Deloitte Center for Financial Services, 2013

Employers can help by educating Generation Y workers on how to make the best use of existing benefits programs. Proven to be the least engaged and informed about many aspects of benefits, Generation Y needs and wants balanced education about all of their financial needs.

Dialogue and support

More so than other generations, Generation Y is likely to rely on technology to learn about their benefits. Yet, it may come as a surprise that this generation, so well-known for its tech savvy nature, actually appreciates more guidance and conversation.

"This generation wants to feel supported," says Andrea Anderson, manager, employment services, at Securian Financial Group in St. Paul. "Unlike other generations, they do not see asking for help or support as a sign of weakness." This fact drives Anderson and her team to continually review and strive to improve Securian's level of support for new hires.

Anderson is impressed by Generation Y's desire to clearly understand benefits – 401(k) and pension plans in particular – and looks to frame the conversation in ways with which they identify, such as using hypothetical situations. "We've found the approach of using a story or a situation has made a big difference," she states.

Sophia Bera, CFP, founder of Gen Y Planning, agrees on the importance of dialogue with this generation. "Opening the communication lines with Human Resources for further guidance or giving them a place to turn to review their benefits package is key," she states.

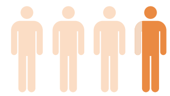
Raising financial literacy

Bera, a Millennial herself, has devoted her financial planning practice to serving and empowering Generation-Y clients. "Benefits packages can be complicated and confusing," says Bera. Time and time again, she sees her young clients go through the initial paperwork and never take another look or not realize they can make changes every year during open enrollment.

There are clear indicators Generation Y needs planning help. In a study of 25,000 U.S. adults, the Financial Industry Regulatory Authority (FINRA) found Millennials to be the least financially literate generation. Less than a quarter were able to answer four or five financial questions in a five-question test.

Bera is encouraged by employers' response. "More and more employers are creating interesting, innovative benefits packages to address this generation's needs," says Bera. "The more guidance and support along the way, the better," she adds.

What's the pay off? According to Bera, research has shown Generation Y is willing to work for lower pay and compensation if it means more opportunities for growth and flexibility around work schedules.



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Source: FINRA Investor Education Foundation, National Financial Capability Study, 2012

Connecting with Generation Y

To help raise Millennials' financial consciousness, employers can:

- **Use online resources,** in addition to phone and face-to-face meetings, to inform
- **Reach out proactively.** Generation Y workers rely more on the workplace for information on how much coverage they need, compared to recommendations from friends and family
- **Open lines of communication with HR** to offer guidance and support

Baby Boomers: a generation divided

In 2012, Baby Boomers, born between 1946 and 1964, represented the largest generation in the workforce according to the Bureau of Labor Statistics. And they're staying around longer. By circumstance, they face diminished retirement savings; by choice they are living more active, healthier lives.

AARP's 2013 Staying Ahead of the Curve survey revealed the universal desires of those 50+ in the workforce: flexible work schedules, a need for current as well as retirement income and insurance benefits to support extended families. The similarities stop there.

Cam Marston, a leading expert on generational change and its impact on the marketplace, recently completed a research project on the Boomer generation. "We were able to uncover distinct differences among those defined broadly as Baby Boomers, says Marston. "These differences divide the generation into two sub-generations."

Marston refers to the sub-generations as "leading edge" and "trailing edge" Boomers. The leading edge boomers, born between 1946 and 1955, are now 59+; the trailing edge boomers, born between 1956 and 1964, are now ages 50 to 58.

"This distinction goes a long way in helping to identify attitudes and needs across the generation," explains Marston. For employers, this divide can be used to better understand their own Baby Boomer employees and how best to engage and support them in the workplace.

Common goals, different situations

The trailing edge boomers, the more populous sub-group, have had to delay retirement. "They were hit hard by the economic downturn of 2008-2009," explains Marston. "The impact on their savings and retirement plans translates into a five to seven year delay in retirement."

Trailing edge boomers aren't quite as idealistic and positive as their leading edge peers, yet they aren't as cynical as Generation X either. "They are still a group that believes they can change the world," says Marston. At the same time, experience has forced them to be pragmatic. Less like their leading edge peers, they face lack of income replacement, bruised 401(k) accounts and financial responsibility for both adult children and elderly parents.

Priorities for employees age 50+ include flexible work schedules, a need for current as well as retirement income and insurance benefits to support extended families.

Source: AARP's 2013 Staying Ahead of the Curve

The leading edge boomers are in a somewhat better position. "For them, the investment they have made into the system – whether that system is social security, a pension and/or a retirement plan – is likely going to pay them back," Marston believes.

Getting to know them

Joe Fox, senior partner, North Star Resource Group, Minneapolis, MN, works with Baby Boomer clients to plan for sustainable income in their retirement. "As people are living longer they need a better understanding and assessment of their financial goals and the options and resources available to them," he says.

If a client is still working, benefits offered by an employer play a major role. "We review the benefits they have available to them now and what will carry over into retirement," explains Fox. "Then, we determine the gaps we need to work together to fill while at work and afterwards."

Life and disability insurance are excellent income-replacement resources while in the workforce. Retirement plans, life insurance and long-term care insurance are resources to tap for retirement years – whether through an employer or purchased independently.

One characteristic common to all Baby Boomers also presents a challenge. "Regardless of sub-generation, Baby Boomers are often less forthright in discussing their investment or retirement plans, health status or changes in health status," explains Marston. "Baby Boomers as a whole tend to be more private or more focused on their privacy; trailing edge more so than leading edge."

Areas of focus and communication

For the trailing edge boomers, the best news they can hear from their employer or advisor is that there is time to plan. "Essentially, they are in a bind and need honest, simple, forthright, clear language on benefits programs and planning ahead for retirement," states Marston. "They also know they can't sit by and do nothing; they have to create a plan."

Marston recommends human resources managers pair an understanding of the sub-generations with scenarios to suit their workforce and programs.

"Create scenarios to help identify challenges or gaps versus trying to engage employees in deeply personal conversations," says Marston. The scenarios could address needs by age, years of service, income replacement and retirement funding, for example. Also take cultural differences into consideration. Some cultures care for aging parents more so than others.

One very simple, yet critical, assist employers can give their Baby Boomer workers is to remind them of the importance of up-to-date beneficiary designations, for pension plans as well as life insurance. "As employees take on more responsibility for their retirement assets," says Fox, "more education is needed to make sure what they worked so hard to accumulate is distributed as they had envisioned."

Leading edge boomers: born between 1946 and 1955

- Idealistic
- In a better position financially
- Believe investments in the system will pay them back

Trailing edge boomers: born between 1956 and 1964

- Hit hard by 2008 recession
- Not as positive, idealistic
- By necessity, more pragmatic

Source: Cam Marston, Generational Insights, www.cammarston.com.

Connecting with Baby Boomers

Regardless of sub-generation, Boomers respond to:

- **Honest, simple language** on benefits programs and financial planning
- **Financial scenarios** vs. personal conversations
- Messages about **how to conserve/pass on their wealth** to the next generation

Employer takeaways

Regardless of generation, many employees simply aren't receiving adequate education on the benefit options available to them, or aren't engaging with the information being offered. A recent Towers Watson survey revealed that although many benefits, such as voluntary programs, can be accessed outside of open enrollment, less than a quarter of employers reported having a year-round communication strategy to inform their workers of the offerings available. In another study by a major life insurer, more than half of employees (55%) said they do not find their employer's benefits communication clear or comprehensive.[1]

Clearly, there is room for improvement in benefits communication and education. In pursuit of reform, employers' best source of information is employees themselves. Employees are often willing to share critiques of their company's benefits communications and provide constructive ideas for making things better.

Benefits producers and providers are another source of information and assistance in implementing new communications strategies.

Through it group insurance affiliates Minnesota Life Insurance Company and Securian Life Insurance Company, St. Paul-based Securian Financial Group offers eNroll-zone™, a step-by-step approach for analyzing the workforce and identifying "sweet spots" – employee subgroups most likely to respond to targeted communication.

"Good employee participation is an employer's payoff for the work of implementing and promoting a new program," says Paula Bilitz, director of Group Insurance Marketing at Securian. "Targeting subgroups within the workforce with personalized communication addresses employees' specific needs at all stages of life and increases the likelihood they will enroll."

Learn more about Minnesota Life/Securian Life's value-added benefits communication program, eNroll-zone, by contacting your regional group sales manager or client relationship manager or visit **LifeBenefits.com**.

Securian Financial Group offers eNroll-zone™, a step-by-step approach for analyzing the workforce and identifying "sweet spots" – employee subgroups most likely to respond to targeted communication.

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