

Voluntary Benefits:

Improving employee financial wellness.

For What's Now and What's Next



A CHANGING BENEFITS LANDSCAPE

Against a backdrop of rising health care costs and uncertain economic conditions, partnering with employees to navigate their insurance needs is more important than ever. Employer-sponsored programs make it easier for employees to access and understand their benefits and achieve financial wellness.

This whitepaper explores some of the reasons for the growing importance of voluntary benefits and considers how they can help boost an organization's bottom line by providing a financial safety net to help improve employee financial wellbeing. It also provides five best practice tips for employers to get the most value out of their voluntary benefit programs.



69% of employers expect that voluntary benefits will be a **very or more important** component of their employee value proposition in one to three years vs. **36% WHO CURRENTLY FEEL THIS WAY.¹**



Rising Health Care Costs May Pose a Burden for Many

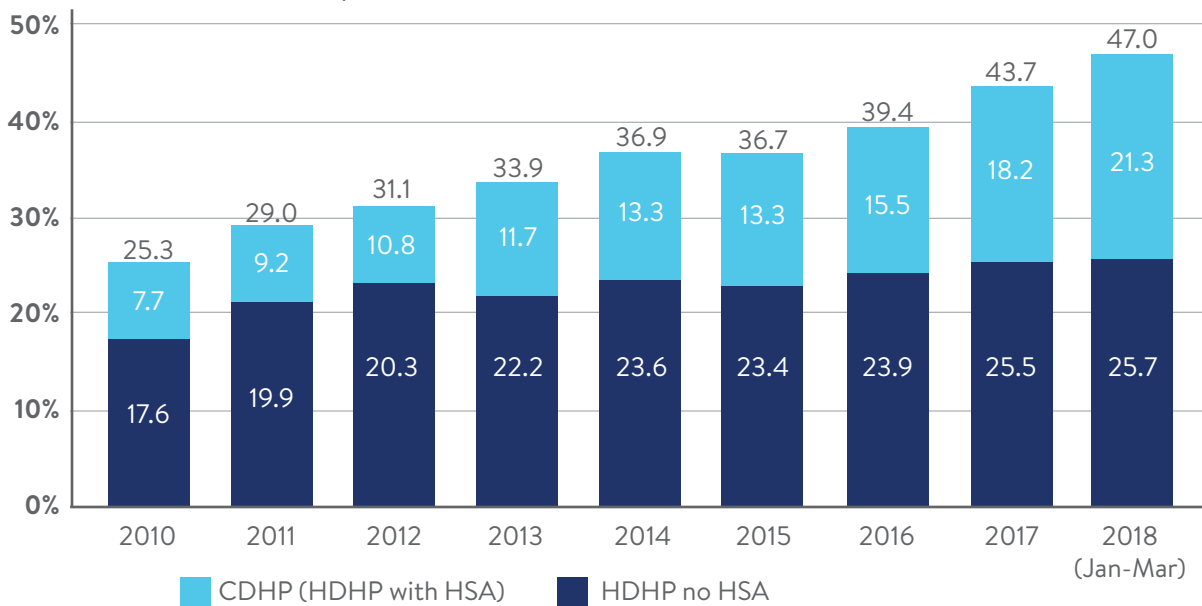
Several trends are challenging employers to think more holistically about the employee benefits they offer. For one, there is an opportunity to drive financial wellness outcomes for many Americans through the benefits they receive at work.

At the same time, as health care costs continue to climb, employers also are struggling to contain their benefits spend and leverage the value of the programs they already offer. This has given rise to the wide-spread adoption of high deductible health plans (HDHPs). While HDHPs generally lower premium costs, employees may have a difficult time paying their deductible when faced with an unexpected medical bill, particularly if the HDHP is not offered with an HSA.

As workers face increasing health plan premiums and rising out-of-pocket expenses, this strategy is putting many in serious financial jeopardy. In fact, nearly half of workers (45%) would be challenged to pay an unexpected \$500 medical bill.² For many, an unexpected medical expense could mean going into debt, borrowing from family or friends, taking a hardship withdrawal or loan from their retirement savings, or even foregoing treatment.

USE OF HIGH DEDUCTIBLE HEALTH PLANS (HDHPs) CONTINUES TO GROW³

Percentage of U.S. workers under age 65 enrolled in a HDHP without a health savings account or in a consumer-directed health plan (CDHP).



Notes: CDHP is consumer-directed health plan, which is a high-deductible health plan (HDHP) with a health savings account (HSA). HDHP no HSA is a high-deductible health plan without an HSA. The individual components of HDHPs may not add up to the total due to rounding. Data are based on household interviews of a sample of the civilian noninstitutionalized population.

Source: NCHS, National Health Interview Survey, 2010-2018, Family Core component.



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The Impact of Financial Stress in the Workplace

Employers are recognizing that their workers are struggling financially and the resulting stress is taking a toll not only on their employees' overall health and wellbeing, but also on their performance in the workplace.

A recent survey found that employees spend five to 13 hours per month worrying about their personal finances while at work. For employers, employee financial stress translates into a nearly \$250 billion in higher health care costs, lower productivity, and lost wages every year.⁴

The impact to the organization's bottom line of financial stress can be far reaching. Employees who are unable to retire on time because of financial constraints often opt to work longer than expected. This can add to an employer's payroll and benefit costs; it may also result in higher turnover costs as younger employees leave the organization due to a lack of upward mobility.

Fortunately, many employers now recognize that voluntary benefits can play a pivotal role in helping to address employee financial concerns and reduce associated financial stress.

Voluntary benefits, such as group whole life, critical illness, and accident insurance, are chosen and paid for by the employee, typically through payroll deduction. By providing a financial safety net against unforeseen expenses, they can help employees stay on track for important long-term goals. For example, a group whole life policy not only provides family protection, it also accumulates cash value that can be used for any purpose, including to supplement retirement income, pay for college tuition or meet an unexpected expense.

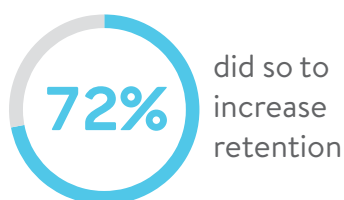
At the same time, voluntary benefits can provide employers a cost-effective way to enhance their benefits package, differentiate themselves from competitors, and ultimately strengthen their business value.

An Additional Layer of Protection

Voluntary benefits provide a financial safety net that can help employees address unforeseen costs and protect their income against future risks. Four of the most popular voluntary benefits are⁵:

1. **Life insurance** can help provide financial security for an employee's family in the event of the employee's death. Some plans offer an accelerated benefits option ("living" benefits) that enable the insured to access part of the certificate's death benefit in the event the insured becomes terminally or chronically ill.
2. **Critical illness insurance** will pay a lump-sum if an employee is diagnosed with a covered major illness, such as heart attack, cancer or stroke. The payment can be used for any purpose.
3. **Accident insurance** provides a lump-sum for a range of covered accidental injuries, from fractures to third-degree burns.
4. **Vision and dental insurance** can help alleviate the costs of unexpected needs or routine maintenance costs that can add up.

Organizations that boosted their benefit package in recent years



Individual Coverage at Group Rates

One of the distinguishing attributes of voluntary benefits is that they are owned by the individual employee, rather than the employer. So while they may be paid via payroll deductions or direct billing, they are portable and "travel" with the individual certificate holder if and when they leave their employer.



Nearly 6 in 10 middle class workers (58%) feel more financially secure because of the **BENEFITS THEY RECEIVE AT WORK.**⁷

THE IMPACT OF STRATEGIC BENEFITS⁹

According to the Society of Human Resource Management (SHRM), organizations that offer benefits reported **better overall company performance** and **more effective recruitment** and **retention** of employees than companies that did not offer benefits.

- **Company performance: 58% vs. 34%**
- **Effectiveness in recruitment: 19% vs. 8%**
- **Effectiveness in retention: 28% vs. 11%**



The Win-Win of Voluntary Benefits

For employers, voluntary benefits provide a great way to attract, engage, and retain talented employees. For employees, voluntary benefits provide a way to build a financial safety net for what's now and what's next.

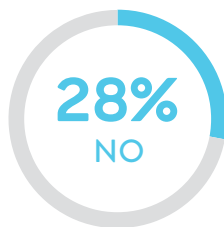
For Employers	For Employees
Ease concerns around high deductible health plans by providing supplemental coverage to help employees meet unforeseen risks.	Ability to purchase supplemental coverage, often at lower group rates and with guaranteed issue underwriting.
Optimize benefits by complementing the investment made in retirement, health care, and other benefits.	Flexibility to customize their benefits package to meet their specific needs, goals, and budget.
Strengthen benefits program to better attract and retain top talent.	Ability to build a financial safety net with supplemental protection.
Provide meaningful choice to attract top talent and address the needs of a multi-generational and increasingly diverse workforce.	Opportunity to lock in rates at a younger age and take coverage with them should they change employers.



EMPLOYEES APPRECIATE FINANCIAL WELLNESS PROGRAMS¹⁰

Employees with voluntary and other financial wellness benefits are twice as satisfied with their employers and jobs than workers who don't have these benefits.

EMPLOYEES WHO REPORT BEING VERY SATISFIED WITH THEIR EMPLOYER TODAY



60% of employers say they offer voluntary benefits as a way to **REDUCE EMPLOYEE FINANCIAL STRESS.**¹¹

Best Practices: Implementing an Effective Voluntary Benefits Program

Employers today are looking for ways to create a more comprehensive and competitive benefits package that can help employees feel more financially secure for life's what ifs. Voluntary benefits can be part of a winning strategy to help manage rising health care costs and boost employee satisfaction and engagement.

Here are five simple but powerful tips to help employers realize the full value that voluntary benefits can offer.

- 1. Take a needs-based approach.** Leverage employee data, focus groups, and questionnaires to understand what your employees want – and what would make their lives better. Keep in mind that employees don't fit into homogenous group: people at different ages and life stages will want and need different things from their benefits package.
- 2. Mind the gaps.** For your program to be truly effective, look for any gaps in your existing benefits program offerings, identify employee segments that aren't adequately protected, and then offer a supplemental benefit that meets the needs of that employee group.
- 3. Mix it up.** Meeting the multi-generational and diversity needs of today's workforce is crucial to the success of any benefits program. A carefully curated mix of traditional and voluntary benefit can enable employees to personalize their benefits package to their needs and budget. In doing so, it also can help ensure enrollment is strong and benefits are appreciated.
- 4. Empower employee buy-in.** Educate employees on the importance of financial wellness and the role it can play in helping them to meet their short- and long-term goals. Help employees understand their exposure to key financial risks, such as a critical illness or accident, premature death, and outliving their retirement savings. Then demonstrate how specific solutions, such as voluntary benefits, can help ease financial risks and help them stay on track for a financially secure retirement.
- 5. Drive engagement.** A well-designed end-to-end employee communications strategy is key to the successful enrollment of any voluntary benefit offering, and to ensuring that employees have the knowledge and confidence to make the most of the benefit plans they select. Using multiple communication channels to engage employees regularly throughout the year can keep program benefits top-of-mind and help ensure that employees are maximizing the benefits they elected.

ENGAGEMENT DOUBLES WHEN BENEFITS MEET EMPLOYEE NEEDS ¹²

Benefit package **does not meet needs**



Highly engaged
with their job

Benefit package **meets needs**



Highly engaged
with their job

With Voluntary Benefits, Everyone Wins

Today, employees are looking for more than just what's in their paycheck. A recent survey found that 80% of workers said that they would choose a job with benefits over one that offered 30% more salary but no benefits.¹³

For this and other reasons, voluntary benefits are becoming an important part of many companies' employee retention strategy. They provide a cost-effective way for employers to expand their benefit package with products like group whole life, critical illness and accident insurance that provide choices for each step of their employees' financial lives. And they provide a financial safety net to help employees navigate unforeseen events and protect their financial security.

At MassMutual, we believe that financial wellness is in everyone's best interest. When employees have a game plan for meeting the financial challenges ahead, they're more positive and productive. They're also more likely to retire on time — which can be good news for an employer's bottom line. We offer a comprehensive platform of voluntary benefits and end-to-end enrollment capabilities that can drive engagement, position your organization as an employer of choice — and help you stand out and win.

Make It Count

Employee benefits make up about **one-third** of total compensation costs for employers today.¹⁴ Engaging in strategic benefits planning is essential to ensuring that employers maximize their return on investment.



An Employee-Driven Approach to Financial Wellness

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To learn more, call your benefits broker
or contact MassMutual at **1-855-877-6161**.

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- ¹ 2018 Emerging Trends: Voluntary Benefits and Services Survey, Willis Towers Watson. <https://www.willistowerswatson.com/en-US/press/2018/04/voluntary-benefits-now-viewed-as-essential-willis-towers-watson-survey-finds>
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- ⁸ Health and Well-being: Current Initiatives Fall Short of Expectations, 2018. Willis Towers Watson. <https://www.willistowerswatson.com/en/insights/2018/01/infographic-health-and-well-being-current-initiatives-fall-short-of-expectations>
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- ¹⁰ Inside Employees' Minds™: Financial Wellness Volume 2, 2017. <https://www.mercer.com/our-thinking/wealth/inside-employees-minds.html>
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- ¹² Employees Seek More Choice and Flexibility From Their Benefit Package, May 2018. Willis Towers Watson.
- ¹³ 2018 Employee Benefit Report, Association of International Certified Profession Accountants. http://finlit360.wpengine.com/wp-content/uploads/2018/11/AICPA_Benefits_Whitepaper_11-27.pdf
- ¹⁴ Employer Costs for Employee Compensation – December 2018. Bureau of Labor Statistics News Release, March 19, 2019. <https://www.bls.gov/news.release/pdf/ecec.pdf>

