



# THE TOTAL WELLNESS ECO-SYSTEM

The importance of income protection for a secure financial future and overall employee wellness.

Standard Insurance Company

First Look:  
Trends & Insights



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# INTRODUCTION

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In a recent study, The Standard uncovered some valuable insights regarding employees' financial concerns. Employees aren't prepared for the unexpected, and even though they know it's important, they aren't doing enough to prepare for retirement.

Money concerns impact health, and health issues impact finances. **Add to that an unexpected disabling condition and things get even more complicated.** As their employer, you are uniquely qualified and trusted to help them address their wellness eco-system as a whole.

Let's take a look at the insights. You'll not only learn what employees are thinking when it comes to financial wellness but also where the opportunities lie for you to best help them secure their financial future.

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For this report, The Standard surveyed 1,000 full-time employees, ages 21-69. For retirement plan responses, we talked to employees whose employer offered a 401K or 403B retirement plan. For employee benefits responses, we only talked to employees who were both aware of at least one non-medical employee benefit and whose employer offered at least one non-medical benefit.



**INSIGHT**



**EMPLOYEES'  
BIGGEST FINANCIAL  
CONCERNS**



INSIGHT

01

## Top Financial Concerns

Employees' top financial concerns reveal how closely linked health and wealth really are—even if they might not realize it.

The majority of employees are most concerned with money for retirement. So, it's more important than ever that you communicate with them about how impactful engaging with their retirement plan can be.

The next top three financial concerns are all things that aren't covered by medical insurance. To help address these concerns, you should ensure you're also providing non-medical insurance products to your employees.



70%

Money for Retirement



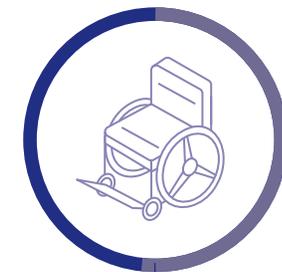
57%

Monthly Expenses



52%

Medical Expenses\*



52%

Support if Disabled

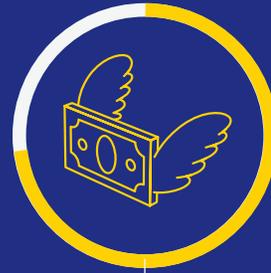
\*These are medical expenses not covered by medical insurance, such as co-pays, deductibles, travel expenses, etc.



INSIGHT



## Unexpected Cost Concerns



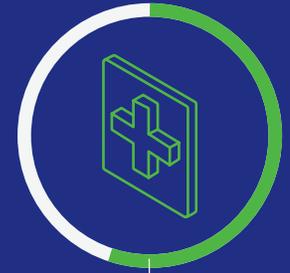
71%

Lost Wages



65%

Paying High Deductibles



56%

Emergency Room Visits

**Potential loss of income and high medical expenses are both real fears for many employees.** And as you'll learn later in this report, they are too financially dependent on continued good health to help combat these fears.

**Should the unexpected happen, employees need to know there are solutions to address these concerns**—income protection and voluntary worksite benefits.



## WHEN FINANCIAL CONCERNS BECOME MORE CONCERNING

25%

of US workers said financial worries caused them health problems\*

40%

said finances distracted them at work\*

15%

said financial problems have caused them to miss work\*

\* "The Next Frontier in Workplace Wellness: Financial Health" Reuters, May 24, 2018



**INSIGHT**



THE IMPACT OF  
INSUFFICIENT  
RETIREMENT SAVINGS

**Employees know they aren't saving enough for retirement—their top financial concern. But that is just one part of the problem.**

**An unexpected health event could also greatly affect retirement savings.** The subsequent loss of income could leave employees unable to save for an extended period of time, and they may even be forced to dip into their retirement savings to help pay medical bills or other expenses while they recover.

Also, without enough retirement savings, employees could lack the necessary funds for proper health care at a time when they will most need it. This is a serious problem with serious consequences—for both their health and financial wellness in retirement.



INSIGHT





## RETIREMENT WITHOUT ENOUGH RETIREMENT SAVINGS

**AMERICANS ARE SIMPLY  
NOT SAVING ENOUGH FOR  
RETIREMENT**

Those between 40 and 45 years of age have a median retirement account balance of just \$14,500—less than 4% of what they will likely need to meet their retirement needs.<sup>1</sup>

**THE USUAL SAFETY NETS  
FOR RETIREES ARE NOT  
MAKING UP THE DIFFERENCE  
IN RETIREMENT SAVINGS  
SHORTFALLS**

For example, a woman in her 80s is paying on average \$8,400 in out-of-pocket medical expenses each year, even when she's covered by Medicare.<sup>2</sup>

**THE END RESULT IS  
PREDICTABLE**

The rate of people 65 and older filing for bankruptcy in 2018 is three times what it was in 1991. For three in five, unmanageable medical expenses play a role.<sup>3</sup>

<sup>1</sup> "Americans Haven't Saved Enough for Retirement" *Harvard Business Review*, Mar 28 2018

<sup>2</sup> "This is What Life Without Retirement Savings Looks Like" *The Atlantic*, Feb 22 2018

<sup>3</sup> "Too Little Too Late: Bankruptcy Booms Among Older Americans." *The New York Times*, Aug 5 2018



## EMPLOYEES ARE WAITING TO SAVE

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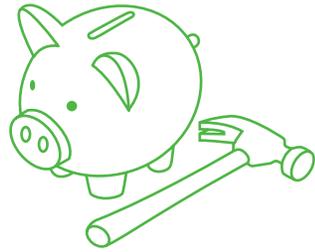
Most employees recognize the importance of saving for retirement but too many wait too long to get started, wasting a chance to have the greatest impact on their retirement savings through compounding interest.



**INSIGHT**

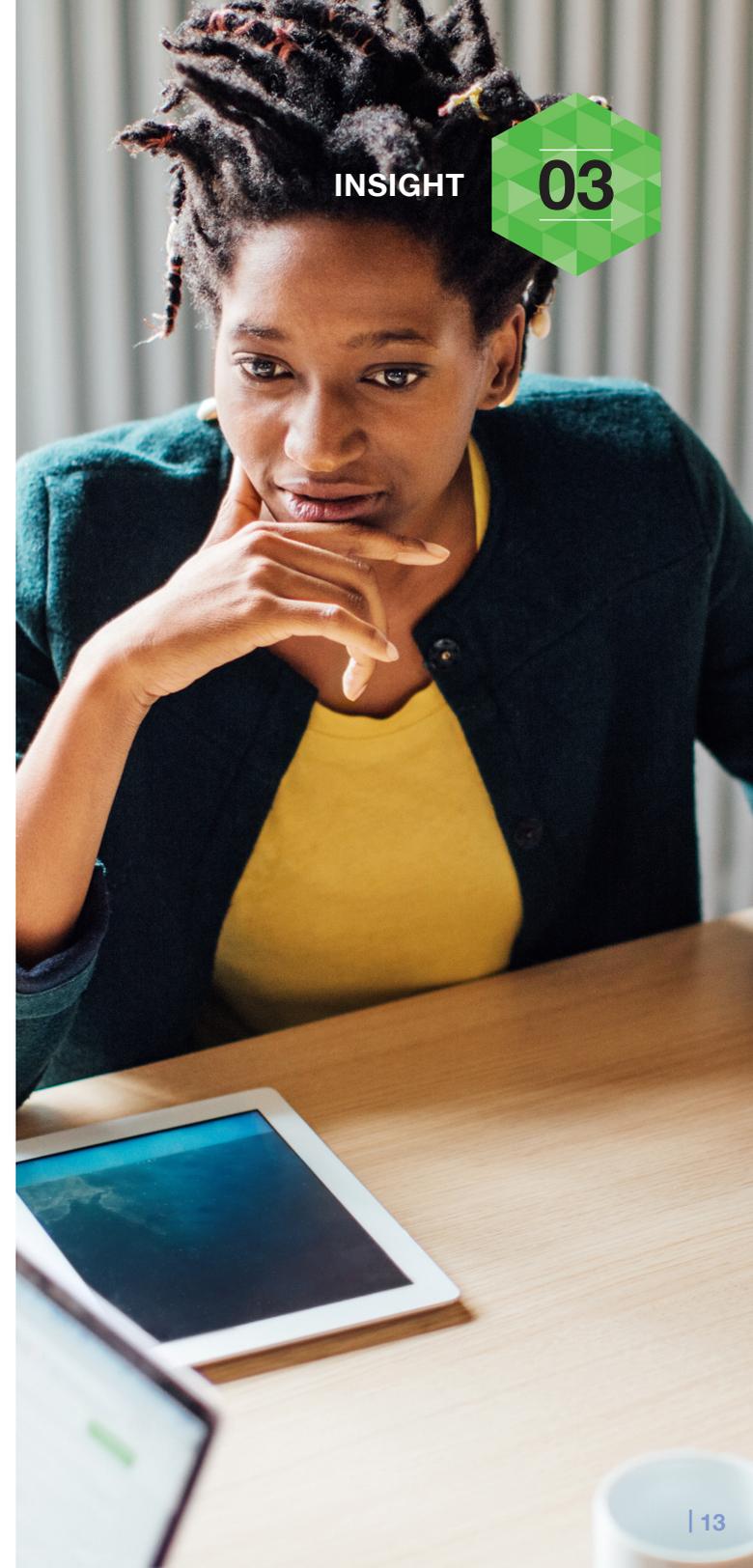


THE FINANCIAL  
IMPACT OF AN  
UNEXPECTED EVENT



**There is a serious lack of disability coverage among employees.** Without that safety net, an employee's entire wellness ecosystem could crumble due to an unexpected health event.

Not only do employees have to worry about expenses associated with that event but it also often leads to an inability to put money toward their retirement and likely will require them to dip into their current retirement savings. That lack of savings along with the loss of compounding interest means the **financial impact of that single unexpected event could last a lifetime.**



INSIGHT

03



INSIGHT

# THE NEED FOR DISABILITY INSURANCE



MILLION

Is at least the number of working U.S. adults who are without disability insurance beyond the basic coverage available through Social Security, which amounts to less than \$15,000 annually, as of Jan 2018.<sup>1</sup>



MONTHS

Is the average duration of a long-term disability claim.<sup>1</sup> Claimants tend to use their benefit to cover living expenses, over saving for the future. With most employers suspending retirement contributions during an employee's leave, retirement savings are often put on hold.



OF WORKERS

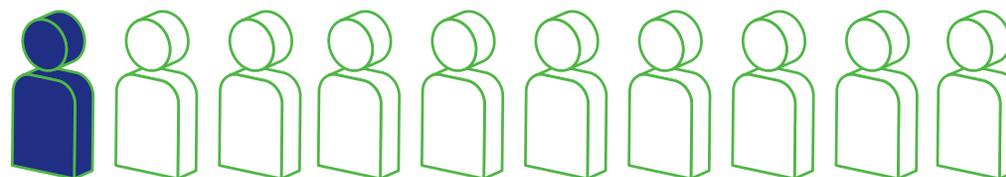
Will become disabled for five or more years during their time in the workforce—90% of them due to a chronic condition or illness. Five years not working is five years not saving for retirement.<sup>2</sup>

<sup>1</sup> Council for Disability Awareness, Mar 28, 2018

<sup>2</sup> RP & EB Segmentation Booster Survey Results, The Standard, Jan 2019

# THE REAL COST OF AN UNEXPECTED HEALTH EVENT

INSIGHT



**For people in their 50s who are hospitalized with an unexpected health event, 10% never return to work.\***

Others scale back their hours or take a lower-paying job. These income losses have a far greater financial impact than the actual medical costs themselves.

\*\*“Getting Sick Can Be Really Expensive. Even for the Insured” The New York Times Mar 21 2018

03

INSIGHT



## EVEN YOUNGER EMPLOYEES CAN BE AFFECTED BY THE UNEXPECTED

An unexpected health event can financially impact your life at any age. A study found that those hospitalized between the ages of 25 and 64 not only face a likely drop in income that lasts for years, they also face a large increase in the risk of bankruptcy. \*

\* "The Economic Consequences of Hospital Admissions" *American Economic Review*, vol 108



**INSIGHT**



THERE IS A LOT  
LACKING WHEN IT  
COMES TO THEIR  
RETIREMENT



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Whether it's due to a lack of options or a lack of expertise on how to best manage their wellness eco-system, employees often feel vulnerable, undereducated and unsure where to turn. And when they don't know what to do, they're most likely to do nothing, which is the worst thing they can do.



of employees are confident in their current retirement plan



of employees don't feel as good about their retirement plans as they wish they did

**This is a big opportunity for you as their HR manager to start a conversation about improving their financial outlook.**

## NOT ENOUGH CONFIDENCE IN WHAT THEY'RE DOING

Only  
**39%**

are comfortable determining  
how much they need to be  
saving for

**43%**

aren't comfortable selecting  
investment options or  
contribution amounts



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# LACK OF RETIREMENT PLAN ENGAGEMENT



Employees aren't confident in their retirement planning, which leads to a serious lack of engagement. At best, they are passive, only checking their monthly balance and making no real effort to do anything meaningful.

## The exceptions:

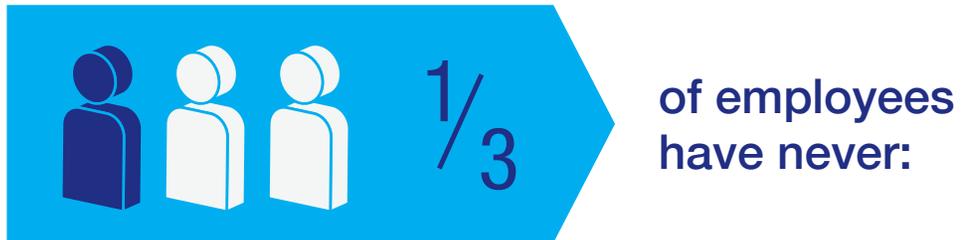


High-Income Earners



Older Employees

## EVIDENCE OF MINIMAL ENGAGEMENT



- Rebalanced their portfolio
- Used a retirement savings calculator
- Viewed retirement planning educational materials



22%

have never increased their contribution amount



**Contribution amount is vitally important in reaching retirement goals—even more important than investment options.**



INSIGHT

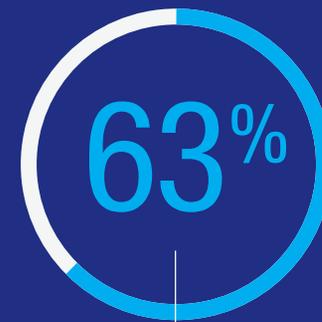


## THE NEED FOR DISABILITY COVERAGE

**To avoid high medical bills:**



maintain good medical  
insurance coverage



rely on  
preventative care

No amount of preventative care can entirely prevent an unexpected medical event. And health insurance won't completely cover the costs associated with that event. Add to that the possibility of missing work to recover, and income protection becomes even more essential. Your job is to get employees to understand how vital disability coverage is in protecting their financial future.

## INTEREST IN SUPPLEMENTAL PRODUCTS

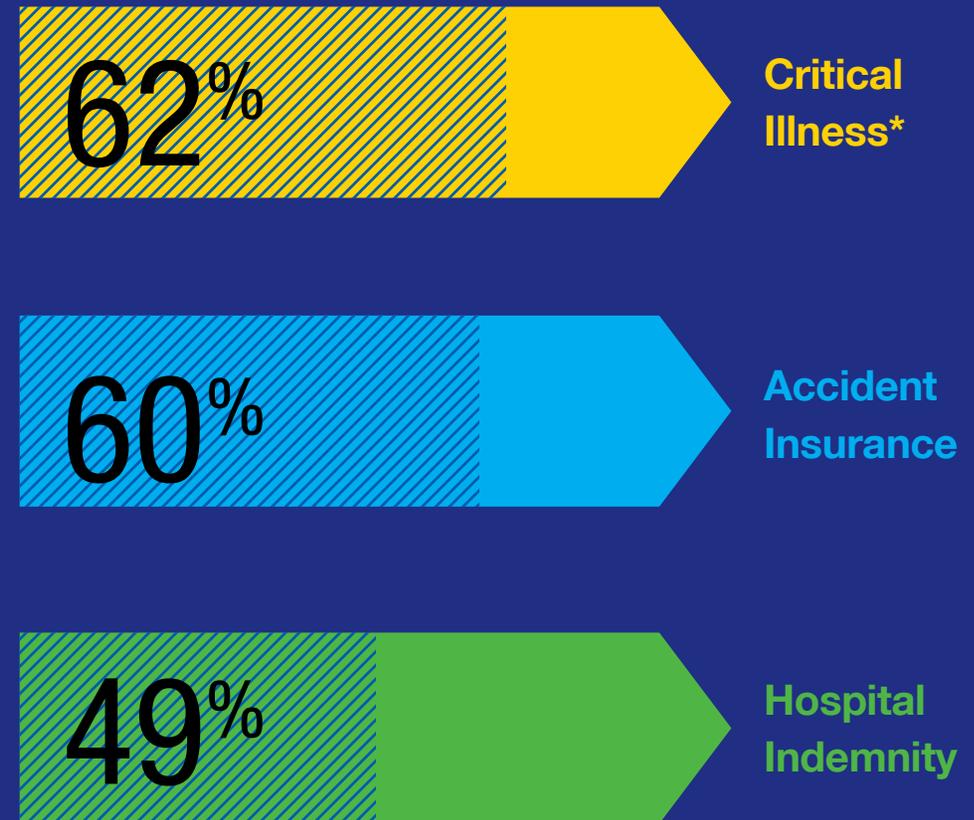
Even though employees aren't aware of how disability coverage could help protect them, they are interested in supplemental products.

**Employees are interested + they directly address top financial concerns = no-brainer to add to benefits offering**

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### Voluntary products with most interest:



\*Critical Illness insurance is called Specified Disease insurance in the state of Vermont.

04

INSIGHT

# HSA – AN OVERLOOKED RETIREMENT SAVINGS OPPORTUNITY



32%

would consider regularly adding money to a Health Savings Account

Despite the increased prevalence of high-deductible health insurance plans, less than a third of employees would consider regularly adding money to an HSA.

An HSA can:

- Help make medical costs more manageable
- Provide tax advantages
- Create a safety net for health issues during retirement



**INSIGHT**



**05**

THEY WANT TO  
DO MORE BUT NEED  
YOUR HELP



INSIGHT



Employees are looking for help and guidance with both retirement planning and non-medical insurance benefits coverage. They want to be more engaged and better prepared for their financial future, so the desire is there for you to fulfill. The key is knowing what information they're looking for and how they're looking to receive it.



48%

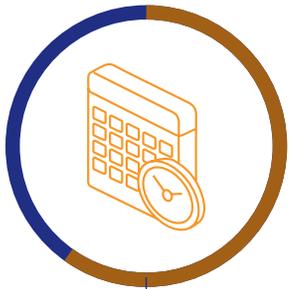
of employees are interested in auto-enrollment or automatic contribution increases as part of their employer retirement plan

# RETIREMENT PLAN DETAILS

**Many employees want to know more about their employer's retirement plan.**

That's important to know but just as important is how they want that information delivered, so your efforts are well-received.

**How employees want to receive retirement plan information from their employers:**



**60%**

**Enrollment Meetings**



**59%**

**Website Download**



**51%**

**Email**

INSIGHT

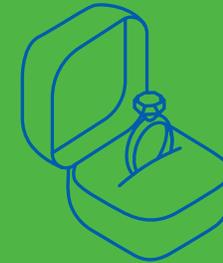
05





INSIGHT

## EMPLOYEES AREN'T MAKING RETIREMENT DECISIONS ON THEIR OWN



Part of properly communicating with employees about their retirement and benefit plans is knowing who (or what) influences their decisions to participate.

**Spouses/partners are a significant influencer for both, so don't forget them in your communication plans.**

As the HR Manager, you have a significant influence on choosing non-medical benefits—make sure you are educated and ready to assist employees when they need it.

## Retirement plan info of most interest:



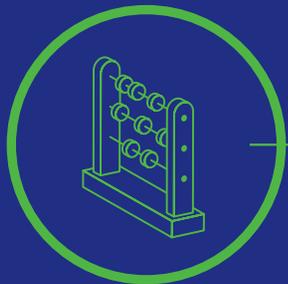
77%

Determining Retirement  
Income Needs



63%

Basic Investing



60%

Budgeting

INSIGHT

05

## THEY'RE ALSO LOOKING FOR RETIREMENT PLANNING HELP

Many employees are looking for assistance  
beyond just retirement plan information.

53%

are interested in receiving retirement tips,  
tools and other info that can help them plan  
for the future.

63%

would prefer to receive these types of  
retirement tips via email.

05

INSIGHT

# IS A LOW-COST MANAGED RETIREMENT PLAN RIGHT FOR YOUR EMPLOYEES?

56%

of employees are interested in professional services\* as part of their employer's plan

\*Low or no-cost services that manage savings contributions and select investments based on personal goals

# CONNECT THEM WITH THE EXPERTS

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Employees are looking for more support and guidance when it comes to both retirement planning and non-medical insurance products. They're looking for experts to provide them with that guidance. So, who do employees consider experts?

**For retirement planning advice:**

- **Financial planners**
- **Retirement plan company reps**

**For non-medical insurance decisions:**

- **You – the HR manager**
- **Insurance company reps**

**Employees prefer 1:1 interactions with these experts—either by phone or in person.**

## WHAT THEY WANT FROM THE EXPERTS:

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**Provide detailed plan information**

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**Recommend retirement plan participation and insurance amounts**

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**Guide retirement plan choices or types of insurance**

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**Clarify research that employees have done on their own**

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**Validate the decisions employees have made**



## CONCLUSION

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## Proof That Employees Are Thinking About Their Future



of employees participate in their employer's retirement savings plan—the first and most important step toward retirement planning



of employees consider retirement planning a high priority—and many employees are also concerned about the unexpected

BRINGING THEIR  
WELLNESS  
ECO-SYSTEM  
TOGETHER

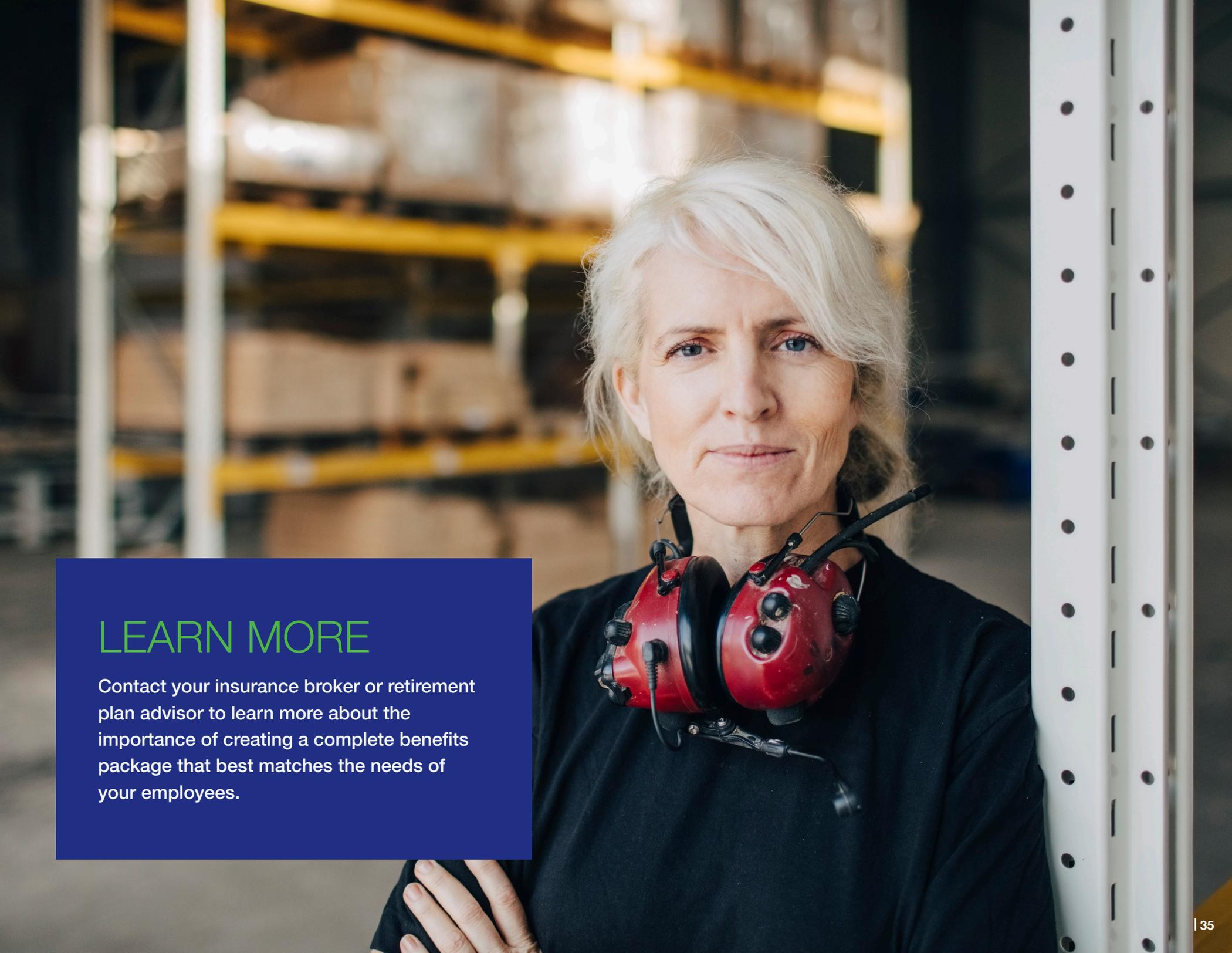
## **We recognize the tremendous challenge you face in helping guide the financial futures of your employees.**

Employees are worried about having enough for retirement and the financial impact of an unexpected health event.

Your job, which isn't an easy one, is to get employees to understand that their personal wellness is a two-part eco-system made up of health and wealth. Then, make sure they are working to make both parts of that eco-system equally strong.

It will take education and one-on-one interactions with the right experts—not something you can do on your own. But by partnering with the right carrier, it's a task you can make a whole lot easier.



A woman with short, wavy white hair and blue eyes is looking directly at the camera. She is wearing a black long-sleeved shirt and a red headset with a microphone. The background is a warehouse with yellow overhead lighting and white metal shelving units. A blue rectangular box is overlaid on the left side of the image, containing text.

## LEARN MORE

Contact your insurance broker or retirement plan advisor to learn more about the importance of creating a complete benefits package that best matches the needs of your employees.



Visit [standard.com/employer](https://standard.com/employer)

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