



The Times of their Lives: Why Change Should Trigger Employee Life Insurance Reviews

Summer has arrived and along with it come sweet childhood memories: chasing fireflies, playing under the sprinkler, popsicles and piling into the family van for a trip to the shore. But while summer means fun in the sun for kids, it's often a time of change for adults: new college graduates settle into their first "real" jobs, wedding bells ring, babies arrive and families move to new homes.

All of this life-changing activity makes summer a good time for employers to communicate with employees about the importance of regular life and health insurance reviews. After all, most workers are on auto pilot when it's time to select their health care benefits options: 89 percent press the easy button by choosing the same coverage year after year.¹

Despite their inertia, the majority of employees surveyed as part of the 2013 Aflac WorkForces Report say they would welcome the chance to match health care benefits to various life stages. What's more, the Aflac survey revealed that workers need help as open enrollment draws near: 26 percent put too little or too much into flexible spending accounts and nearly one-fifth (24 percent) choose the wrong levels of coverage or benefits they don't need.²

Savvy employers will develop communications plans and materials that provide employees with regular, ongoing information about the workplace benefits available to them; how to use benefits to help ensure their families' financial security; and why different coverage combinations are appropriate at various life stages.

Employers that aren't in the position to create original benefits messaging don't have to forgo communications. They can rely on experts, because most brokers, insurance companies and benefits partners provide materials at little or no cost. For example, employers can find information about Aflac's voluntary offerings, including testimonials and policy descriptions, at [Aflac for Businesses](#).³

With all of this in mind, here are some things employees should consider when mulling their changing life insurance needs:

Pomp and Circumstance

Workers who are single and have just joined the workforce may believe they have little reason to purchase life insurance. But consider that an analysis of U.S. Census Bureau data by the Pew Research Center shows that one out of five adults between the ages 25 and 34 lived in multi-generational households in 2009. The median share of household income contributed by those individuals was almost 25 percent.⁴ Just imagine the financial blow losing 25 percent of the family income would be to loved ones left behind.

Other reasons singles might want to enroll in employer-paid life insurance coverage or supplement that coverage with a voluntary plan:

- » To pay funeral and other burial expenses.
- » To pay off creditors.
- » To cover federal and state estate taxes if they are fortunate enough to have high-value savings or investments.
- » To help siblings pay for college, to provide parents with funds for retirement or to finance a loved one's personal dreams.
- » To fund a scholarship or charitable program.

Going to the Chapel

Couples hearing summer wedding bells should evaluate their life insurance needs. If they already own life insurance, they should review their beneficiary designations, ensure their current coverage is sufficient and compare the cost of employer and individual plans. Sometimes voluntary plans cost less than company-provided benefits and offer more coverage than adding a spouse to an employer-sponsored plan.

As a side note, marriage also signals it's time for a health insurance review. Both spouses may have group health insurance through their employers, so the couple should compare prices to see if it's more economical to maintain separate plans or to choose "employee and spouse" coverage provided by one of their employers.

If one member of a couple is not covered by health insurance, he or she could be added to the other's group plan. Before taking that step, though, the newlyweds should consider an individual health insurance policy – it could be less costly than employers' group coverage for dependents.

Yes, Sir, That's My Baby

One of the last things new parents want to think about in the joyous months after a baby's birth is life insurance. But it may be appropriate for Mom and Dad to increase their coverage to reflect their new responsibilities. If the worst happens, life insurance benefits can pay for the child's college education or help a surviving parent pay the mortgage or rent, consumer loans, business debt ... the list is endless. Remember too that both parents should be insured. If a non-working spouse dies, life insurance benefits can be used to pay child-care and household expenses.

New parents will also want to add their babies to their health insurance policies. Some insurers require that additions be made within 30 days of birth. This includes employer-sponsored plans and voluntary plans too.

Ease on Down the Road

Many families choose the summer months to move. Those buying new homes will have questions about mortgage protection coverage. Lender-required MIP (Mortgage Insurance Premium) and PMI (Private Mortgage Insurance) protect lenders in the event of default – they won't pay off the mortgage if a homeowner dies.

Term life insurance is an inexpensive way for homebuyers to ensure their survivors have the funds needed to pay the monthly mortgage, or even to pay off a home loan in its entirety. With term insurance, the policyholder determines the beneficiary and coverage amount. And, since a term life policy isn't limited to a single purpose, its proceeds can be used not just to pay off a home loan, but also to pay debts, personal loans, college costs – in short, used to pay any bill threatening a survivor's security.

Here's another reason a move should trigger a life insurance review: Relocation is often triggered by a promotion and accompanying salary increase. If that's the case, the insured should consider protecting his or her family's lifestyle by increasing coverage.

A Cure for the Summer Time (Insurance) Blues

Summer days may be long and hot, but employers can help workers keep cool heads by providing them with information about life insurance and other health benefits options. Wise employers view the lead-up to open enrollment as an opportunity to celebrate and promote the benefits choices they make available to workers, as well as to kick start health and wellness campaigns.

Because benefits premiums are generally deducted from their paychecks, it's easy for workers to forget which options they've selected. Employers should communicate about specific benefits, total compensation, employee assistance programs and wellness incentives to educate workers about the important health and financial choices they'll make when summer turns to fall.

Sources

- ¹ Aflac, "American Workers Waste Months' Worth of Grocery Costs Due to Poor Benefits Choices," <http://www.aflac.com/aboutaflac/pressroom/pressreleasestory.aspx?rid=1727183> – accessed July 10, 2013
- ² The 2013 Aflac WorkForces Report, www.aflacworkforcesreport.com – accessed July 10, 2013
- ³ Aflac for Businesses, <http://www.aflac.com/business/default.aspx#/nancy-wilson> - accessed July 10, 2013
- ⁴ Pew Research, "Fighting Poverty in a Bad Economy, Americans Move In with Relatives," <http://www.pewsocialtrends.org/2011/10/03/fighting-poverty-in-a-bad-economy-americans-move-in-with-relatives/?src=prc-headline> – accessed July 3, 2013

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