Aflac WorkForces Report

Millennials: The debt-averse, insurance-buying generation

By 2017, millennials will have the most buying power of any generation. Still, with all that power, there are some things they won't spring for – things such as pay television, cars and mass-market beer.[1]

One thing millennials will buy, however, is insurance products. According to the 2016 Aflac WorkForces Report,[2] those born between 1980 and 1991 are big on protecting their belongings. For example, with the exception of roadside assistance, they're more likely than any other generation to use their hard-earned money for cell phone, home appliance, identity theft, trip, pet and even instrument insurance. They're even the most likely to insure major events, such as weddings, and to purchase products protecting them from tax audits.

While they may be very interested in insurance they perceive as providing financial protection, there are some things millennials shy away from. For example, according to a recent Bankrate survey, they're extremely debt-averse. In fact, 63 percent don't have credit cards.[3] What's more, the scars of the recent recession run deep: Fully 93 percent of millennials don't trust the banking market and are afraid to invest. As a result, 40 percent hold significant portions of their portfolios in cash, despite historically low interest rates.[4]

Another thing millennials aren't that fond of? 401(k) plans. According to the Financial Finesse 2014 Generational Research Report, millennials are less likely than baby boomers or Gen Xers to participate in 401(k)s.[5]

Millennials are first in line for voluntary insurance

Millennials' aversion to debt and traditional investment plans may explain why, according to the 2016 Aflac WorkForces Report, they are the first in line when it comes to voluntary insurance coverage. Millennials, at 42 percent, narrowly edged out Generation Z (41 percent) and Generation X (39 percent) as the most likely to be enrolled in voluntary insurance offered through their employers. The oldest workers, known as the silent generation, and baby boomers were the least likely, at 19 and 34 percent, respectively.[2]

Still, even with their fear of debt, more than half of millennials are not enrolled in voluntary workplace benefits[2] – despite the fact that voluntary insurance is arguably more valuable than many of the single-issue insurance products they've elected to apply for or purchase. For example, those without cellphone or home appliance insurance could replace those items for less than $1,000, but a single serious accident or illness could result in costly out-of-pocket expenses that aren't covered by traditional major medical insurance.

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The voluntary benefits solution

A bright spot for employers who want to help provide millennial workers with peace of mind – and for millennials who want to avoid debt – is the availability of voluntary insurance benefits options. Why voluntary? Because voluntary policies help ensure workers who are sick or hurt have the funds needed to help pay health-related costs their primary insurance might not cover. Here are some other reasons to consider making voluntary insurance available:

- Voluntary insurance can help provide employees with financial safety nets that help keep their minds on their jobs and not on money concerns. That's especially important, given that 30 percent of millennials who participated in the Aflac survey said personal issues distracted them at work in the last 12 months.[2]
- Voluntary insurance pays cash benefits regardless of any other insurance coverage employees have in place, including policies available through government health care exchanges. Benefits are paid directly to policyholders, unless otherwise assigned, to use as they see fit – whether that's to help cover the bills that continue to roll in when individuals are too sick or hurt to work, or to help pay medical copayments or deductibles.

Communicating with millennials about benefits

When communicating with millennials about voluntary health insurance benefits, employers should keep their fragile financial circumstances – and eagerness to save – in mind. After all, millennials might be the generation least equipped to cope with the out-of-pocket expenses that may accompany an unexpected accident or illness. The Aflac report found that despite their intentions to save, 62 percent of millennials have less than $1,000 on hand to pay out-of-pocket medical expenses, and 63 percent would not be able to adjust to the financial costs associated with a serious injury or illness.[2]

For this reason, voluntary insurance is something most millennials could benefit from. By emphasizing that voluntary coverage can help millennials avoid debt and retain financial independence, employers will strike a chord with these workers, increasing their interest in open enrollment and their benefits engagement.

Sources:

[1] Money Magazine. "10 things millennials won't spend money on." Accessed April 12, 2016. http://time.com/money/2820241/10-things-millennials-wont-shell-out-for/

[2] The 2016 Aflac WorkForces Report is the sixth annual Aflac employee benefits study examining benefits trends and attitudes. The Employee Survey was conducted online in the United States between Jan. 20 and Feb. 3, 2016, among 5,000 adults ages 18 and older who are employed full or part time at a company with three or more employees. Results were weighted to match U.S. demographics. No theoretical sampling error can be calculated; a full methodology is available. The 2016 Aflac WorkForces Report survey was conducted by Lightspeed/GMI on behalf of Aflac.

[3] Bankrate. "More millennials say no to credit cards." Accessed April 12, 2016. http://www.bankrate.com/finance/credit-cards/more-millennials-say-no-to-credit-cards-1.aspx

[4] CNN Money. "Crisis hangover: Millennials are scared to invest." Accessed April 12, 2016. http://money.cnn.com/2015/03/11/investing/investing-millennials-stocks-markets/

[5] Huffington Business. "7 ways Generation X is better than millennials with their money." Accessed May 13, 2016. http://www.huffingtonpost.com/gobankingrates/7-ways-generation-x-is-be_b_8772892.html

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