



# Designing Benefit Programs for Different Generations

The “gaps” between generations have been widely reported when it comes to embracing new technologies, ideas of work/life balance, and even in social interaction and managerial styles. So it should not be a surprise that research has uncovered distinct differences in levels of insurance coverage, buying preferences and expectations about benefit options at the worksite. As employers and their HR benefits advisors work to design benefit programs to serve multiple generations, the findings in the 2012 Aflac WorkForces Report<sup>1</sup> will prove critical

in better understanding and solving generational insurance gaps.

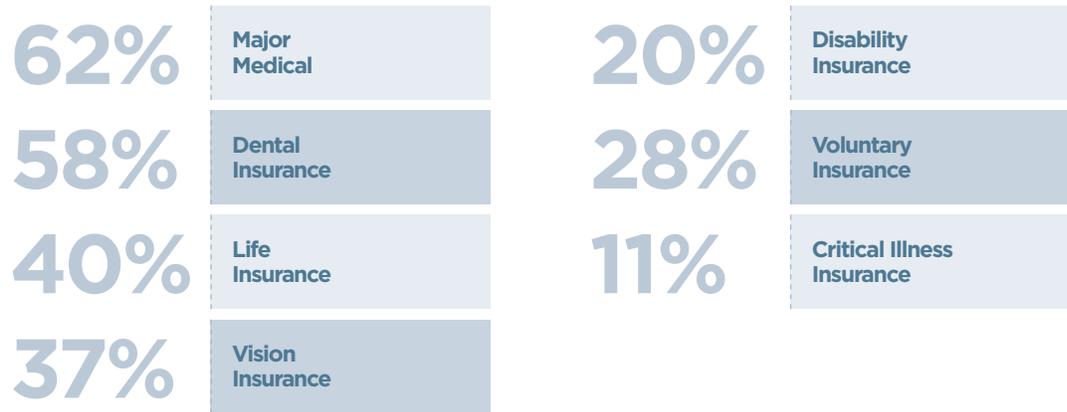
In designing benefits programs for the generations, it is imperative to take a holistic look at each age cohort, including varying education levels, experiences, life factors and even personality characteristics. Each of these aspects plays a role in what options are best suited to a generation, and more importantly, that appeal to those workers enough to drive participation and enrollment.

## Generation Y (18–24 Years Old)

Likely due in part to the recent recessionary environment, fewer jobs being available, and a highly competitive environment, it isn't surprising that nearly half (42%) of Generation Y workers are employed part-time. Furthermore, nearly one-third (31%) are working for small companies (2 to 24 employees). The Aflac survey also found that two out of ten (20%) currently work in the retail industry.

Taking these factors into consideration, many Gen Y workers are either not offered health insurance or are financially unequipped to enroll. According to the Aflac research, only 69 percent are offered major medical insurance and of those, fewer (62%) are enrolled, the least amount of any generation and leaving nearly 4-in-10 Gen Y workers without major medical coverage.

### PORTRAIT OF GEN Y'S CURRENT INSURANCE COVERAGE



While good health is more common among younger workers, which may be why many don't obtain

health insurance, there are other societal issues impacting their financial decisions.

## Lifestyle and Attitudinal Factors of Gen Y

Most generation Y workers are single (83%), and fewer than 10 percent have children living in the household. Persons in this age cohort are in a period of transition. They are reaching adulthood and facing the challenges and opportunities that come with personal and economic autonomy. These Gen Y workers are typically finishing their education, entering the workforce and making choices about living arrangements, marriage and lifestyle.

According to the Bureau of Labor Statistics 2011 Consumer Expenditure Survey, households headed by 18- to 24-year-olds spend five times more annually on entertainment and dining than out-of-pocket spending on health care. The single members of Generation Y are also more likely to rent a home and spend more money on education and alcohol. They are also likely to spend a smaller share on transportation and on personal insurance and pensions than their married counterparts.<sup>2</sup>

## Staying Power of Gen Y Workers

When it comes to loyalty, Gen Y workers are a bit more skeptical of corporate life compared to other age cohorts, having seen their parents lose jobs and the difficulties in their own job search and entry into the workforce. However, they are very capable of staying with their employer for the long haul if given access to the choices and flexibility they expect.

For this group in particular, it is critical that HR decision-makers and employers provide immediate access to work/life balance opportunities and a

range of benefit options. Absent of these, Gen Y workers will not hesitate to jump ship at the next best job opening.

Employers have much to lose with Gen Y attrition. These workers consider themselves the most ambitious of all age cohorts, as well as high achievers (31%), optimistic (24%), and receptive to new technologies (24%). Yet, few Gen Y employees are happy in their current job, with only 10 percent saying they are extremely satisfied. In fact, 68



percent of Gen Y workers indicate they are likely to look for a new job in the next 12 months, and 47

percent of those are extremely/very likely to do so.

## Barriers to Better Protection

### LACK OF UNDERSTANDING, COMMUNICATION ABOUT BENEFIT OPTIONS

Logically, younger workers are relatively unfamiliar with the ins and outs of benefits administration, enrollment and the importance of enrollment. In

fact, according to the Aflac report, Gen Y workers are the least engaged, least informed and least educated about most aspects of benefits among all age cohorts.

#### GENERATION Y DOESN'T UNDERSTAND THE "Y" BEHIND BENEFITS OPTIONS

44%

agree they need to be more engaged in making benefits decisions

55%

thinks their HR department communicates too little

26%

are not informed about benefits at their organization

61%

don't understand employer's contributions to insurance benefits

30%

feel their HR department is not effectively communicating about benefits

## Feeling Invincible

Also influencing the lack of interest in benefits is a general sense of invincibility among younger workers. Aflac's research finds that nearly all

Gen Y employees feel it is not at all likely they will experience serious medical events.

#### THE INVINCIBILITY OF GENERATION Y - "I'M NOT AT ALL LIKELY TO ..."

...be diagnosed with chronic illness"

71%

...require a long-term hospital stay"

78%

...have a need of long-term care"

79%

...become disabled"

84%

...be diagnosed with cancer"

79%

...have a car accident"

61%

Yet despite their high level of denial about the possibility of unexpected medical events, these workers admit they would be most worried about financial ramifications of such occurrences, more so than any other generation. For example, Gen Y workers named "how much it would cost" as the first thing they would think of if they had a serious illness

or accident (46%), followed by "how I would pay for my monthly expenses" (25%).

With so few Gen Y workers protected by adequate insurance policies, it is understandable that only 18 percent indicated the first thing they would think about if they had a serious illness or accident was "whether my insurance would cover everything."

## Unequipped Financially

Perhaps as a result of lifestyle factors and lack of employment opportunities, many Gen Y workers are

in financial distress, coping with current debt issues and failing to prepare for retirement.

### GEN YS IN FINANCIAL DISTRESS

58%

are trying to reduce debt

25%

are currently dealing with a financial crisis

18%

feel their goals and dreams are financially protected

7%

agree they are well prepared for retirement

Beyond the financial struggles Gen Y workers face, they are largely unprepared to deal with the financial aspects of an unexpected medical event. A mere 8 percent has confidence in their ability to cope with the financial impact of a serious medical event. Just 2-in-10 Gen Yers feel their family will be financially protected, and nearly half (47%) say they would be unable to adjust to the financial costs associated

with a serious illness or injury.

Perhaps most startling is the lack of resources to cover out-of-pocket expenses from serious illnesses or accidents. With the majority (64%) of Gen Yers indicating they are not prepared to pay for such outlays, and more than three-quarters (76%) saying they have less than \$1,000 to pay for such expenses.

### Bridging the Gap for Gen Y Workers

It is not an easy task to meet the varying needs of each generation, when it comes to benefits choices. However, with 72 percent of Gen Y employees saying they would be more likely to take advantage of benefit options tailored to their personal situation, it's clear that employers who offer such options are more competitive to Gen Yers.

Voluntary benefits are one way that allows employers to extend a host of offerings and more choices to these workers. Aflac research finds that Gen Y workers are the most likely of all age

cohorts to purchase voluntary insurance, with 67 percent indicating so. Top reasons for obtaining additional insurance products includes, "to offer me more options when it comes to health care coverage," "to meet my needs," and "to give me more comprehensive health insurance."

Considering the current enrollment of Gen Y workers in voluntary insurance, a clear opportunity exists for HR decision-makers and their advisors to better protect workers and give them the options to obtain the additional products they so desire.

### GENERATION Y ENROLLMENT IN VOLUNTARY PRODUCTS - OF THE 28% WHO ARE CURRENTLY ENROLLED IN VOLUNTARY POLICIES, THEY HAVE ...

39%

Supplemental Life Insurance

37%

Long-term Disability Insurance

49%

Short-term Disability Insurance

53%

Voluntary Dental Insurance

18%

Long-term Care Insurance

30%

Voluntary Vision Insurance

17%

Accident Insurance

14%

Cancer Insurance

18%

Critical Illness Insurance

10%

Hospital Intensive Care Insurance

Another aspect to consider in better protecting Gen Y workers is wellness programs. From White House education campaigns to fast food menus – the onslaught of health and wellness programs in the U.S. shows no signs of slowing down. Yet, Gen Y workers see themselves as more stressed and less healthy than their older “Boomer” and “Traditionalist” counterparts.

The 2012 Aflac WorkForces Report found that Gen Y employees exercise the least (32%) and Gen Y and Gen X outranked older generations for “not eating as well as they should” (48% and 50 % respectively).

Gen Y respondents also say they are the most stressed generation.

What could be affecting the health of these younger employees? According to the Aflac study, one factor may be their lack of engagement in workplace wellness programs. The survey found that fewer than one in four Gen Y respondents works for a company that currently offers a wellness program, although the majority say they are likely to participate in individual health events including company fun runs (62%), health fairs (63%) and biometric screenings (63%).

## Key Take-Aways to Motivate Generation Y in Benefits Programs

There are several insights that emerged from the 2012 Aflac WorkForces Report that can help HR managers and benefits advisors increase enrollment in benefits and improve protection of their younger workforce.

- » **Focus on brand name.** Brand name or reputation was very important when selecting insurance benefit options for all workers. In fact, 78 percent of Gen Yers indicated so.
- » **Make it seem doable.** When Gen Y workers were asked how likely it would be that they could and would save \$50 a month to protect them and their family in the case of an unexpected serious illness or accident, a full three-quarters said they would be likely to do so.
- » **Offer financially-friendly products.** For younger generations, term life insurance is an excellent fit because it is affordable. Also, given most Gen Yers don't have kids or significant assets, such as a home, to protect, term is a good option for them.
- » **Offer relevant products.** As Gen Y workers come of age, marry and begin to start families, policies such as hospital indemnity plans and hospital intensive care plans are particularly relevant. Also, while the need for cancer products may be a bit farther off, accidents can happen to anyone of any age and can severely impact financial health of already challenged Gen Yers.
- » **Consider wellness initiatives.** Given that most Gen Y workers do not have access to employer-sponsored wellness programs, implementing a few low-cost options can improve the overall health of these workers, while also boosting the company bottom line.

## Generation X (25–44 Years Old)

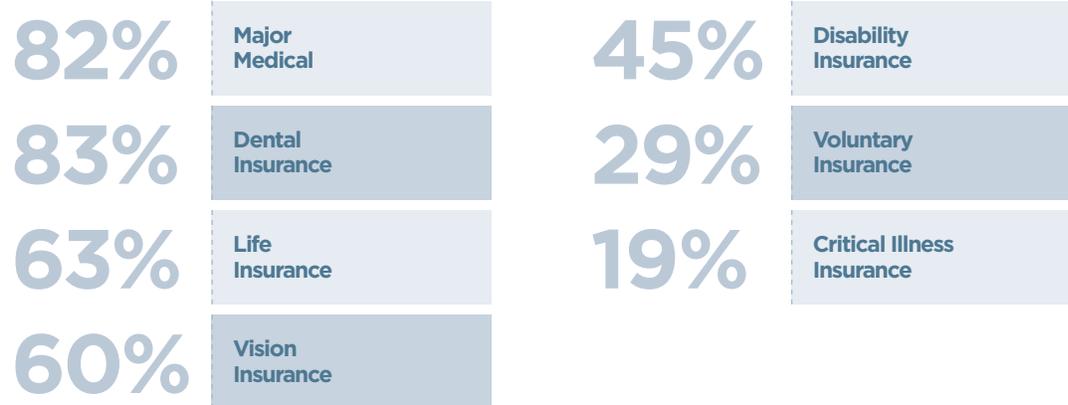
Generation X workers, alongside their older Baby Boomer cohort, have quite possibly been the most scarred by the 2008 recession, in both their personal and professional lives. This group of workers has the highest unemployment rates, and their careers have been greatly altered, even stagnated, by the current economic situation.

Although Generation X workers had a better footing in their financial and career outlooks before the start of the recession, their life stage and circumstances meant they had also taken on greater responsibilities, such as homeownership and starting families. Therefore, they were far more impacted by being laid off and not receiving an expected raise or bonus than other generations.

This may be why the Aflac study found Generation X workers to be the least optimistic among all cohorts. In fact, only 18 percent of these workers say they are optimistic. Additionally, they are one of the most stressed of the generations, according to the study.

While most Generation X workers are enrolled in major medical coverage and other ancillary products, the ability to protect their current and future income is pressing for this group so as not to further erode savings and ability to pay down debt. With only 4-in-10 Gen X workers enrolled in disability and 37 percent not covered by life insurance, many are risking the income protection needed for themselves, and their growing families.

### PORTRAIT OF GEN X'S CURRENT BENEFITS COVERAGE



Longer life spans for Generation X mean more medical bills and a greater need for cash. Yet many of these workers are already in financial stress. According to a 2012 Insured Retirement Institute study, during the recession 15 percent of Generation

Xers made early withdrawals from their 401(k) plans, 23 percent stopped contributing to their retirement accounts, and 22 percent stopped contributing to college savings plans.<sup>3</sup>

### Lifestyle and Attitudinal Factors of Gen X

Easily and often overlooked, members of Generation X are largely considered “the forgotten” generation because they are sandwiched between two dynamic and game-changing cohorts – the Baby Boomers and Generation Yers. With nearly half (45%) of Gen Xers married, and 35 percent with children under 18 living at home, these workers find themselves in need of aggressive retirement planning and yet are not adequately protecting their income.

Generation X workers grew up in an era of two-income households, and became the first of the “latchkey” children. This in turn makes these workers highly independent and value responsibility. They are also among the most

technologically-savvy in our society, having grown up with computers, PDAs, cellphones, email, and the like.

However, when it comes to considering and purchasing insurance products, Generation X prefers the high-touch approach. According to Aflac research, 42 percent of Generation X workers said their preferred method of communication about employee benefit options is through a broker or benefits professional. After these employees arm themselves with the basic information and research they need via the Web, they much prefer a person to actually close the deal.

## Staying Power of Generation X Workers

If there is one age cohort that is arguably most important to retain, it may be the members of Generation X. These workers are on the brink of becoming the darlings of the job market. Although more Baby Boomers are working longer and delaying retirement, the reality is that soon these employees will be exiting their long-held positions and turning their offices over to their Generation X counterparts.

Alarming, the Aflac survey found that Generation X workers are among the most susceptible to

turnover. The study found that more than half (58%) are likely to look for a new job in the next 12 months, while a full one-third of Generation X employees are extremely/very likely to do so.

What's the good news? Benefits can be a powerful factor in helping retain these valuable workers. According to the study, nearly half (49%) indicated that improving their benefits package would keep them in their job.

## Barriers to Better Protection

### LACK OF UNDERSTANDING, COMMUNICATION ABOUT BENEFIT OPTIONS

The nation's largest companies expect the cost of their health care benefits to rise an average 7 percent in 2013, according to the National Business Group on Health.<sup>4</sup> The Aflac survey found that 52 percent of companies intend to increase employee copays or share of the premium in 2012. Controlling medical/health care costs was the most important HR issue facing respondents today, so it comes as no surprise that many companies are managing these costs by shifting or passing on these increases to workers.

For Generation X workers, their negative perception of employers is higher than many other cohorts. Many feel particularly frustrated by lack of career growth opportunities, delayed retirement of Baby Boomers, and the disappearance of salary increases.

If employers continue to shift the burden of health care costs to Generation X workers, without effectively managing the perception and explanation of such increases, resentment among these employees will continue to rise.

### GENERATION X FEELING EFFECTS OF EMPLOYER COST-SHIFTING

76%

feel shifting health care costs negatively impacts their job satisfaction

53%

say shifting health care costs makes them feel negatively towards their company

75%

feel shifting health care costs negatively impacts their willingness to stay with their current employer

48%

don't understand employer's contributions to insurance benefits

## New Priorities in Planning for Retirement

Most young workers have little faith in Social Security benefits being available when they retire. In fact, a famous poll found that members of Generation X are more likely to believe in the existence of UFOs than they are that Social Security will be around for them when they retire. Pensions and employer-sponsored health insurance for life are quickly disappearing. Concurrently, the projected retirement costs for these workers are much higher than their older counterparts.

A recent survey by Aon Hewitt found that Gen Xers will need about 16 times their final salary to pay for retirement, and roughly \$2 million to maintain their standard of living.<sup>5</sup> Yet, despite a clear majority (67%) of Generation X workers having a financial plan in place, the Aflac study found that only 19 percent agree that they are well-prepared for retirement. Three-quarters (75%) of Generation X workers say they have delayed retirement because they don't believe they are financially prepared.

## Little Income Protection, Lots to Lose

Generation X workers are at a point in their life where they are building their assets, while also building a family with young dependents. As such, they generally have more debts, such as mortgages, car payments, education costs and more. Simply put, they have a lot to protect financially if something should happen to their income.

The ability to earn an income is paramount to short and long-term financial stability. In fact, a study by the Council for Disability Awareness (CDA) found that 90 percent of wage earners rated their “ability to earn an income” as valuable/very valuable in helping them achieve long-term financial security. Wage earners perceive their ability to earn an income as even more valuable than retirement savings, medical insurance, personal possessions, and other forms of savings.<sup>6</sup>

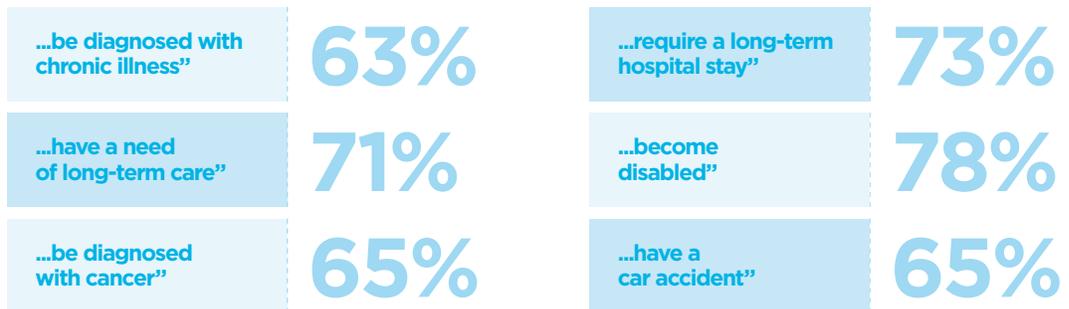
A disabling accident or illness is arguably the most threatening event to erode the ability to earn an income. Yet, Generation X workers are among the least likely of all generations to think they will

become disabled – with 78 percent saying it is not at all likely. The reality is just over 1-in-4 of today’s workers will become disabled before they retire.<sup>7</sup>

Contributing to this denial is the fact that few understand the wide range of “disability” that could occur. The CDA notes that 90 percent of disability claims in the U.S. are unrelated to workplace injury. Instead, they are filed for acute or chronic illnesses or health conditions.<sup>6</sup>

Furthermore, most workers are unaware the amount of wages that will be replaced by programs such as, workers’ compensation or Social Security disability benefits. For example, employees can only get workers’ compensation if their injury or illness is job related – but less than 5 percent of disabling illnesses or injuries are. Social Security disability benefits generally only provide about \$1,100 per month and most (65%) applications were denied in 2009.<sup>7</sup>

### THE DENIAL OF GENERATION X - “I’M NOT AT ALL LIKELY TO ...”



The message that disability is a very real possibility to plan for, and that even one year without income

due to a disability could erase their finances should resonate with this group.

## Bridging the Gap for Generation X Workers

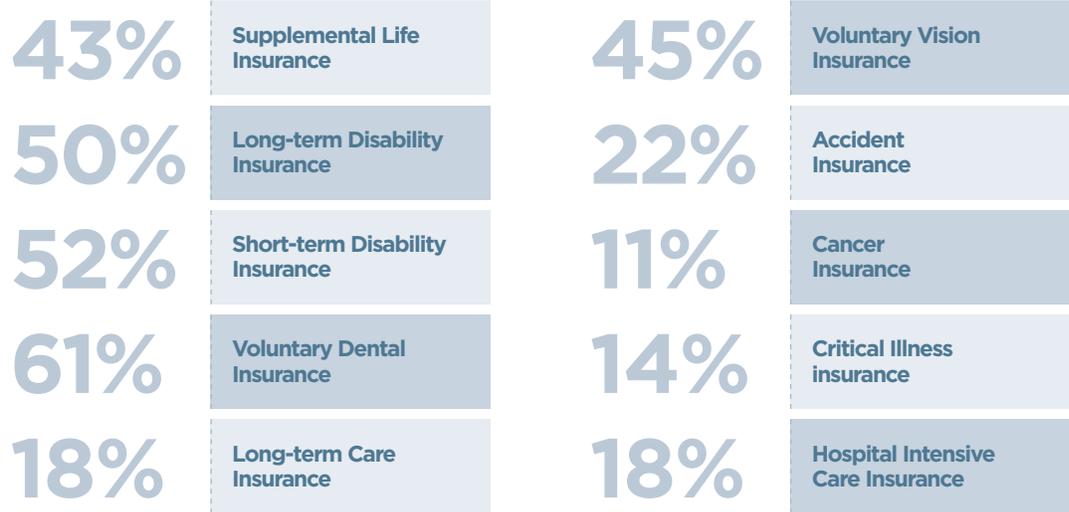
Since many Generation X workers are juggling a variety of financial demands (buying a home, caring for a family or preparing for retirement), both the need and desire for a range of insurance options are particularly relevant for this age group. In addition, these workers are experiencing cost-shifting first-hand, and with the increase in consumer-driven health plans, they have a greater propensity to purchase their own insurance protection and rely less on employer-paid benefits.

The need for income protection and preparedness for out-of-pocket expenses is evident. According to

the Aflac study, two of the top three most important issues for Generation X workers are the “increasing cost of out-of-pocket expenses” (23%) and “increasing cost of major medical/health insurance” (22%).

All of these factors contribute to the interest among Generation X workers to supplement existing coverage or expand their protection. Aflac research finds that Generation X workers are likely to purchase voluntary insurance, with 61 percent indicating so. Further, 71 percent of these workers indicated they would purchase additional insurance products to ensure their coverage is adequate.

**GENERATION X ENROLLMENT IN VOLUNTARY PRODUCTS – OF THE 29% WHO ARE CURRENTLY ENROLLED IN VOLUNTARY POLICIES, THEY OWN ...**



Similar to their younger Generation Y counterparts, people in the Generation X cohort are admittedly lacking when it comes to maintaining a healthy lifestyle.

The 2012 Aflac WorkForces Report found that only

38 percent, the lowest percentage among all age groups, agree that they are healthy and eat right. In addition, 74 percent agree that they could be healthier if they exercised more regularly – more so than any other generation.

**THE “NOT-SO-HEALTHY” STATE OF GENERATION X**



When you consider that processed, convenience food products were staples of the Generation X childhood and still make up the core of many diets, it isn't surprising this group of workers is struggling to remain healthy.

For employers, the need to address Generation X health and wellbeing couldn't be more urgent. Because this group of workers is reaching middle age, the ability to maintain muscle mass and lean

body fat is harder, and therefore, many are struggling with being overweight. This can raise the risk of cancers, heart disease, diabetes, stroke, high cholesterol, and other issues. When considering wellness initiatives for Generation X workers, employers will need to focus on doctor visits and routine screenings. These efforts will be particularly crucial because many serious illnesses appear in middle-aged adults, often with no visible symptoms.

**To Better Protect the Generation X Worker**

There are several insights that emerged from the 2012 Aflac WorkForces Report that can help HR managers and benefits advisors increase enrollment in benefits and improve protection of their Generation X workforce.

» **Offer Relevant Financial Planning.** Craft financial education programs that are applicable to Generation X workers, such as how to pay off

student loans, purchase a home, reduce debt and start a retirement/savings plan.

- » **Make a case using social media.** Marketing benefits to younger workers requires a slant towards technology and social media. These workers want to learn about benefit options through quick navigation and instant access. Consider using nontraditional means of engaging with this group, including Twitter, YouTube or blogs.
- » **Acknowledge Gen Xers' need for income protection.** Generation X workers grew up in an era of two-income households, and became the first of the “latchkey” children. This in turn makes these workers highly independent and value responsibility. The message that disability

is a very real possibility to plan for, and that even one year without income could erase their finances, should resonate with this group. These workers are particularly in need of income-protection policies, including life insurance and disability.

- » **Wellness Initiatives Are a Win-Win all around.** Given the challenge for most employers to contain rising health care costs, there is a pressing need to improve the health and wellbeing of this critical age cohort. Implementing a few low-cost options can improve the overall health of these workers, while also boosting the company bottom line.

## Baby Boomer (45–64 Years Old)

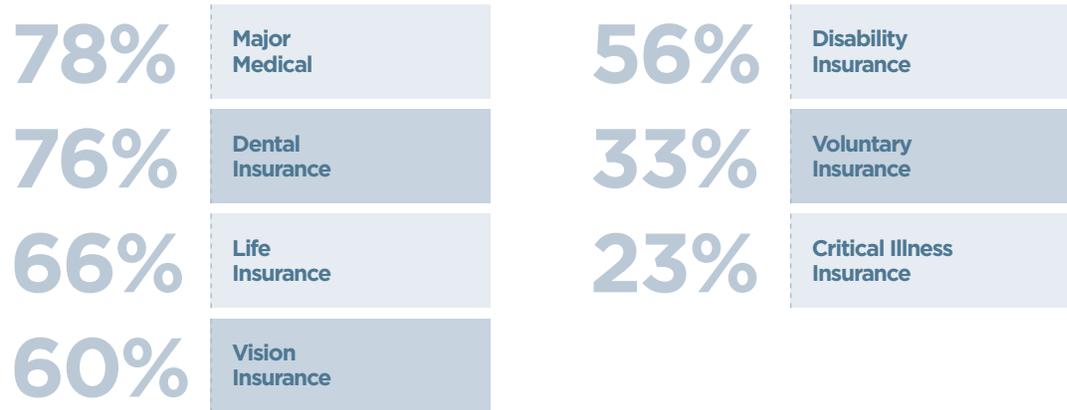
There is arguably no other generation that has been more affected by the 2008 recession than Baby Boomers. This cohort, the largest, was on the brink of mass retirement, passing the career opportunity baton to their younger Generation X counterparts. However, the retirement plans of Baby Boomers were drastically altered when the economic downturn began and continues today. Massive layoffs, Wall Street shake-ups and a steady decline in the housing market have eroded Baby Boomers' nest eggs and retirement plans.

However, Boomers are well-equipped to deal with change, as they have managed to alter and redefine nearly every life stage they have moved through.

A good portion of these workers are working longer than expected to recoup what they may have lost, while others are choosing to continue a career because they want to remain active – supporting the notion that Baby Boomers are redefining the concept of “old age.”

The decision for many Baby Boomers to stay or retire often comes down to health care benefits. Companies without a retiree medical program may see Boomers staying longer in their jobs than they normally would. Whether or not that notion is a welcome one depends on the employers' desire to retain key talent they may have otherwise lost to retirement.

### BABY BOOMERS' CURRENT BENEFITS COVERAGE



Overall, Baby Boomer workers are among the most protected by ancillary or supplementary benefit programs – either purchased through their employer or on their own. Beyond health care benefits, they

are also the most active in 401(k) participation compared to other generations, with 77 percent currently enrolled.

## Lifestyle and Attitudinal Factors of Baby Boomers

Baby Boomers are unique in a number of ways, including the fact that more of them are college graduates and a higher percentage of men and women in this cohort are in the workforce full time, which has led to higher income levels than some other generations.

In addition, more Boomers are married than any other generation, a full 62 percent. A growing number of Baby Boomers still have children living in their home or are caring for younger children. The Aflac study found that 19 percent of Boomers still have children under the age of 18 living in their

household. One child in 10 in the U.S. lives with a grandparent, a share that has increased slowly over the past decade before rising sharply from 2007 to 2008, the first year of the recession, according to a new Pew Research Center analysis of U.S. Census Bureau data.<sup>8</sup> Also, another 13 percent are currently caring for or coping with a serious health issue of a parent.

This group of workers is among the most ambitious of all cohorts. They are also most likely to describe themselves as high achievers and as able to be counted on.

## Staying Power of Baby Boomer Workers

More and more Baby Boomers are delaying retirement, both out of necessity and choice. According to the Aflac survey, half (50%) of Baby Boomers say their expected retirement age is older than they previously anticipated, and the overwhelming majority (95%) say it is because they are either financially unprepared to retire or they need to maintain health insurance.

Since 2007, household income has fallen by 10 percent for adults ages 55 to 64, which makes it more difficult for this group to prepare for retirement.<sup>9</sup> And, according to an AARP Public Policy Institute Survey of older adults, a quarter of those age 50 and older say they exhausted their savings, and 12 percent lost health insurance. Many older workers aren't earning enough to build a significant nest egg.

In 2010, about one-third of workers age 65 and older were in low-wage jobs that paid less than \$11 per hour. The proportion of part-time workers age

55 and older would prefer full-time work nearly doubled over the same time period, from 9 percent to 17 percent.<sup>10</sup>

The delayed exodus of Baby Boomer workers will surely impact the world of work, and how companies manage and engage them. It may also exacerbate the already-present frustration among Generation X workers who feel stagnated by lack of promotions, career growth and opportunities. The reality is that Baby Boomer workers have a lot to offer organizations, given their educational attainment and institutional wisdom.

Therefore, HR decision-makers and executives will need to plan strategically for how to manage this group of workers, how and when they may retire, and how to best retain them. Health care and other ancillary benefits will be particularly crucial for this group of workers, given their life stage and the economic impact on them.

## Barriers to Better Protection

### HIGHER RISK OF SERIOUS HEALTH EVENTS, DECREASING COVERAGE LEVELS

According to a report from The Commonwealth Fund, over 60 percent of adults ages 50 to 64 who are working (or have a working spouse) have been diagnosed with at least one chronic health condition, such as arthritis, cancer, diabetes, heart disease, high cholesterol or high blood pressure.<sup>11</sup>

Not only does this higher incidence of health events impact employees, but it also contributes to higher claim costs for employers. Combine this with gaps in insurance protection, and it can lead to very high out-of-pocket costs for Baby Boomers, which in turn

threatens their ability to save for retirement.

Worsening the issue is the fact that many employers are cutting back on retiree health benefits, raising premium contributions and copayments, or eliminating coverage completely. A report by Towers Watson showed that more than a quarter of companies polled plan to drop retiree health plans in 2012 for some employees, such as new hires.<sup>12</sup> Further, the Aflac survey found that 52 percent of companies intend to increase employee copays or share of the premium in 2012.

## The Burden of Out-of-Pocket Expenses

Rising health care costs will likely stand in the way of many Baby Boomers' ability to build retirement savings. Despite having major medical insurance, out-of-pocket costs not covered by these programs are expected to increase relative to income growth.

According to a 2010 report from The Urban Institute, between 2010 and 2040, median annual real out-of-pocket costs for Americans age 65 and older will more than double in constant 2008 dollars, from about \$2,600 to about \$6,200. Nearly 1-in-10 older adults will spend more than \$14,000 per year on health care in 2040.

At the same time, between 2010 and 2040 the median share of household income spent on health care by Americans age 65 and older will increase from 10 to 19 percent. The share of older adults spending more than a fifth of their household income on health care will increase from 18 percent in 2010 to 35 percent in 2030 and 45 percent in 2040.<sup>13</sup>

This is already a reality for Boomers today. The Aflac study found that 43 percent of Baby Boomers agree that they would be unable to adjust to the large financial costs associated with a serious illness or injury.

### BABY BOOMERS' BLEAK FINANCIAL OUTLOOK

40%

feel not very/not at all prepared to pay for out-of-pocket expenses

24%

are confident in their financial future

34%

agree they are well prepared for retirement

67%

have less than \$1,000 to pay for out-of-pocket medical expenses

### Bridging the Gap for Baby Boomers

It is evident that Baby Boomer workers face a unique, challenging future when it comes to income, health and financial protection. For companies that seek to leverage and retain this group of talented workers, or that need to contain health care costs within their organization, tailored benefits packages for this group can be particularly impactful.

Sixty-nine percent of Baby Boomer workers would be more likely to take advantage of a benefits package tailored to their life stage. Yet, only one-third (33%) of companies today are doing so. Yet, as established earlier, there are clear nuances when it comes to the Baby Boomer generation and their benefit needs.

For Baby Boomers, a package might include heavy retirement savings plans/incentives, health savings plans, or voluntary insurance policies. These plans

help protect their assets in case of serious illnesses and are portable, allowing them to retain their insurance coverage long after they stop working. Companies can even consider fringe benefits such as grandchild care, flex time or phased retirement programs.

Given the reduction in retiree medical benefit programs and in health care benefits overall among companies today, voluntary benefits are an effective way to shore up gaps in Baby Boomers' coverage. In fact, the primary reasons for purchasing voluntary insurance policies given by Baby Boomers are "to give me more comprehensive health insurance coverage (36%)" and "to offer me more options when it comes to health care coverage (41%)."

### BABY BOOMERS ARE HIGHEST USERS OF VOLUNTARY PRODUCTS - OF THE 33% WHO ARE CURRENTLY ENROLLED IN VOLUNTARY POLICIES, THEY OWN ...

44%

Supplemental Life Insurance

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Voluntary Vision Insurance

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Critical Illness Insurance

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Long-term Care Insurance

22%

Hospital Intensive Care Insurance

Particularly given the anticipated rise in out-of-pocket expenses and increase in cost sharing through raised premiums, deductibles and copays, integrating

voluntary benefits with core group offerings can help Boomers protect themselves against further financial exposure and alleviate retirement saving pressure.

## To Encourage Baby Boomer Enrollment

There are several insights that emerged from the 2012 Aflac WorkForces Report that can help HR managers and benefits advisors increase enrollment in benefits and improve protection of their Baby Boomer workforce.

- » **Don't lecture.** Baby Boomer workers appreciate a human connection and want to feel they can trust whomever it is trying to market the benefit plan. Too much of a sales lecture will backfire with this generation.
- » **Avoid a "one-size-fits-all" approach.** Baby Boomer workers require tailored benefit options to meet their unique life stage and needs. Not only should the benefits program include tailored policy options, but communications and marketing to this group should be tailored as well.
- » **Use role models.** While younger generations may appreciate hearing from experts, this group of workers was raised in an antiauthoritarian era. Using real-life examples of policyholders and case studies of how benefits can impact their life is a better route to go.
- » **Offer relevant health-related products.** Older generations, such as Baby Boomers, need to have a benefit program that includes income protection policies, such as disability, life insurance and accident.
- » **Offer relevant financially-protective products.** Remember, Baby Boomers were perhaps hardest hit from the recession and are seeking ways to rebuild their nest eggs. Financial support such as, 401(k) programs, health savings accounts, financial and retirement planning programs, etc. are particularly relevant to this group of workers.

## Traditionalists (65+ Years Old)

Traditionalists, also known as the Silent Generation, are often overlooked in generational studies and in the workplace. In the past, this age cohort would be largely retired and have little impact at the worksite. However, given the recession of 2008, these workers were also greatly affected financially, causing many to forego plans to retire.

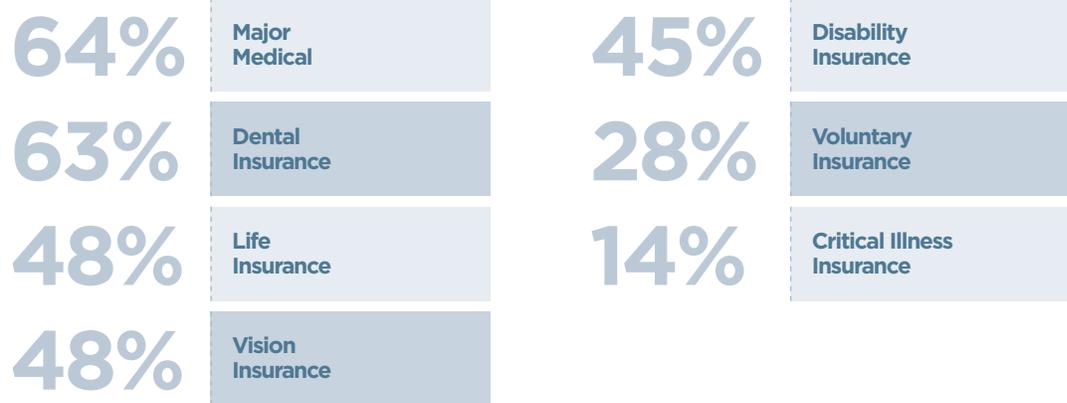
Traditionalists number 70 million with approximately 25 percent still in the workplace today.<sup>14</sup> According to the Aflac Workforces Report, half of those in the workplace are employed part time. Also, nearly one-quarter (21%) of Traditionalists work within the education sector.

This generation is well-known for their loyalty to employers, and generally “work to live” not

“live to work”. They respect authority and believe strongly in hard work. In fact, the Aflac study found that Traditionalists are most likely to describe themselves as someone who can be counted on (72%), more than any other age group. They are also the most likely to say they are highly educated, with 38 percent saying so. Finally, Traditionalists have been working at their current employer longer than any other age cohort, employed an average of 14 years.

When it comes to benefits coverage, Traditionalists are less protected than their younger Boomer and Gen X counterparts. According to the Aflac research, only 64 percent are enrolled in major medical insurance, leaving nearly 4-in-10 Traditionalists without major medical coverage.

### PORTRAIT OF TRADITIONALISTS' CURRENT BENEFITS COVERAGE



Americans are generally living and working longer than previous generations because their health has improved at older ages and jobs have become less physically demanding. Therefore, Traditionalists

are in need of adequate benefits coverage, given their age and the disappearance of employer-sponsored retiree health benefits.

### Lifestyle and Attitudinal Factors of Traditionalists

According to the Aflac Workforce Report, a little over half (58%) of Traditionalists are married, while another 12 percent are widowed and one-fifth are divorced. Not surprisingly, only 3 percent of respondents in this generation have children living in their household.

Only 49 percent of Traditionalists say they are well-prepared for retirement, and on average these workers say they expect to retire at age 72. As such,

a little more than half (51%) say they are currently saving for retirement. Members of the Silent Generation are the most likely to say their expected retirement age is older than they previously expected, with nearly 6-in-10 indicating so. While most of these workers have delayed retirement because they are not financially prepared (48%), a large portion of them are doing so because they'd like to remain active (38%).

## Staying Power of Traditionalists

This age cohort has a lot to offer organizations during their remaining working years. While some younger generations are struggling with interpersonal skills, given their reliance on technology and social media, Traditionalists are excellent in face-to-face situations. They are among the hardest working and have high regard for companies, people and the government.

Traditionalists are the most satisfied with their jobs compared to all other generations, with 26 percent indicating they are extremely satisfied. They are also the most likely to recommend their current employer to others (26% say extremely likely). Further, these workers have high regard for their current employers, giving them the highest marks when it comes to believing their company has a reputation as a great place to work and that it takes care of its employees.

## Barriers to Better Protection

When it comes to benefits, Traditionalists have few challenges relative to other generations. For example, they are the most likely to understand their benefit options, to be engaged in benefits decisions and to understand their companies' need to cost-shift. Few Traditionalists are in denial about the possibility of serious illnesses or accidents.

However, one large barrier to long-term benefits protection, particularly during and after retirement, is their low participation in voluntary benefit

## Lack of Understanding of Voluntary Benefits

While voluntary benefits have become increasingly popular over the past few decades, there is some confusion with Traditionalists about how and why these benefit policies are beneficial.

For example, one-quarter of Traditionalist workers believe that voluntary benefit plan payouts can only be used for specified medical expenses and 26 percent believe voluntary plans pay doctors

## Bridging the Gap for Traditionalists

There is little question as to the unique benefits needs of the oldest of generations in the workplace. Although healthier than the generations before them, these workers are still at an increasingly higher risk of illness or serious health events. At the same time, companies will often need to rely upon these workers to maintain important positions or to help pass along wisdom and help prepare younger

Driven by high loyalty, Traditionalists are the least likely to be looking for a new job in the next 12 months. Only 30 percent indicate they will do so, and a mere 15 percent are extremely/likely to look for a new job in the next year.

Given this generations' corporate and life wisdom, interpersonal skills, hard-working mentality and loyalty, employers may need to rely on Traditionalists in many capacities including succession planning. As more of these workers move towards retirement, flexibility in schedules and a move toward part-time work will be important.

With the relative demise of retiree health benefit programs and the need to control health care costs for organizations, companies will need to explore a range of options to help keep these valuable workers protected while also managing the bottom line.

enrollment. A little over one-quarter (28%) of Traditionalists are currently enrolled in voluntary insurance benefits. Furthermore, only 36 percent of these workers are likely to purchase voluntary insurance, significantly fewer than any other generation.

Arguably, this cohort is most in need of voluntary products, given their impending retirement and higher risk of a serious illness or accident.

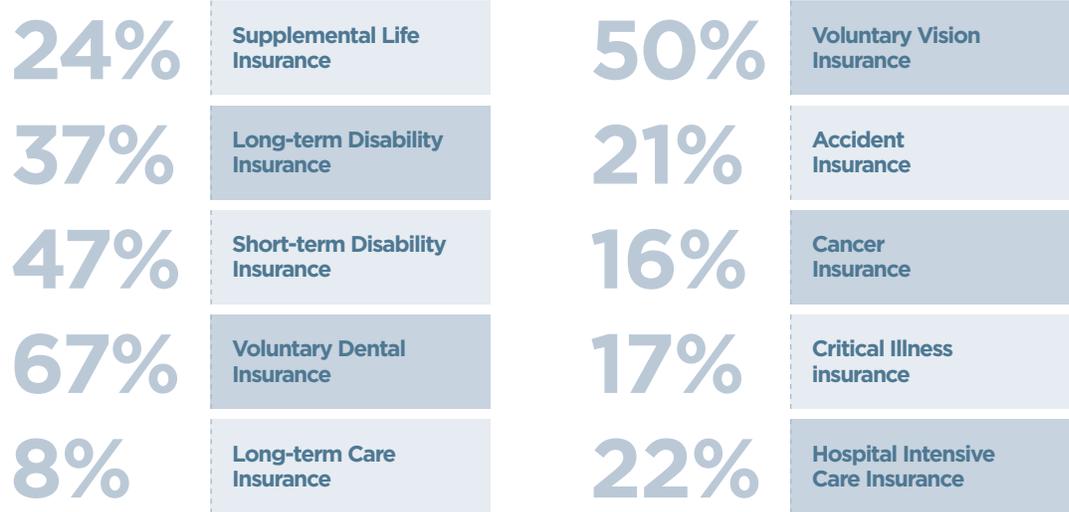
directly for medical bills. Nearly one-third (31%) don't believe premiums are paid with pre-tax dollars. Little over 1-in-10 of these workers understand that voluntary policies pay them cash directly.

Perhaps most important, only 14 percent of Traditionalists know the voluntary policy is theirs, and they can take it with them when they leave their employer.

workers to take their place.

Voluntary benefits are arguably an effective way for companies to not only protect this important cohort, but to help protect against high medical claims and costs. Additionally, for Traditionalist workers, these important policies can remain with them as they enter retirement or as long as they need them.

TRADITIONALIST ENROLLMENT IN VOLUNTARY PRODUCTS - OF THE 29% WHO ARE CURRENTLY ENROLLED IN VOLUNTARY POLICIES, THEY OWN ...



For example, older workers are in greater need of disability insurance and life insurance to help protect their income and retirement savings. Typically, group plans cover workers until they reach full retirement age, as defined by the Social Security

Administration. For workers past retirement age, which is nearly all Traditionalist workers, group plans typically cover 18 to 24 months of long-term disability.

## Appealing to Traditionalists during Benefits Enrollment

When it comes to marketing and communicating benefits to Traditionalists, many of the same concepts and principles that apply to Baby Boomer workers do so with this group as well.

- » **Don't lecture.** Traditionalist workers appreciate a human connection and want to feel they can trust whomever it is trying to market the benefit plan. Too much of a sales lecture will backfire with this generation.
- » **Use role models.** While younger generations may appreciate hearing from experts, this group of workers was raised in an antiauthoritarian era. Using real-life examples of policyholders and case studies of how benefits can impact their life is a better route to go.
- » **Offer relevant health-related products.** Older generations, such as Baby Boomers, need to have a benefit program that includes income protection policies, such as disability, life insurance and accident.
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## Conclusion

Workers today are diverse, spanning four unique, impactful generations. Each has been raised differently with a range of life experiences shaping their attitudes, expectations and needs when it comes to benefits options.

The 2012 Aflac Workforce Report has uncovered demographic and behavioral insight into each of these important generations. Armed with better knowledge about each group's benefit needs, employers can present options to help better protect, engage and retain their valuable workers.

FOR MORE INFORMATION, VISIT [AFLAC.COM/INSIGHTS](http://AFLAC.COM/INSIGHTS) OR FOLLOW US @AFLAC  

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