

# MetLife

## THE VALUE OF EMPLOYER-PAID RETIREE LIFE INSURANCE

Recent economic events have highlighted employees' concerns about their financial security during retirement. Despite the shift in recent years toward greater personal responsibility for retirement, employees continue to depend on benefits provided at their workplace as a significant source of financial protection and stability.

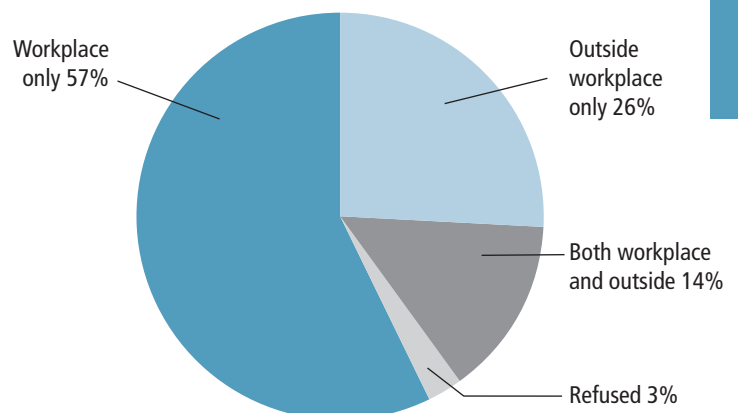
Employers can use these benefit programs and their purchasing power to help employees build a financial safety net for the future by offering diverse solutions to meet a range of needs, including those of retirees. Employer-paid group term life insurance can provide valuable financial security to retirees and their loved ones. During retirement, this benefit can reduce the financial burden on retirees, and the proceeds can help loved ones to pay for final expenses, such as a funeral. Employer-paid life insurance is also relatively inexpensive and manageable for the employer to provide, as compared to other retiree benefits employers can offer.

### EMPLOYEES LOOK TO EMPLOYERS FOR HELP

Employees are dependent upon the workplace and employers for both their benefits and financial products. According to MetLife's 10th Annual *Study of Employee Benefits Trends*, 33% of employees now consider workplace benefits to be the foundation of their financial safety net. In addition, 76% of employees obtain the majority of their financial products through the workplace.<sup>1</sup>

Employees, uncertain of their financial decision-making abilities, are turning to their employers for advice and guidance, particularly about having a financial plan for retirement. Employer-paid group term life insurance is a valuable retirement benefit that can help provide peace of mind for retirees. This important benefit also offers employees a sense of dignity in knowing that their final expenses will not be an added burden to their loved ones.

### Most Obtain Life Insurance from an Employer



Source: 2009 MetLife Financial Impact of Premature Death Study.

### INCREASED CONCERN ABOUT FINANCIAL SECURITY IN RETIREMENT HIGHLIGHTS THE VALUE OF RETIREE BENEFITS

According to MetLife's 10th Annual *Study of Employee Benefits Trends*, only 29% of employees surveyed said they were on track in saving for retirement. Inadequate savings can make it more difficult for retirees to pay for their ongoing expenses during retirement. Many employees rely on the term life insurance provided by their employer while they are working, and may not have considered the cost of replacing this coverage during retirement. Having to replace this coverage can significantly impact a retiree's monthly retirement income.

Since most life insurance rates are dependent upon the age and health of the individual at the time the policy is purchased, coverage may become too expensive to obtain in retirement. Some retirees may not qualify due to advanced age or medical reasons. If coverage is unavailable, retirees will be left without this important component of their financial safety net.

Survivors often have a difficult time managing the financial impact caused by a death in the family. Of the surviving spouses surveyed in a recent MetLife study, 63% said that the death had a devastating or major impact on their financial security. Even 2 to 7 years later, more than a third of surviving spouses said that their family's financial situation was still worse than prior to the death.<sup>2</sup> Offering life insurance as a post retirement benefit can ease some of the financial burden for a retiree and their family.

### RETIREE LIFE INSURANCE CAN HELP ADDRESS THE HIGH COST OF FINAL EXPENSES

Funeral expenses are among the most costly purchases in a person's lifetime.<sup>3</sup> According to the National Funeral Directors Association, a traditional, or full service, funeral can cost between \$6,000 and \$10,000. Add to this any outstanding debt, and the total amount needed for final expenses could be much higher.<sup>4</sup>

For survivors, the added burden of taking care of a loved one's final expenses can place even greater strain on their existing income and savings. In addition to reducing discretionary income, 45% of surviving spouses had to withdraw from investments or retirement savings as a result of the death.<sup>2</sup> For those who are already living on a fixed income, this can be particularly difficult.

71% OF BENEFICIARIES SURVEYED  
STATED THAT EMPLOYER-  
PROVIDED LIFE INSURANCE WAS  
THEIR ONLY INSURANCE<sup>2</sup>

Although life insurance proceeds can provide surviving family members with funds to manage immediate and possibly longer-term expenses, the number one usage of life insurance proceeds is to pay for funeral expenses.<sup>2</sup>

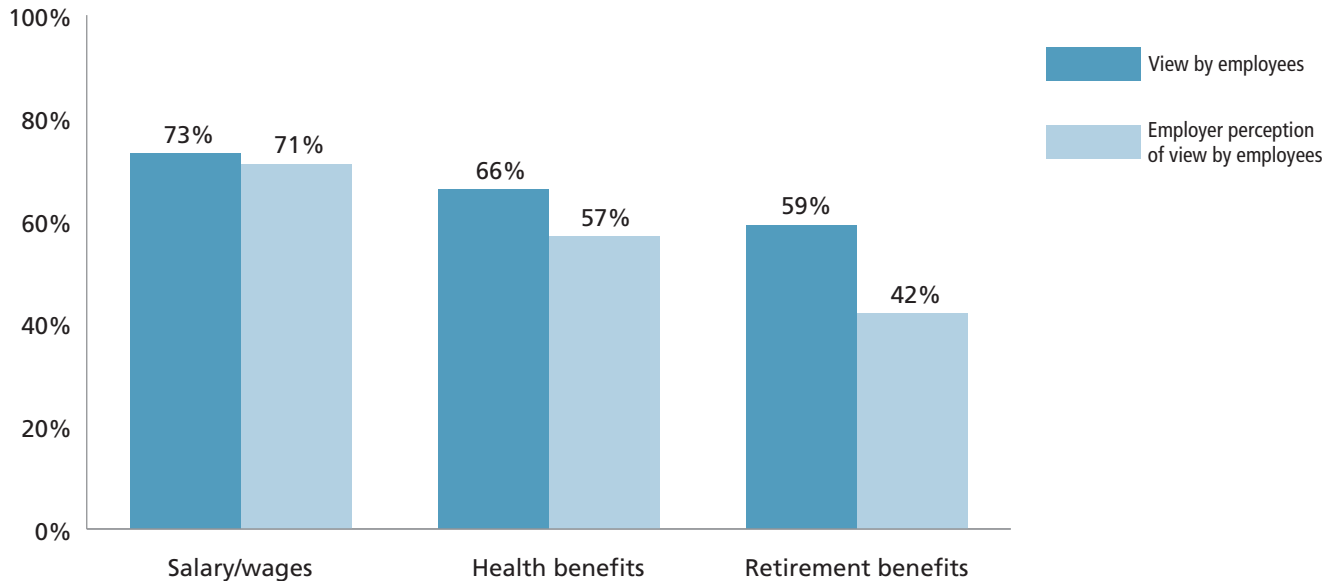
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### EMPLOYEES AND THEIR FAMILIES RELY HEAVILY ON LIFE INSURANCE PROCEEDS TO PAY FOR FUNERAL EXPENSES

> 77% of surviving spouses said they used life insurance proceeds to pay for burial expenses<sup>2</sup>

> 48% of employees who purchased life insurance at the workplace did so to cover burial and other final expenses<sup>5</sup>

## Employees value the retirement benefits they receive at the workplace more than employers realize



Source: MetLife's 10th Annual Study of Employee Benefits Trends.

### POST RETIREMENT BENEFITS PLAY AN INTEGRAL ROLE IN ATTRACTING AND RETAINING TALENT

Employees' dependence upon the workplace for their financial security presents a tremendous opportunity for employers. Benefits, such as retiree life insurance, can have a positive impact on both employee loyalty and employee satisfaction.

Group term life insurance is an integral part of a retiree's benefit package. It gives employees a sense that their employer provides the foundation they need to create a personal safety net—not only during their working years with the company, but even into retirement.

59% OF EMPLOYEES SAY THAT RETIREMENT BENEFITS INFLUENCE THEIR SENSE OF LOYALTY TO THEIR EMPLOYER. THIS IS RANKED THIRD AFTER SALARY (73%) AND HEALTH BENEFITS (66%).<sup>1</sup>

According to the 2009 MetLife Emerging Retirement Model Study, understanding the role that benefits play in the retirement equation can be a key strategic lever for employers. Post retirement benefits, such as group term life insurance, can provide employers with the ability to better manage workforce turnover and talent. These benefits offer an additional means to help transition some employees into retirement, while developing existing talent or attracting new talent to revitalize the organization.

> PLEASE CONTACT YOUR METLIFE ACCOUNT REPRESENTATIVE FOR MORE INFORMATION.

### A COST-EFFECTIVE SOLUTION: EMPLOYER-PAID RETIREE LIFE INSURANCE

Employer-paid life insurance is one of the least expensive employer-provided retirement benefits to offer. Employers can obtain group buying power to secure competitive premium rates, and employees can receive guaranteed issue amounts of coverage.

Additionally, offering retiree life insurance could actually help to reduce overall group life insurance costs for employers. Between now and 2050, the population of those aged 65 years and older is expected to double from 40 million to 80 million.<sup>6</sup> Typically, employers provide life insurance coverage in amounts based on a multiple of salary to employees during their active working years. However, most employer-provided life insurance coverage amounts for retired employees are significantly reduced, or a flat amount of coverage is provided to cover final expenses. Thus, the lower coverage amounts for eligible retirees may cost employers less than coverage provided to active employees of a similar age. Additionally, employers can fund the liability associated with post retirement life insurance on a tax-favored basis to provide more control over long-term costs.<sup>7,8</sup>

MetLife's funding solutions are designed to help employers manage retiree life insurance benefits in a cost-effective manner, strengthen a company's financial statements and increase corporate financial flexibility.

Retiree life insurance can be an integral part of a competitive benefits package that adds value to a benefits program.

# MetLife

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1 MetLife's 10th Annual *Study of Employee Benefits Trends*, 2012.

2 MetLife Financial Impact of Premature Death Study, 2009.

3 Federal Trade Commission; <http://www.ftc.gov/bcp/edu/pubs/consumer/products/pro19.shtm>.

4 According to "Debt of the Elderly and Near Elderly, 1992–2007" EBRI Monthly Newsletter. October 2009, Vol. 30, No. 10 [http://www.ebri.org/publications/notes/index.cfm?fa=notesDisp&content\\_id=4383](http://www.ebri.org/publications/notes/index.cfm?fa=notesDisp&content_id=4383). In 2009, the median debt level was \$43,000 for households aged 55 years and older.

5 LIMRA, "To Buy or Not to Buy Life Insurance—2011 Buyer-Nonbuyer Study."

6 U.S. Census Bureau, Population Division, 2011.

7 Neither MetLife nor its representatives provide tax or accounting advice.

Tax law and accounting rules are subject to interpretation and change.

Tax and accounting results and the appropriateness of any product for

any specific company may vary depending on the facts and circumstances.

Employers should consult with and rely upon their own accounting advisors.

8 To enjoy the tax advantages associated with this product, prefunding must be within tax code limits enacted by the Deficit Reduction Act of 1984 (or DEFRA limits), which generally limits prefunding for post retirement group term life insurance to a \$50,000 maximum coverage amount over the working lives of covered employees, and actuarially determined on a level basis.