MetLife

Remodeling the Benefits and Retirement Income Space

An Excerpt from the 9th Annual Study of Employee Benefits Trends

MetLife has a proud tradition of investing in the financial and social well-being of the communities we serve. For more than 140 years, we have focused on understanding and serving our customers through various life stages and economic cycles.

MetLife builds on this tradition by delivering leading insights through national acclaimed research, subject matter experts and educational resources. We serve as a leading voice on employee benefits issues by actively influencing public policy, educating the media and developing intelligent product solutions. When you're aligned with a company that applies insights to deliver innovations, you can be certain things will go right.

For additional information about MetLife's 9th Annual *Study of Employee Benefits Trends* or to download the full study, please visit metlife.com/trends13.

View of the interior of Union Station, Washington, DC

Regarded as one of the finest Beaux-arts buildings in the United States, Union station opened in 1908 and was designed as a monumental gateway to Washington DC. Today, it remains a popular destination with over 25 million visitors each year. Union station has retained its important position through a major 1988 restoration to showcase its glory, and by adding high-end restaurants and retail establishments to meet the changing needs of modern travelers. In the same way, benefits programs that evolve to stay relevant to the changing needs of a diverse workforce will continue to help attract and retain key employees.

The following extract from the 9th Annual *Study of Employee Benefits Trends* takes a close look at retirement and income protection benefits in the post-recession economy. It reveals employees worried about meeting their day-to-day financial expenses and concerned about their prospects for a secure retirement. Meanwhile employers, under continuing pressures to contain their benefit costs, are reassessing how they can help.

EMPLOYEE LOYALTY IS NOT RECESSION-PROOF

For the past three years the recession has understandably absorbed employers' attention. But the tough decisions that companies have been forced to take during the recession have taken a toll on employees.

Employee loyalty, which has been declining for several years, has now reached a three-year low and a startling one-in-three employees hopes to be working elsewhere in the next 12 months. Yet employers do not seem to be aware of this problem – responses show that they assume employees feel as loyal today as they did three years ago.

This widening loyalty perception gap may mean that employers are not paying attention to a problem that could grow and eventually threaten their ability to retain key talent, just when they need it most.

WHY BENEFITS MATTER MORE THAN EVER

Benefits can be a highly effective tool for rebuilding employee loyalty and job satisfaction. Helping to financially protect employees and their families forges a strong employer-employee bond and is especially valued in the current economy.

Once again the Study confirms that employee satisfaction with benefits is strongly associated with overall job satisfaction. It also reinforces the connection between satisfaction with benefits and employee loyalty. **In fact, employees who are satisfied with their benefits are nearly three times as likely to express a strong sense of loyalty to their employers.**

A NEW PERSPECTIVE ON BENEFITS

But the possibility of rebuilding employee loyalty by reconstructing the generous benefit packages of the past is remote. In the face of new economic realities, including escalating health care costs and a growing aging population, employers must provide benefits on different terms. And this requires a new benefits blueprint. Balancing business costs and benefit needs is not about spending more — it's about spending differently.

FROM SECURITY BLANKET TO SAFETY NET

Employers must focus their benefits strategies on creating safety nets for employees rather than providing security blankets. In turn, the new benefits blueprint requires employees to become more engaged in efforts to improve their health and to take actions towards building financial security for today and tomorrow. The following extract from the Study shows how "remodeling" the retirement benefits space by taking a new approach can be advantageous for both employees and employers.

Wellness Delivers Returns

Wellness programs are delivering proven returns on investment for employers, with nearly three-quarters of them citing these programs as being effective in reducing the company's overall medical costs.

Financial Wellness

Adding a New Dimension to Health and Wellness Strategies

WELLNESS PROGRAMS' EFFECTIVENESS IS NOW WELL ESTABLISHED

Wellness programs are one of the places where employees are engaged in the benefits cost equation. The survey shows that encouraging employees to adopt healthier behaviors is increasing in popularity as a means to control health costs and drive productivity.

Employers who offer wellness programs believe that they work; 72% say that they are effective at reducing medical costs, and over half of employers surveyed believe that health and wellness programs are effective for improving productivity through reduced absence — a number that rises to 76% for companies who provide wellness programs.

fig. 4.1

Employers that offer wellness programs are especially likely to report that they are effective at reducing medical costs

EMPLOYERS THAT OFFER WELLNESS PROGRAMS	ALL EMPLOYERS
72%	59%
Say they are effective at reducing medical costs	Say they are effective at reducing medical costs

fig. 4.2

Employers that offer wellness programs are especially likely to report they help make workers more productive

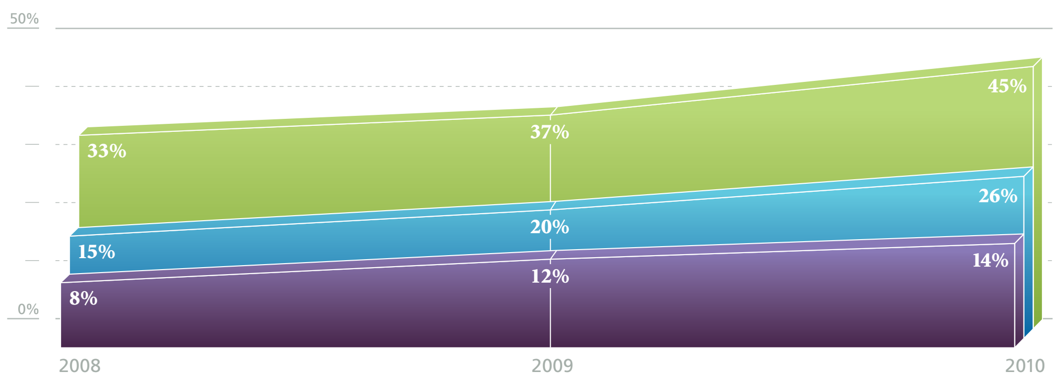
EMPLOYERS THAT OFFER WELLNESS PROGRAMS	ALL EMPLOYERS
76%	58%
Say they are effective at improving productivity	Say they are effective at improving productivity

ROOM FOR WELLNESS EXPANSION

Since employee lifestyle choices account for the majority of health care costs, a successful wellness strategy requires investment in programs that create and sustain healthy employee behaviors. Across all companies, there has been a steady increase in wellness programs, as well as growth in associated wellness initiatives such as medical and dental disease management programs. But more employers could benefit from a solution that is proven to help manage their greatest benefits expense—medical costs.

fig. 4.3

Wellness programs have steadily increased over the last three years



Employers who said their company offered:

- Wellness program
- Medical disease management
- Dental disease management

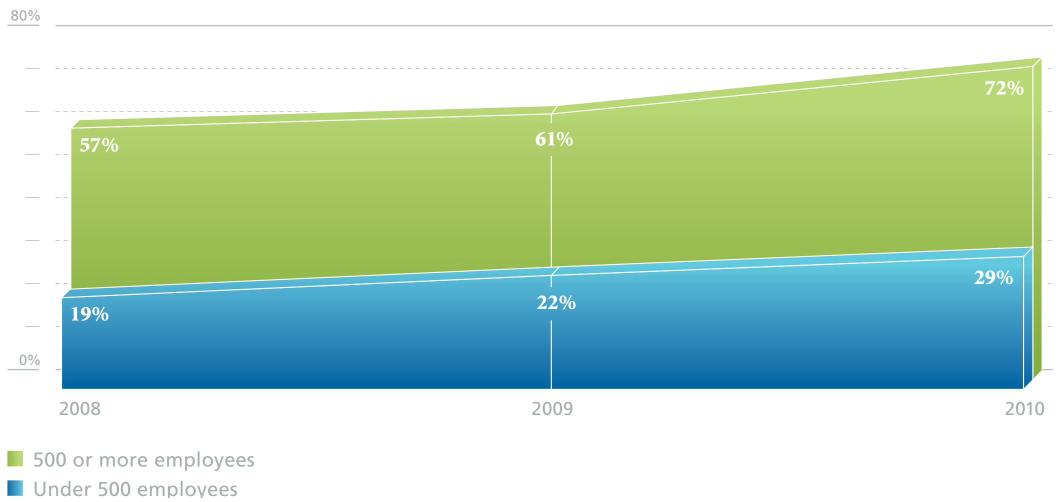
TESTIMONIAL

"We got a huge discount on our benefits when we implemented the wellness program. So now everybody in our company gets to take an hour off [from] their job to go work out."

HR Professional
(1,000–3,000 employees)
San Francisco, July 2010

fig. 4.4

Growth in wellness programs has been significant in companies with 500 or more employees



ADDING A FINANCIAL ASPECT TO WELLNESS

Stress is associated with exacerbating and driving health problems, and financial stress is a prime cause of personal stress.[3] The recession has resulted in widespread financial insecurity across all employee age groups. In fact, there is a virtual "epidemic" of financial "illness."

As much as employers have been focused on traditional health and wellness, there is compelling evidence that "financial illness" also contributes to health care costs, as well as to reduced productivity. Employee financial security may be a major driver in accomplishing business goals.

fig. 4.5

All generations of the workforce suffer from financial ill-health

Employees who report that they are very concerned about:	All employees	Gen Y	Gen X	Younger Boomers	Older Boomers
Having enough money to make ends meet	53%	49%	52%	58%	52%
Job security	50%	52%	49%	51%	52%
Employees who strongly agree they:					
Have trouble paying bills	30%	33%	32%	31%	23%
Live paycheck to paycheck	40%	43%	41%	43%	35%

[3] Health and Personal Finances, The Personal Finance Employee Education Foundation, (http://www.personalfinancefoundation.org/research/hpf.html).

FINANCIAL ILLNESS IS LINKED TO PHYSICAL ILLNESS

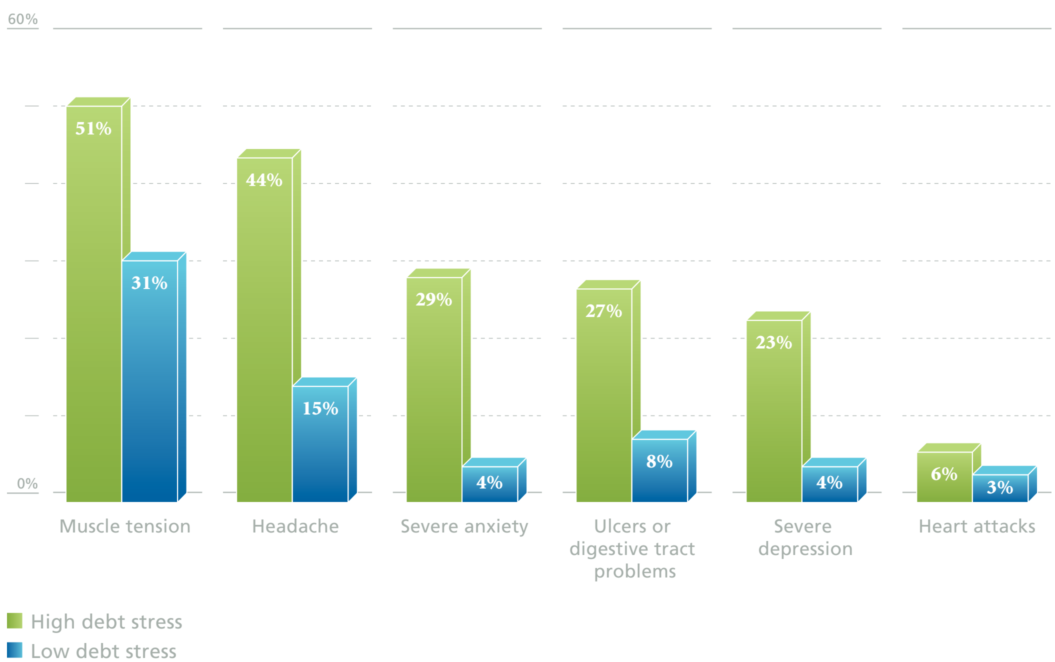
There is an association between health risk and the kind of stress experienced with financial struggles. The Study shows that employees who say they are not in control of their finances, or who live paycheck to paycheck, are more likely to report worse health than those not similarly stressed. Employers recognize this dynamic. Over two-thirds (69%) say that financial stress contributes to health costs at their company.

fig. 4.6

Poorer health is associated with stressful financial situations

fig. 4.7

Stress from debt is associated with a range of health problems that impact costs and productivity[4]



[4] AP-AOL Health Poll — Debt Stress: The Toll Owing Money Takes on the Body, 2008.

TESTIMONIAL

"I think stress is a huge driver of illness — physical, emotional — and it's all mixed together. We have lots of people having financial struggles right now. Disabilities are up. Depression is up."

HR Professional
(1,000–3,000 employees)
Chicago, July 2010

TESTIMONIAL

"I see it every day. We've had so many employees whose homes have gone into foreclosure, their spouse was laid off, they're sick. We're seeing a lot of absenteeism surrounding those issues…"

HR Professional
(4,000+ employees)
San Francisco, July 2010

FINANCIAL STRESS ALSO STIFLES PRODUCTIVITY

Employers agree that financial stress, in addition to impacting employee health, also affects productivity. Fifty-eight percent say that financial "illness" contributes to employee absences at their companies, and an amazing 78% also agree that worry about personal financial problems while at work can distract employees to the point that they are less productive.

In fact, according to the Study, 27% of employees admit they took off unplanned time and/or were distracted at work dealing with personal financial issues. This was especially true for younger workers.

fig. 4.8

Absenteeism and presenteeism due to financial stress can take a toll on productivity

EMPLOYERS

78%

Say employees are less productive while at work at our company when they are worried about personal financial problems

EMPLOYERS

58%

Say that financial stress contributes to employee absences at our company

FINANCIAL EDUCATION AND GUIDANCE CAN PROMOTE FINANCIAL WELLNESS

Changing financial behaviors can create a sense of financial control and help reduce stress. But many employees lack a source of sound financial advice and guidance; nearly one in two employees reports that they do not currently consult with anyone regarding personal financial matters, and one in five seeks advice from a friend or relative who is not a financial professional.

More than half of employees surveyed said that they would be interested in their employers helping to fill this gap by providing information on how to address issues that can create financial stress.

fig. 4.9

Employees who have been absent from work due to financial concerns are especially interested in advice and guidance from their employers

ALL EMPLOYEES

52%

Are interested in financial advice and guidance

EMPLOYEES WHO HAVE TAKEN TIME OFF FROM WORK OR SPENT MORE TIME THINKING ABOUT PERSONAL FINANCIAL ISSUES

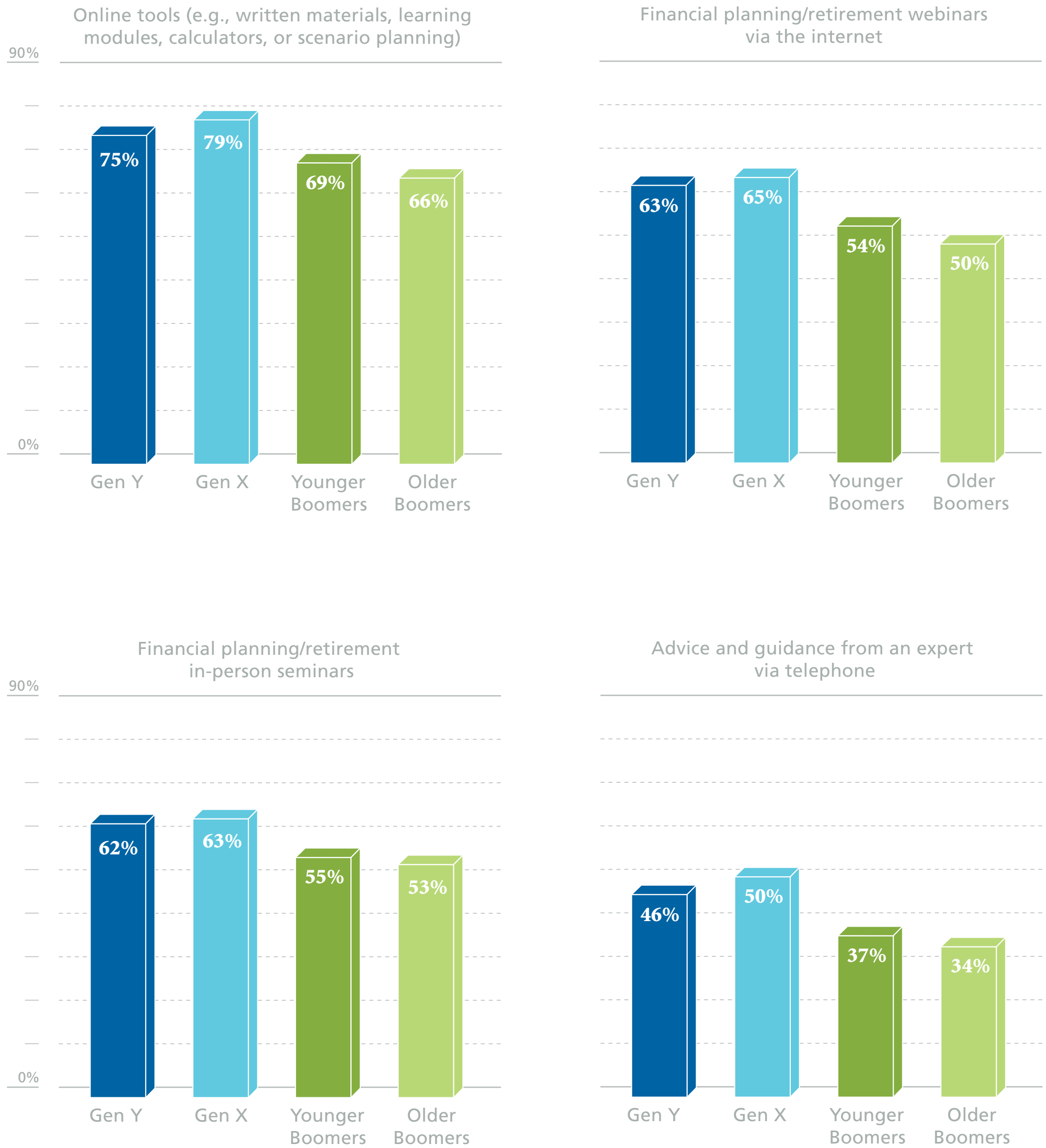
81%

Are interested in financial advice and guidance

fig. 4.10

Younger and older workers have different preferences for how they would like their employer to provide financial education in the workplace

% of employees who expressed interest:



INSIGHT

78%

of employees of all ages report they are interested in receiving a statement that shows how much income their retirement savings would generate.

TESTIMONIAL

"I don't think it's a stretch…I think there's definitely a connection there [between life insurance benefits and disability benefits and financial wellness]."

HR Professional
(4,000+ employees)
San Francisco, July 2010

INSIGHT

74%

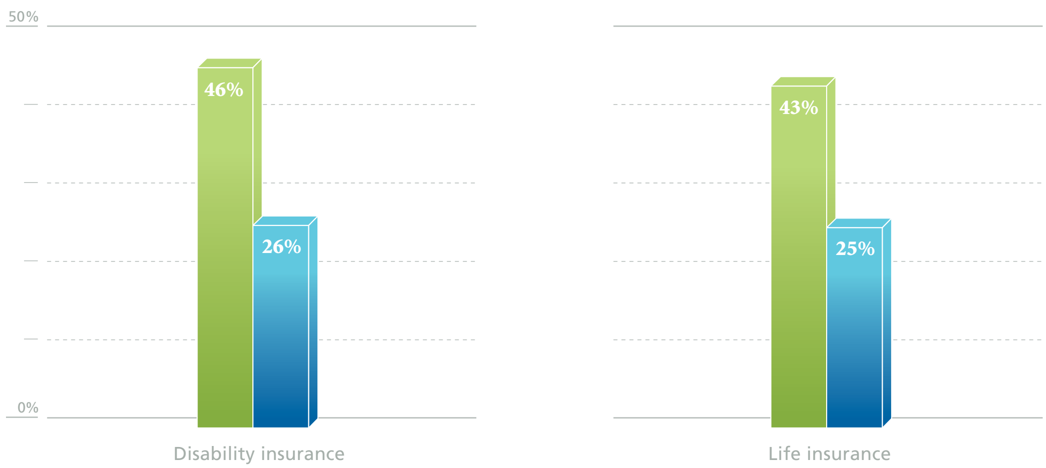
of employers who offer wellness programs concur that wellness initiatives would be more effective if they included programs and services to help employees manage their financial stress.

INCOME PROTECTION CAN HELP SUSTAIN FINANCIAL SECURITY

In addition to providing financial advice and guidance programs, employers can help their employees gain a measure of financial security by providing access to adequate amounts of life insurance and disability income insurance. People who feel in control of their finances are more likely to take planning steps to protect their families against the effects of premature death or being unable to work due to injury or illness. This can contribute to peace of mind and less distraction at work.

fig. 4.11

Employees who own life and disability coverage worry less about financial issues



Employees with disability and/or life insurance who say they strongly agree that because of workplace benefits, they worry less about financial issues

- Employees who own
- Employees who do not own

FINANCIAL WELLNESS BENEFITS WORKERS AND EMPLOYERS

Helping employees reduce and manage their financial stress has a positive impact that is recognized by both workers and employers. It is an important and effective way to help achieve the goals of wellness programs — reduced health costs and improved productivity.

fig. 4.12

Employees who feel strongly that their benefits reduce worry are more likely to report better health

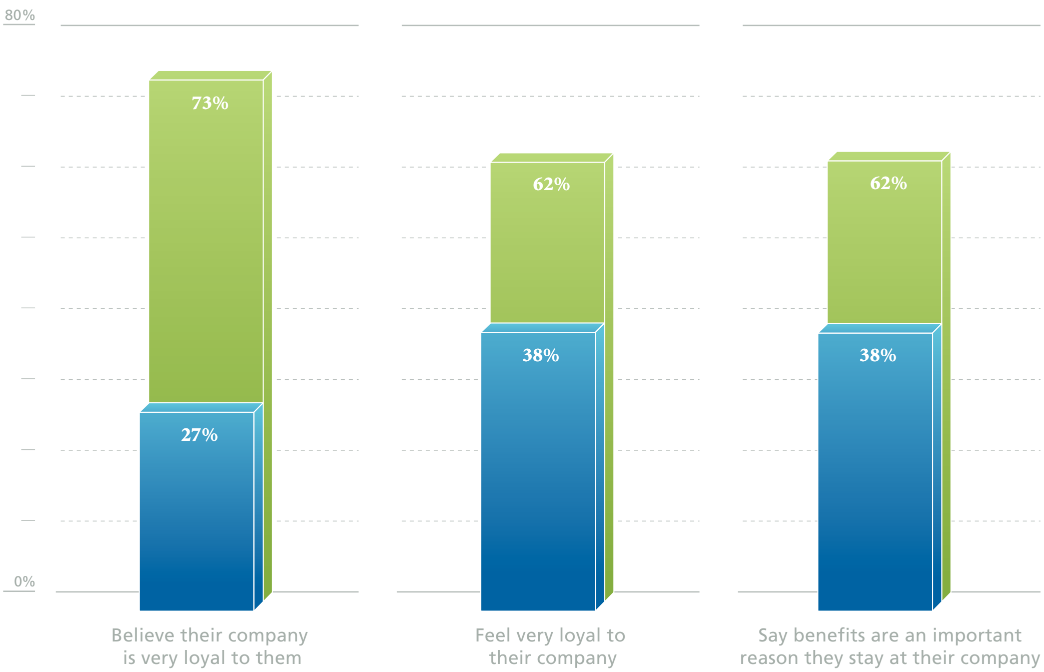
OF EMPLOYEES WHO WORRY LESS BECAUSE OF BENEFITS AT WORK	OF EMPLOYEES WHO WORRY LESS BECAUSE OF BENEFITS AT WORK
67%	**7%**
Report excellent/very good health	Report fair/poor health

WELLNESS PROGRAMS CAN REINFORCE RETENTION

Wellness programs not only help companies reduce costs and improve productivity, they can also help drive loyalty. Employees who participate in wellness programs are more likely to report loyalty to their employer and perceive that their employer is more loyal to them. In addition, they are more likely to say that benefits are a reason they remain with their employer.

fig. 4.13

Employees who have access to, and participate in, wellness programs are more likely to be loyal to their employer



Employees who:

- Participate in company wellness programs
- Do not participate

TESTIMONIAL

"If people are having financial difficulties, and an employer can help, that really does build up a tremendous amount of loyalty and also sends a message to the whole of the company…that this is actually a family and not just you're the employee and I'm the employer."

HR Professional
(4,000+ employees)
San Francisco, July 2010

Insight to Action

Investing in financial wellness.

GAUGE THE NEED

To maximize the effectiveness of advice and guidance programs in the workplace, first determine the kind of support employees require — a preference for retirement planning, basic financial literacy, income protection advice or maybe debt counseling.

CONSIDER WORKER AGES

Consider generational preferences when deciding the best format for providing the information. Younger workers may prefer the convenience and "self-service" aspects of online webinars and podcasts on their own time.

TAP INTO OUTSIDE RESOURCES

Work with providers to develop and promote on-site seminars for financial education and planning. Usually there's no cost to employers or employees for these services. Also, don't assume that only older workers are interested in retirement planning; many younger workers see what is happening to their parents and are interested in how they can be better prepared.

OFFER ESSENTIAL TOOLS

Connect employees to online financial tools and calculators. There are effective online resources — such as life insurance calculators and retirement planning tools — that employees can use to help assess financial needs and plan appropriate solutions. Many carriers, brokers and government websites offer such resources, which would be helpful to employees if they know where to find them.

FOCUS ON HOW EMPLOYEES GAIN

Frame the potential benefits of wellness initiatives in terms of improved quality of life for employees — not reduced costs for the company.

REINFORCE BEHAVIORAL CHANGE

Rewiring bad habits is hard and takes repeated and regular reinforcement. This is not a "once-and-done" commitment.

Protecting and Preserving Income

Empowering Employees to Confront and Control Their Economic Realities

HEADS IN THE SAND

Given the recession and a sluggish economic recovery, it is no surprise that the Study finds many employees feeling concerned and vulnerable about their financial security. Of more concern, is an apparent inertia to take action to get themselves on a better track. It would seem that many are unaware of the risks they face or perhaps fearful that the solution is beyond their control.

INCOME INTERRUPTED

Most working Americans rely on their income to cover essential living expenses for themselves and those who depend on them. But what happens if that income is interrupted? Forty percent of survey respondents of all ages admit that they currently live paycheck to paycheck, and 45% of the workforce says they could not cover financial obligations for more than a month if they lost that paycheck.[5] In fact, most employees are not in a position to pay their bills for very long in the event of income loss, but many have done little to protect themselves against that possibility.

CONCERNED BUT NOT COVERED

What if the principal wage earner in the family was unable to work because of illness or injury? Although more than half of employees (56%) say they are very concerned about this possibility, only half (53%) of these worried workers have disability income insurance to protect their incomes. In addition, less than a third of all surveyed employees have calculated how much income they would need to meet essential living expenses in the event of illness or injury that prevented them from working.

Similarly, 51% of survey respondents are very concerned about the impact of their premature death on family financial security, but only about two-thirds of them have life insurance coverage. And less than a third have calculated their income replacement needs.

An alarming number of those who have obtained insurance suspect that their coverage levels are not adequate to maintain their lifestyle if disaster were to strike. Forty-nine percent of those with disability income insurance and 41% of those with life insurance say they may be underinsured, or do not know if they have enough coverage to maintain their lifestyle.

INSIGHT

41%

of those with life insurance say they may be underinsured, or do not know if they have enough coverage to maintain their lifestyle in the event of premature death.

[5] MetLife, *2010 MetLife Study of the American Dream*, 2010.

fig. 4.14

Most respondents have not calculated their income replacement needs

Employees who have calculated how much they will need to protect against loss of income due to death of a wage earner in the household

Employees who have calculated how much they will need to protect against loss of income due to a health problem of a wage earner in the household

- No
- Yes
- Not sure

BARRIERS TO INCOME PROTECTION

Many people prefer to believe that bad things will not happen to them; denial can play a large part in why people do not take the necessary steps to protect their income. Unfortunately, the statistics do not support this illusion. The Social Security Administration estimates that one in four 20-year-olds will become disabled before reaching age 67.[6]

Also, many mistakenly believe that other employee benefits would kick in to replace lost income — which is not the case. Disability benefits may be available through Social Security, but can sometimes be difficult to obtain. Government disability benefits are only available if a person is expected to miss at least a year of work, or their illness or injury is expected to end in death.[7]

When asked why they do not purchase levels of coverage that would better protect them, employees cite lack of money: 39% say they cannot afford to pay for more disability coverage, and 61% say they cannot afford to pay for more life insurance. Communicating the cost-effective value of their group benefits program may help stimulate participation.

PROTECTED INCOME MAKES FOR LOYAL EMPLOYEES

Helping employees obtain adequate income protection has advantages for employers too, in the form of increased employee loyalty. Non-medical benefits including income protection products are very important loyalty drivers for 59% of employees. Yet only 37% of employers recognize this. In reality, the right amount of life and disability coverage can bring high employee satisfaction at relatively low cost.

HITTING THE COVERAGE CEILING

The workplace is the primary source for obtaining insurance coverage for 88% of employees who own disability insurance and for 91% of employees who own life insurance. But it is not always possible for employees to obtain enough coverage through their current benefits program. Sometimes the maximum offered is not enough to meet employees' personal needs. This was the reason cited for being underinsured by 42% of employees for disability income protection and for 19% of employees for life insurance.

[6] Social Security Basic Facts, Social Security Online (http://www.socialsecurity.gov/pressoffice/basicfact.htm).
[7] Social Security Frequently Asked Questions, How does Social Security decide if I am disabled? Social Security Online (http://www.social security.gov).

However, those who have hit the maximum ceiling offered by their employers are very interested in having an opportunity to purchase additional coverage through the workplace if their company were to make higher coverage levels available. Yet currently, of employers who offer some life and disability insurance to employees, only 38% say it is very likely they will offer access to supplemental levels of life insurance, and only 28% say it is very likely they will offer additional long-term disability coverage.

PARITY FOR HIGHLY COMPENSATED EMPLOYEES

Because of group plan maximums, there can be a significant gap between the insurance coverages that top talent needs and what the standard company group plan can provide, especially when it comes to life and disability benefits. Closing this gap can increase a company's ability to compete for the critical skills they depend on.

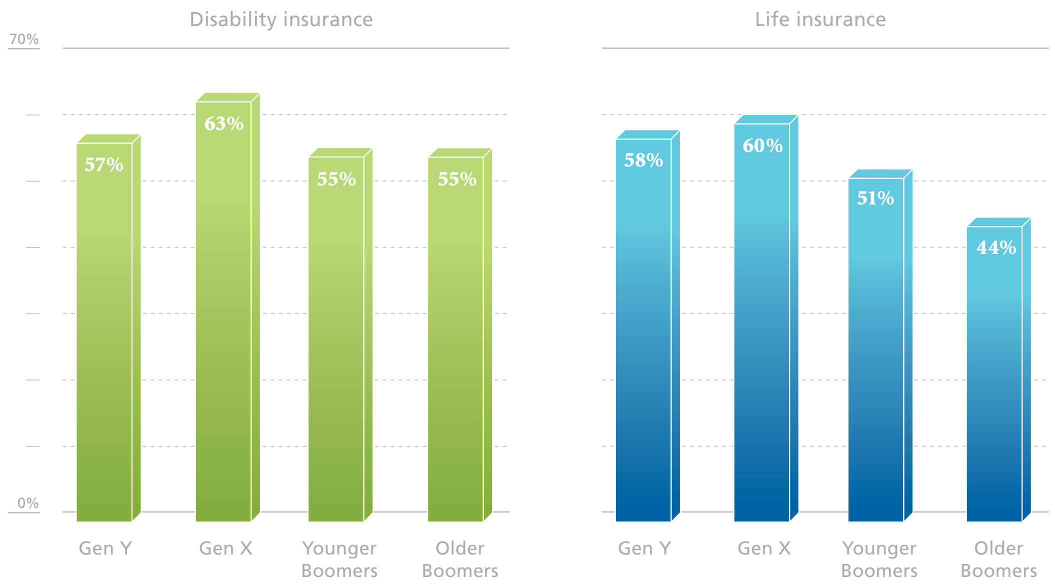
Creating an executive plan carve-out that supplements executive Group Life with Group Variable Universal Life (GVUL) insurance and augments Group Disability coverage with Individual Disability Income (IDI) insurance can be a cost-effective way to provide income protection parity for these key employees. However, only 46% of companies report they offer executive benefits.

PAYING FOR PROTECTION

Having disability income insurance through work is considered important to employees — so much so that 58% of respondents say that they are prepared to pay the full cost of the product, if necessary. Fifty-four percent feel the same way about life insurance. Providing access to supplemental levels of coverage on an employee-paid basis can help meet this demand without adding to the benefits budget.

fig. 4.15

Employees believe it is important to have insurance available in the workplace even if they have to pay 100% of the cost



INSIGHT

65%

of employees who have the maximum disability coverage available from their employer are interested in the opportunity to purchase more through the workplace.

Insight to Action

Employers can help employees protect the income that underpins financial security in their everyday lives.

FOCUS ATTENTION

Help employees understand the risks they face, and how they can better provide for their families by protecting against such risks.

CLARIFY COSTS

Demonstrate that income protection insurance is relatively inexpensive compared to the costs of not having coverage if disaster strikes.

SHARE USEFUL TOOLS

Provide access to online tools through carriers and brokers that help simplify benefits calculations.

SIMPLIFY CONCEPTS

Clarify explanations for complex insurance products so that there is no reason for employees to postpone decisions.

LET THEM CHOOSE

Offer employee-paid life and disability insurance options to give workers access to adequate coverage amounts.

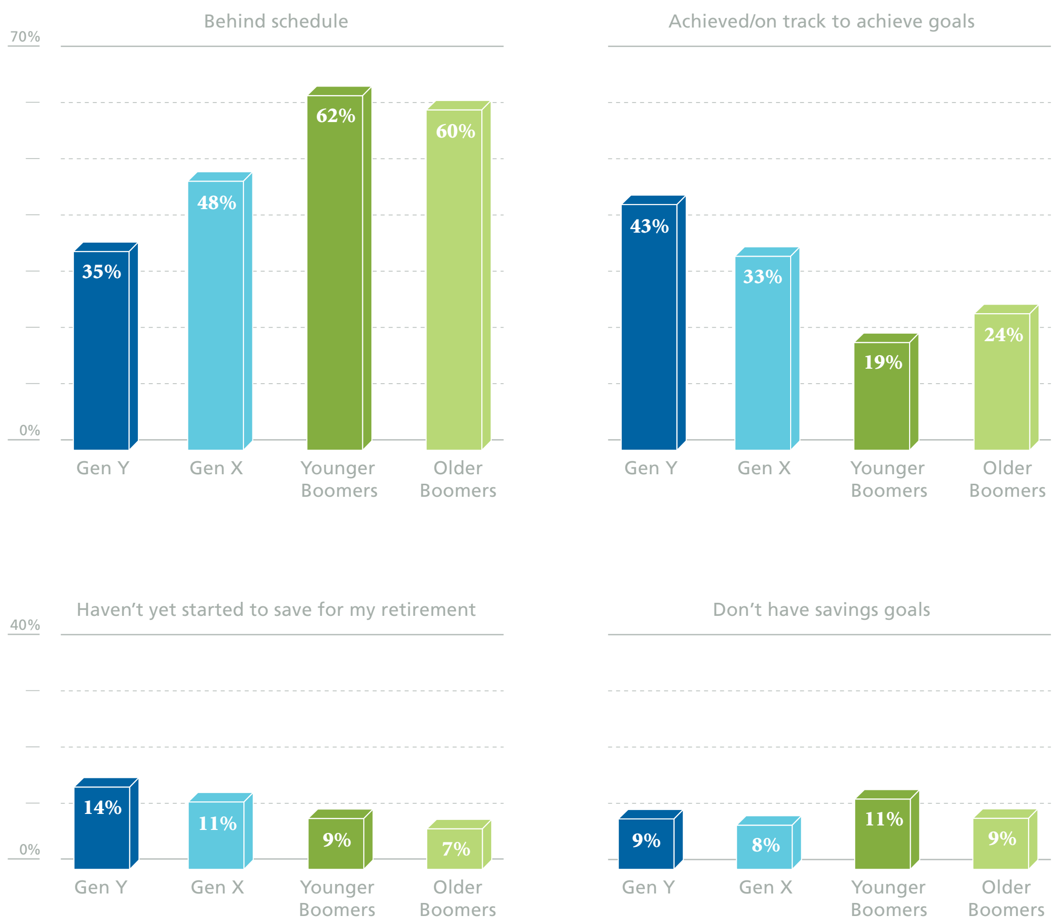
Income for Retirement

Many employees are even more unprepared for what might lie ahead in retirement. Since the advent of the MetLife Annual *Study of Employee Benefits Trends*, the story has been one of employees being behind in savings and worried about the outcome. And the recession has done nothing to change this grim situation. Fifty-two percent of employees surveyed are behind schedule in retirement savings and 10% have not even started.

fig. 4.16

Over 60% of Boomers indicate they are behind in saving for retirement

Employees were asked to identify the scenario which best describes the current progress of their retirement savings



TESTIMONIAL

"I think a lot of my employees are worrying about being able to get to the next paycheck… I don't think they are thinking about retirement. They are thinking about groceries for next week."

HR Professional
(11–99 employees)
Chicago, July 2010

LOOKING TO SOCIAL SECURITY TO MAKE UP THE SHORTFALL

Social Security benefits will be a major source of retirement income for about a third of workers, with 85% of workers planning to rely on it to some degree. However, while Older Boomers are counting on Social Security to be there for them, others are not so sanguine. Eighteen percent of Younger Boomers now in their early 50s question whether the Social Security safety net will be available by the time they retire.

fig. 4.17

Over one-third of employees are counting on Social Security for all or a major portion of their retirement income.

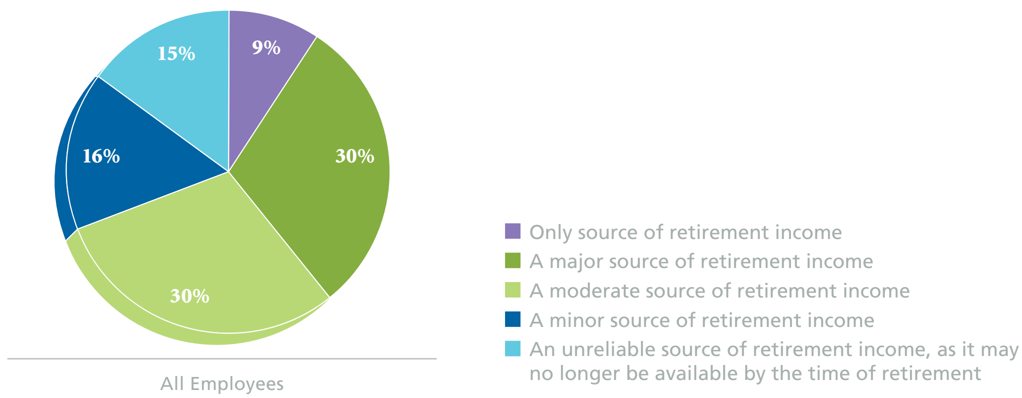
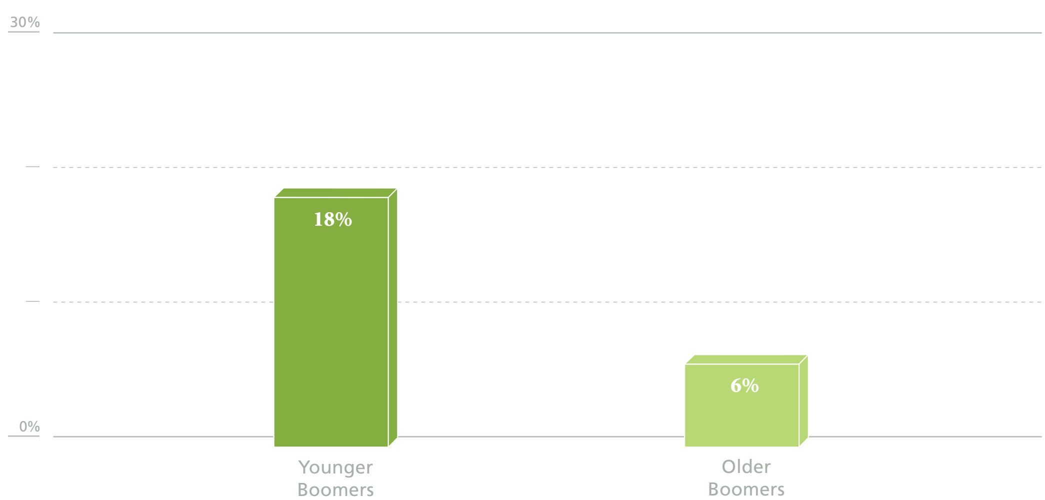


fig. 4.18

Younger Boomers are less confident about the availability of Social Security than Older Boomers

"Social Security will not be a reliable source of retirement income as it may no longer be available by the time of retirement"



WHY OLDER EMPLOYEES CONTINUE TO WORK INSTEAD OF RETIRING

Employees age 55 and older who are behind in saving for retirement are more likely to say they keep working because they need the money (64%). But those who are on track in their retirement planning are more likely to say they are working to stay meaningfully engaged (63%).

Both groups say that maintaining health insurance benefits until they qualify for Medicare is an important reason that they continue to work.

EMPLOYEES ARE NOT DOING THE MATH

In general, Boomers and Gen X are still expecting to retire at age 65 even though they are behind schedule in their savings. And, on average, they have planned for only 20 years in retirement. However, based on life expectancy data, a man age 65 has a 50% chance of living beyond age 85. A woman age 65 has a 50% chance of living beyond age 88. And for a couple, both age 65, at least one person has a 50% chance of living beyond age 92.[8] And because these figures are averages, 50% of the people will live longer than the 20 years they have planned for.

fig. 4.19

On average, employees have planned for 20 years in retirement and to retire from work at age 65—but this is likely to leave more than half short on savings given current life expectancies

AVERAGE OF ALL EMPLOYEES	AVERAGE OF ALL EMPLOYEES
64.8	**20**
Age at retirement	Years planned for in retirement

RETIREMENT REQUIREMENTS MAY BE TOO DEPRESSING TO CONTEMPLATE

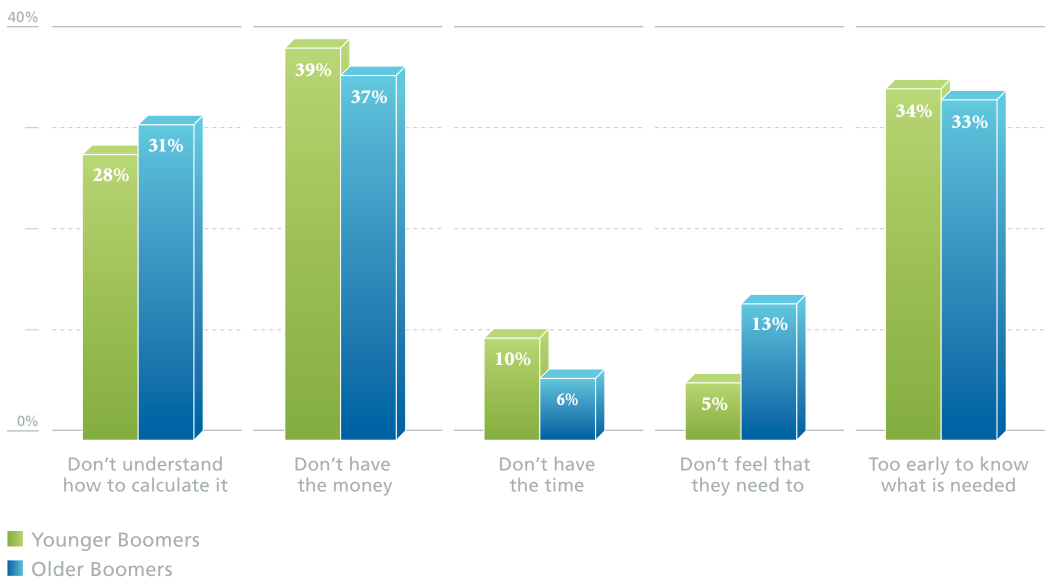
Over half of survey respondents (56%), including those on the cusp of retiring, are not confident that they know how much annual income their savings will generate once they retire. And most are not doing the calculations to find out.

They have various reasons for this, but the reality is they fear that the resulting number will be more than they have. And that number is likely more than they can save in their remaining working life, especially if they have to retire five years before they planned to. Sixty-four percent of people who are over 50 say that their retirement would be in jeopardy if this happened.

fig. 4.20

Even though they are close to retirement, one-third of Boomers say it is too early to know what they will need, showing lack of planning for their retirement lifestyle

Employees indicate the following reasons for why they have not calculated how much annual income they will need in retirement



[8] Society of Actuaries Annuity 2000, Male and Female Tables.

TESTIMONIAL

"We have annuity options and had people elect them in the past years, and they were thrilled that they took that and not the lump sum, which would've had a big hit in the past year."

HR Professional
(1,000–3,000 employees)
Chicago, July 2010

A RELIABLE "PAYCHECK" IN RETIREMENT

Employees are used to budgeting their living expenses based on a regular paycheck, and life in retirement might be easier to manage if it included a predictable and guaranteed income stream—a retirement "paycheck."

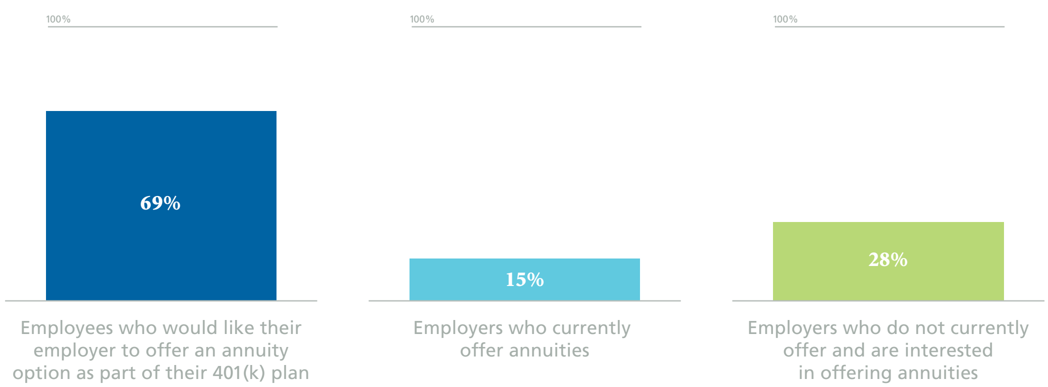
For several years, the Study has noted that employees have expressed interest in receiving some or all of their retirement savings in the form of a guaranteed income stream. Sixty-six percent are interested in learning more about how they could use annuities as part of their 401(k) plan.

Nearly half of employers surveyed strongly agree that offering employees retirement products that provide a guaranteed stream of income during retirement years is an important benefits strategy, but only 15% of employers report that they currently offer annuities at the point of distribution in their defined contribution plans. And only 28% of those companies that do not offer an annuity option as part of the 401(k) plan indicate that they are interested in doing so.

Many employers are understandably somewhat hesitant to offer annuities because of fiduciary concerns. However, given the significant employee interest in options that provide a guaranteed stream of income from retirement savings, it may be time for employers to work closely with providers to move more quickly, especially regarding safe harbor legislation.

fig. 4.21

Employees are interested in annuities, but employers are not yet responding

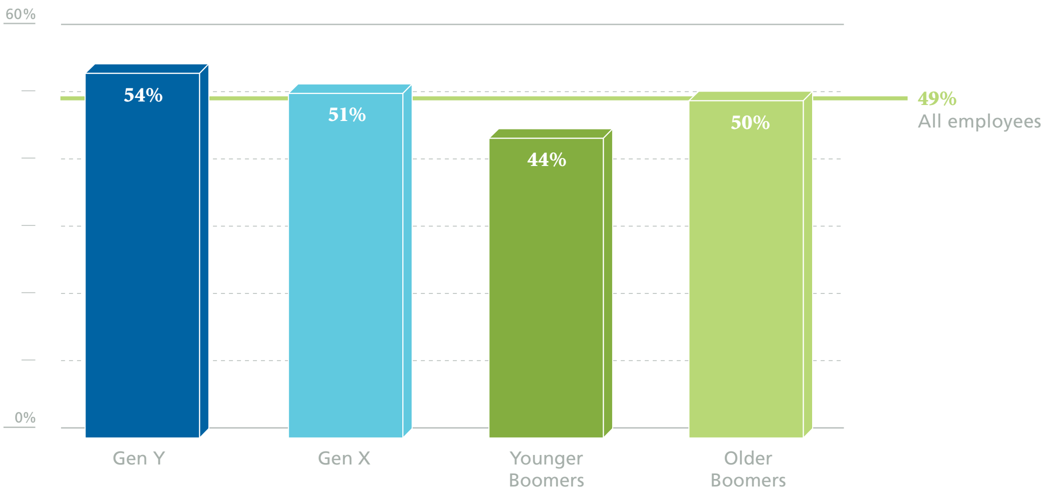


GETTING SERIOUS ABOUT SAVING

Developing a serious savings habit is more likely when saving becomes simple and routine. Many employees, including younger workers, are interested in auto-enrollment savings options for retirement to help them stay focused on their retirement goals. An auto-enrollment option in the 401(k) program allows employees to save a set amount from each paycheck without effort. This is especially effective for younger workers who have time and compound interest on their side.

fig. 4.22

Employees who say they are behind in saving for retirement, and who are very interested in their employer automatically enrolling them in a savings program such as 401(k)



THE PLIGHT OF YOUNGER BOOMERS

Younger Boomers may be the group that employers need to single out for special attention when it comes to retirement support. Throughout the Study, the plight of Younger Boomers stands out. Despite being in the prime of their careers, they are most concerned about having enough income to maintain their standard of living both today and in retirement. Sixty-two percent are behind on retirement savings.

Younger Boomers may have been impacted the most by the recession, as they have less time to catch up, and they are still at the point in life where they may be paying for their children's college education and also helping to support older relatives. Also, there is less likelihood of them having the security of a defined benefit pension plan. Unlike Older Boomers, the majority will rely more on their 401(k) for retirement income. This group is still climbing the career ladder and they are often the next in line for leadership. Keeping them focused and motivated on the job will benefit employers.

TESTIMONIAL

"I think… Generation Y…is going to see their parents suffering through this nebulous non-retirement [with] no pension plan, no 401(k)…[and as a result] retirement and non-medical health benefits are going to be extremely important to the generation that is coming."

HR Professional
(1,000–3,000 employees)
Chicago, July 2010

fig. 4.23

Concerns about retirement are felt across the board — but Younger Boomers are most worried

Employee concerns	Gen Y	Gen X	Younger Boomers	Older Boomers
Having to work either full-time or part-time to live comfortably in retirement years	61%	68%	68%	62%
Outliving retirement money	63%	69%	72%	68%
Providing for long-term care needs	52%	67%	69%	69%
Having enough steady income to cover medical costs	63%	72%	77%	71%
Having enough steady income to cover essential expenses	63%	75%	75%	67%

RETIREMENT ANXIETY IS JUSTIFIED

Seventy-two percent of employees are concerned that they will not have enough steady income during retirement to cover essential expenses such as housing, food and transportation. And the bottom line is that industry experts concur with this fear. For example, the Employee Benefit Research Institute (EBRI) projects nearly one half (47%) of Older Boomers are likely to be at risk of not having sufficient retirement resources to pay for basic retirement expenditures and uninsured health costs.[9] Employees need help and motivation in facing the facts and taking positive steps to better manage the situation.

RETIREMENT LINKS TO LOYALTY

Over 50% of employees feel that employers have a responsibility to help them understand how much income they will receive in retirement. Yet about half (47%) of employers surveyed believe they are already doing as much as they can to help employees financially prepare for retirement, and only 21% feel strongly that they have a responsibility to do so.

However, employers should be concerned about their workers' retirement dilemmas, because retirement benefits are associated with increased employee loyalty — two-thirds of employees (64%) consider them an extremely important reason for feeling loyal to their company.

EMPLOYERS CAN HELP EMPLOYEES FOCUS ON RETIREMENT SOLUTIONS

The shortfall in retirement savings is likely too great to be made up by savings alone for many workers, especially those closer to retirement. But employers can provide support in a variety of ways that can help their employees regain a sense of control and get them to become actively involved in planning for their income needs in retirement. Many of these actions are in line with employer objectives for helping employees become more self-sufficient when it comes to income protection.

[9] *The EBRI Retirement Readiness Rating™: Retirement Income Preparation and Future Prospects*, Jack Van Derhel and Craig Copeland, Employee Benefit Research Institute, Issue Brief 344, July 2010.

Insight to Action

Actions to help employees take control of their retirement.

FOCUS ON ESTABLISHING INCOME NEEDS

By anticipating their personal essential needs and what is most important for a satisfying retirement, employees can reconsider their spending choices and options to better match living costs to available retirement income. Calculating income expectations from retirement savings is an important step in this process. Seventy-eight percent of employees are interested in having this information included in their 401(k) retirement statements.

FOCUS ON RETIREMENT INCOME THAT CAN BE COUNTED ON

Reliable income can come from a number of sources, and diversity is vital. Employers can help by providing education and access to annuities as a possible source for a guaranteed lifelong income stream in retirement.

FOCUS ON MAKING SAVINGS SEEM SIMPLE AND ACHIEVABLE

An increase of even one or two percent in annual savings is much better than nothing. By encouraging achievable incremental increases in savings rates through motivational and educational communications, employers may help their workers feel good about small steps rather than despondent about a seemingly insurmountable savings gap.

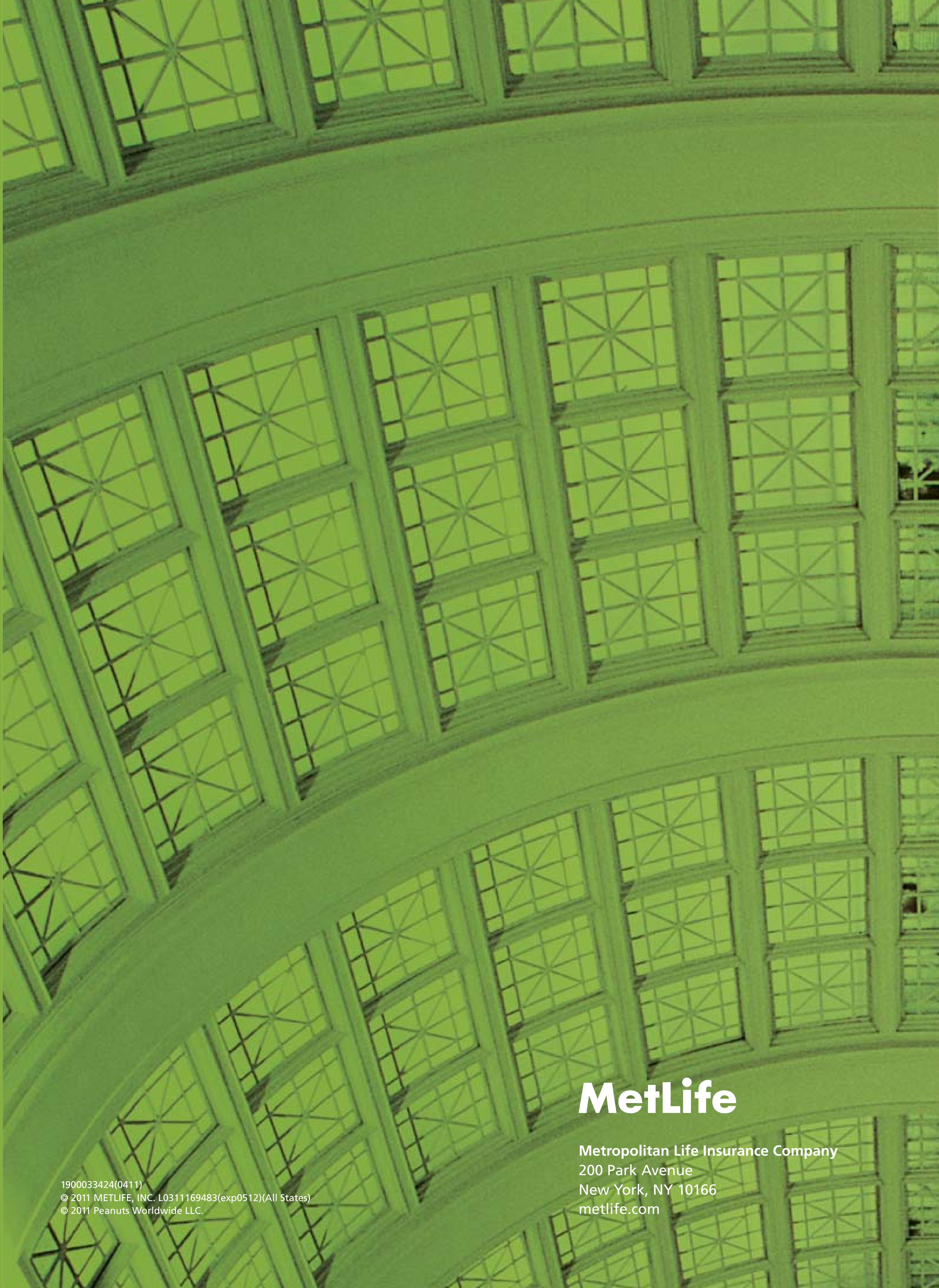
FOCUS ON PROVIDING EXPERT RETIREMENT ADVICE

Seventy-three percent of employees indicate receptivity to receiving help from their employers in the form of retirement and financial planning. In the last two years, 54% have participated in a retirement or financial planning program through their employer. Bolstering participation is key, and one way to do this is to provide education in a way that employees want to receive it and to reflect generational preferences.

Despite employee interest, only 38% of employers report that providing broad-based financial/retirement education programs is a very important benefits strategy.

Methodology

MetLife's 9th Annual *Study of Employee Benefits Trends* was conducted during the fourth quarter of 2010 and consisted of two distinct studies fielded by GfK Custom Research North America. The employer survey comprised 1,508 interviews with benefits decision-makers at companies with staff sizes of at least two employees. The employee sample comprised 1,412 interviews with full-time employees age 21 and over, at companies with a minimum of two employees.



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