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Millennials Come of Age

After 25 years of debating the generation’s impact on the workplace, it’s time to forget everything we thought we knew about benefits.

Moving forward, benefits including insurance are best cast as an important piece of overall physical, emotional and financial health.

Since the term “millennial” was coined 25 years ago, experts have been discussing and debating the impact Generation Y was going to have on America’s businesses — large and small — when they finally arrived.

Well, they are here. And the workplace and benefits landscape will never be the same.

Over the past two years, millennials (born between 1980 and 1998, for purposes of this report) have become the largest generation in the workforce. And instead of discussing how to cater to the generation’s individual needs and wants at work, it’s time to reconsider the entire workplace and restructure benefits administration to make millennials the focal point.

The first step in reimagining the 21st century workplace with millennials at the center may be to change how we position benefits from the start. Insurance — whether health and dental or life and disability — has long been considered a vital tool to help protect America’s workers and their families from negative events that impact all of us.

This thinking needs to evolve. For millennials, being healthy doesn’t just mean not feeling sick. It’s a commitment to ongoing healthy eating habits, exercise and avoiding activities that can be viewed as damaging.

Moving forward, benefits including insurance are best cast as an important piece of overall physical, emotional and financial health. Rather than considering dental insurance as a way to protect themselves against tooth decay and high-priced dentist bills, millennials may be more willing to consider dental insurance as a way to stay healthy. Rather than considering life insurance as a way to prevent their families from being left with burial costs, millennials may want to consider it a way to ensure their children’s college education is covered if a household income-earner dies.

In this white paper, we’ll look at the unique financial situation of millennials coming of age in the years following the Great Recession, how they see benefits, the value of millennials purchasing affordable benefits packages and how human resource professionals can better communicate these needs and solutions.

What’s your definition of healthy?

	M	X	BB
Not feeling sick	29%	43%	46%
Right weight for your height	30%	37%	41%
Eating right	24%	14%	12%
Exercising	22%	14%	12%

M: Millennial X: Generation X BB: Baby Boomer

What’s Your Healthy Survey, Aetna 2013



MILLENNIALS' SINGLE BIGGEST FINANCIAL CONCERN

22%

Paying monthly bills

12%

Burdening dependents
if I die prematurely

12%

Monthly income for a
comfortable retirement

9%

Paying off/reducing
credit card debt

2016 Insurance Barometer Study,
Life Happens and LIMRA

Millennials are the most economically fragile generation in the workplace

In the years following the Great Recession, millennial households have seen their financial situation improve more quickly than other generations. Two-thirds of millennials report higher incomes in the five years following the Great Recession, compared to just half of younger Generation X households and less than 4 in 10 older Generation X and Baby Boomer households.¹

But entering the workplace during one of the most turbulent times since the Great Depression, millennials have no shortage of economic concerns and worries.

The combination of higher incomes with the memories of family members and friends who lost jobs or homes has left millennials with an interesting perspective on finances. They're the most concerned generation about building emergency funds, saving for large purchases, paying off education loans, maintaining a good credit score and following a monthly budget.²

Between 2004 and 2014, when most millennials were of age to attend college, there was an 89 percent increase in the number of people taking on student debt and a 77 percent increase in average balance.³ The average balance for student debt now stands at \$26,700.

But nearly one-third of millennials report having no savings set aside for emergencies or to cover their expenses if they're forced to miss work. Only 23 percent of Gen Xers and 18 percent of Baby Boomers have no savings.⁴ This lack of savings may be driving a delay in marriage, starting a family and home ownership. Just 23 percent of Americans 18-31 in 2010 were married and living in their own household, down from 43 percent in 1981 and 56 percent in 1968.⁵

These life events are traditionally seen as drivers for insurance purchasing decisions. When people get married, have a child or buy a home, they have more to protect or worry about.

In fact, half of millennials say they would struggle immediately to cover everyday living expenses if the primary wage-earner in their household died.⁶



Millennials delayed many of the life events that are typically drivers for insurance purchases and are ill-prepared to handle financial emergencies.

Millennials see the need for benefits

Millennials increasingly see their employers as a place to help them develop professionally but also a place they can learn and develop other life-sustaining needs. Millennials are more likely to believe their employer cares about their well-being than their Generation X and Baby Boomer counterparts, according to Colonial Life research.⁷

HR professionals should recognize that benefits are very important to millennial employees. It may be what attracted them to an employer in the first place, and could be the deciding factor as to whether or not they stay there.

Even though they're the youngest generation in the workforce, they value benefits as much as other generations, according to LIMRA.⁸ About 94 percent of millennials say having health insurance through the workplace is important or very important. Dental insurance (91 percent) and vision care (89 percent) aren't far behind. And the value they place on these benefits doesn't change based on whether they pay for it or it's paid by their employer.⁹

But millennial employees also see the value in non-core benefits. And they're proving it with their wallets.

Seventy percent of millennials now own some sort of life insurance — either individual, group or both. That's up 10 percentage points in just the past six years. Individual life insurance ownership is especially strong over that time period, increasing 48 percent since 2010.¹⁰

And millennials aren't done. Three-quarters of millennial households report they're likely to buy life insurance over the next 12 months — up from less than 50 percent in 2010.¹¹

But life insurance isn't the only need they have. One in four of today's 20-year-olds will be disabled and unable to work during their working lifetimes, according to the U.S. Social Security Administration.¹² And millennials' active lifestyles may increase their need and use of other insurance products, notably accident and hospital confinement insurance.

Millennials are concerned about their overall financial wellness. The top financial concern named by millennials is paying their monthly bills (22 percent), followed by burdening dependents with a premature death (12 percent) and saving for a comfortable retirement (12 percent). Meanwhile, Baby Boomers name retirement savings as their top concern (22 percent) while older seniors name losing money on their investments (24 percent).¹³

Adult millennials and young Generation X adults also are more likely than their older counterparts to say they would experience a "drastic" or "significant" financial change if they couldn't work for six months due to an accident or illness.¹⁴ While millennials tend to keep a close eye on their spending and budget, more than half are willing to pay more for better insurance coverage, according to a Nielsen study.¹⁵ Not only do millennials want insurance, they purchase it, and they use it.

Today's higher-deductible health plans may be attractive to millennials because premiums are lower. However, these plans can leave employees vulnerable to considerable financial risk. Two out of every three Americans don't have the cash on hand to pay for a \$1,000 emergency, according to a poll from the Associated Press and NORC Center for Public Affairs Research.¹⁶

Products such as disability insurance, critical illness insurance and accident insurance are built to allay those concerns and help protect them and their households from financial trouble if they can't work or face unexpected medical bills from an injury or illness.



Voluntary insurance is a great option for millennials because it's affordable and flexible, allowing them to customize their benefits package.

Strategies for communicating benefits

But how will millennials determine what insurance products to buy, and how to best take advantage of them? And how can businesses solidify themselves as the best employer for up-and-coming millennials? Both of the answers may rest in the human resources office.

Workers tend to use the workplace as a reliable source of benefits information. But only a third of millennials rate their employers' benefits education as excellent or very good.¹⁸ Millennials were also the least likely to agree they have a good understanding of the benefits offered by their employer compared to Generation X or Baby Boomers. Less than three quarters (71%) of millennials whose employer offers benefits agree or very strongly agree with the statement: "I have a good understanding of all the insurance benefits offered by my employer." That trails Gen Xers (80 percent) and Baby Boomers (81 percent).¹⁹

To make benefits communication efforts for this audience as effective as possible, HR professionals should consider adopting the following tactics.

- Give them someone to talk to. Millennials are a social generation. Insurance is complex, and it can be difficult to communicate benefits effectively without human interaction. One-to-one benefits counseling as an integral part of the enrollment meets this need. Having a trained benefits specialist who can talk to Generation Y employees about their insurance options, answer their questions, and clarify product features gives them the personal attention they need to make informed decisions.
- Use technology where it makes sense. Millennials are tech savvy and embrace digital technology and social media. Yet their online-all-the-time reputation can be misleading. In a recent LIMRA survey of life insurance buying preferences, Generation X and Generation Y consumers said they want information and service online, but they also want the option to



WHY MILLENNIALS OWN LIFE INSURANCE

49%

Pay final expenses

35%

Replace income

22%

Pay off mortgage

2016 Insurance Barometer Study,
Life Happens and LIMRA



Three-quarters of millennial households report they're likely to buy life insurance over the next 12 months — up from less than 50 percent in 2010.

Facts About Life 2016, LIMRA,
September 2016

talk to someone by telephone.²⁰ Many employers have begun using web-based, self-service tools to help communicate their benefits. However, these tools generally do very little to help employees make informed benefits decisions. Use technology to supplement, not replace, face-to-face, ongoing communication with this group.

- Use multiple touch points. Only 41 percent of Generation Y employees visit their employer's HR websites when looking for information about their benefits, compared to 49 percent of the total workforce.²¹ This group is also less likely to look at HR booklets or attend benefits seminars. Employers should use a variety of different methods to reach Generation Y employees at work, at home and "on the road." Don't rely on any one method to do the job.



With newfound independence and responsibility, but uncertainty all around, millennials are looking for professional advice on how to manage their finances. More than 50 percent of millennials say their need for professional guidance is rising.

Conclusion

There's no denying that millennials are going to have a tremendous impact on the workplace in the decades to come. The way they prefer to work, their attitudes toward flex-time and their notions of benefits will play a large role in which companies are able to recruit and retain the best and brightest — and which businesses will not.

HR professionals who can best understand and explain the benefits landscape in a meaningful way to millennial employees will have a leg-up on their competition.

Understanding the financial pressures that today's young professionals are under, remembering that traditional triggers for purchasing insurance (marriage and home ownership) have been delayed by millennials and learning how to best communicate about benefits to millennials will help employers ensure their workplace of the future can be filled with productive, satisfied employees who are able to care for the physical and financial well-being of themselves and their families.

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About Colonial Life

Colonial Life & Accident Insurance Company is a market leader in providing financial protection benefits through the workplace, including disability, life, accident, dental, cancer, critical illness and supplemental health insurance. The company's benefit services and education, innovative enrollment technology and personal service support 85,000 businesses and organizations, representing 3.5 million of America's workers and their families. For more information visit www.coloniallife.com or connect with the company at www.facebook.com/coloniallifebenefits, www.twitter.com/coloniallife and www.linkedin.com/company/colonial-life.



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