Employee Benefits Report

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Most Employees Don't Feel Financially Prepared for Retirement

Although the U.S. economy is strong and the stock market continues to rise, most employees are worried about the future.

Purchasing Power, a specialty e-retailer for organizations, reports that 87 percent of full-time employees or their spouses are stressed about their finances — with insufficient retirement savings near the top of the list. MassMutual, a mutual life insurance company, found similar results. Its surveys reveal about 72 percent of employees agree they haven't saved enough for retirement.

When you consider that the National Institute on Aging esti-

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What's Considered Medically Appropriate for Insurance To Be Expanded

Healthy groceries, home-delivered meals, air conditioners and grab bars in the bathroom may soon be some of the "medically appropriate" benefits covered by insurance.

The Centers for Medicare & Medicaid Services expanded the definition of "primarily health-related" benefits insurers can include in their Medicare Advantage policies. Beginning in 2019, insurers can provide retirees care and devices to prevent or treat illness and injuries or reduce emergency medical care. The details of what insurers will offer will not be known until fall 2018 enrollment.

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mates the average 65-year-old man who retires will need at least enough money saved to last 17 years; and the average woman will need 20 years' worth of savings, it's obvious how important it is for employees to plan for their retirement seriously and early.

You, as an employer, can help your employees avoid retirement saving mistakes and get on the right track. Here are a few things you can do.

Employee Problem: Saving too little.

Employer Solution: An employer-sponsored 401(k) is a great way for employees to save. An employee's contributions are automatically deducted from their paycheck (what they don't see, often isn't missed). Plus, if you match an employee's contributions up to a certain amount, their retirement savings increase even more quickly.

Some employers automatically enroll their employees into a 401(k) to ensure that they are saving for retirement. For instance, employers could deduct three percent of an employee's income the first year and then step it up by a set percentage the following years. The Pension Protection Act of 2006 requires employers to apply the deduction uniformly to all employees covered by the plan and the deduction must not exceed 10 percent of an employee's salary. Employees have the option to opt out.

Employee Problem: Poor investment decisions

Employer Solution: An employer can arrange for employees to meet regularly with a financial advisor who can ensure that the employees have a diversified portfolio. The advisor can help an employee set their financial goals and recommend specific steps.

It's easy for some employees to focus on maximizing their returns — particularly if they're trying to catch up on savings. It's better for employees to spread their investments over a variety of funds — such as index, balanced, equity and global — for a combined, lower level of risk.

Employee Problem: Forgetting about taxes

Employer Solution: Again, this is an issue where a financial advisor's advice can come in handy. Some retirees have a higher tax rate when they retire. Fortunately, there are ways to minimize taxes. One option is to invest in Roth accounts. With a Roth IRA, an employee pays taxes when they contribute, but can withdraw money tax free once they retire.

Also, distributions from taxable retirement accounts can be timed to when the employee has the lowest income, and therefore the lowest taxes.

Employee Problem: Saving sick leave days to pay for retirement

Employer Solution: Employers can limit how many sick days employees can accumulate or suggest other methods of payment besides cash.

An attorney for the city of New York received $21,779 after stockpiling 120 days of sick leave and 135 vacation days. He's not unusual. Many employees save unused days as a way to boost their retirement savings. Unfortunately, the Internal Revenue Service treats benefits as taxable income in some situations, even if the employee doesn't receive the benefit as cash.

As an alternative, an employer can set up an employer-sponsored health reimbursement account that allows participants to use the payout to pay for health insurance and other qualified medical expenses. Tax exempt organizations also can set up a tax deferred 403(b) investment plan and government agencies can set up a IRC Sec 401(a) and deposit the money there if the employee doesn't plan to use the money for health care.

Employee Problem: Taking money out of a 401(k) for current expenses

Employer Solution: Employers can encourage employees who are under age 59½,

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The type of benefits offered also can vary according to the beneficiaries' place of residence.

Experts believe these benefits will reduce costs and advance beneficiaries' health. Observers are hopeful insurers for individual and employer-sponsored health insurance soon will follow suit if studies indicate that food-related and care interventions will lower costs and improve health outcomes.

For instance, the Institute on Aging, a California nonprofit that offers services for seniors and adults with disabilities, reduced health care costs 30 percent by taking a more integrated approach to addressing participants' social and health needs. A Health Affairs study showed a 16 percent decrease in overall medical spending for participants in a medically-tailored meal program.

and who use their retirement money for emergencies, to pay the money back within a specified time. If they don't, they will owe a 10 percent federal penalty tax, as well as regular income tax.

PwC (PricewaterhouseCoopers), a multinational professional services network, conducted a 2018 Employee Financial Wellness Survey and found that not having enough set aside for an unexpected expense is the number one cause of financial stress for employees.

If employees decide they must withdraw retirement money before their retirement age, they won't have to pay income tax if they return it within 60 days — and if they only do that type of rollover once a year.

Check with your broker, but you might be able to institute rules that limit what sources employees can withdraw from or not allow access at all until termination or until they reach a certain age. You also could treat a withdrawal as a loan. Employees would have up to five years to repay their loan amount and have even longer if it's used to purchase a principle residence.

To discuss ways to help your employees get better prepared for retirement, please contact us. ■

How to Plan for Life's What-Ifs – with Long-Term Disability Insurance

Few people can imagine a day when they will be too ill or injured to work. Unfortunately, it's not that uncommon. According to the Council for Disability Awareness, more than one in four of today's 20-year-olds can expect to be out of work for at least a year because of a disabling condition before they reach the normal retirement age.

Two sources of supplemental income, Workers' Compensation and Social Security Disability Insurance (SSDI), have limited applications. Workers' comp only covers time away from work if the illness or injury is work-related. In 2016, only one percent of workers missed work because of an illness or injury at work. From 2006 to 2015, only 34 percent of workers who claimed SSDI had their applications approved.

Long-term disability insurance has a wider application. Long-term disability insurance dropped in popularity for a few years as employers focused on complying with the Affordable Care Act's health insurance provisions. However, interest in the benefit is gaining again as more employers and employees see the advantage of protecting employees' salaries when they're unable to work.

Short-term disability insurance pays benefits for the first three to six months, and then long-term disability kicks in. A typical long-term policy pays about 50 to 60 percent of an employee's salary, with a $5,000 monthly maximum payout, until the employee can return to work. Some policies will pay until age 65.

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The most common reasons for long-term disability claims include musculoskeletal disorders, cancer, pregnancy, mental health issues and injuries. Keep in mind that many insurers are requiring employees to answer health-related questions and show evidence of insurability. Some insurers have a pre-existing condition provision and won't pay benefits for as long as a year.

According to the Council of Disability Awareness, the average duration of a claim is nearly three years. Few families have enough savings to last them 34.6 months. In 2015 the Federal Reserve Board surveyed adults and found that about 53 percent said they don't have enough money saved to cover three months.

Employers can pay for sponsored long-term disability insurance premiums in several ways:

- **Employer Fully Paid:** Employers often automatically enroll employees and pay for all the premiums — an easy way to meet the required minimum level of employee participation required by some insurers. When employers leave it to employees, they often only get 30 percent participation. However, even when an employer automatically enrolls all company employees, only 75 percent usually keep the benefit. If an employee goes on disability, they must pay taxes on any benefits they receive.
- **Employer/Employee Shared Costs:** Some employers pay for a basic benefit that replaces 40 percent or 50 percent of income and then offer employees the opportunity to make additional payments for benefits that would increase the replacement amount to 60 to 70 percent of their salary.
- **Employee Fully Paid:** This can be offered as a voluntary benefit with the employee paying all the costs. If they do this, they can handle the payments in different ways:
  - Employees pay their premiums with pre-tax dollars. If they become disabled and make a claim, they must pay federal taxes on the benefit.
  - Employees pay their premiums with after-tax dollars. They pay more now, but if they become disabled and make a claim, they will get more money because they won't have to pay federal taxes.

The challenge for many employers is educating employees so they understand the benefits of a long-term disability policy. Education is key, particularly for younger employees who may think they are invincible. They should understand the benefits of having both short- and long-term disability benefits and understand how tax choice options can affect their disability benefits.

Interested? Talk to us about the best options for your employees. ■

Are Indemnity Health Insurance Plans Right for Your Company?

If you're looking for health insurance that allows your employees to see any provider, you may want to consider an indemnity plan.

Traditional indemnity plans are often are referred to as "fee for service" plans. This is because the insurance company pays a "usual, customary and reasonable" (UCR) amount for covered charges after the insured member pays the deductible and co-payment. The deductible is the amount the member is required to pay before policy benefits are provided (the higher the deductible, the lower your overall plans costs will be). A co-payment is the amount a member may have to pay after the deductible is met.

For example: If the provider charges $800 and you have a $200 deductible, that leaves $600. If your co-payment is 20 percent, you are required to pay 20 percent of the remaining amount, which is $120 (plus the $200 deductible of course).

Not all policies are the same, so it pays to check if the insurance company caps the amount a member will have to pay as co-insurance. Once a member reaches the maximum payable, they no longer have to pay the co-insurance. This feature can be a

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blessing to someone facing a serious medical situation.

In addition, check whether preventive services, such as annual exams and routine office visits, are covered, since some indemnity plans do not cover those services.

Here are a few advantages and disadvantages of indemnity plans.

Pros

- Your employees will not be limited when choosing a health provider. They won't have to worry about network restrictions, because they can select any physicians, hospitals, or specialists they like, as long as the treatment is non-experimental. This is especially important if your employees don't wish to switch to a different provider or facility. It's also helpful if you live in an area where your choice of providers or facilities is limited and your employees want to go to different towns for treatment.
- Indemnity insurance is great for employees who often travel outside their area and might need to see a health care provider when away from their regular doctor. Indemnity health insurance expands their health care options.
- No referrals are needed; members can see whoever they choose.

Cons

- While premiums may be lower than traditional health insurance, employees must pay deductibles and co-insurance costs. This can add up, particularly when there is no maximum out-of-pocket to pay.
- Members must be diligent about searching for the lowest cost before agreeing to treatment. They also should learn upfront how much the company will pay as UCR (usual, customary and reasonable) and whether the treatment is medically necessary.
- There may be few or no preventive benefits.
- Members might have to pay bills upfront and settle with the insurance company later.

When considering an indemnity plan, remember there are different types of insurance plans for different medical needs, including hospital/surgery, major medical, and comprehensive (combination of hospital and major medical coverage). Most of these plans provide coverage for hospital stays, outpatient procedures, prescription medications, doctor's visits and preventive care.

For more information about whether an indemnity plan would be a good fit for your company, please contact us. ■

Gamification Comes to Health Care

Playing games is fun — but sometimes it can also be good for your health and bottom line.

Companies design wellness programs to improve employees' health by encouraging them to engage in exercises, educational seminars and health screenings. Successful programs also lower employers' health care costs.

Too often, though, these programs are boring, complex or off-putting. To combat this issue, more and more insurance companies are turning to "gamification" as a way to entice members to adopt healthy habits. Gamification applies the motivational techniques of games to online training.

For example, employees who log into a wellness program from their Smartphones or computers are encouraged to keep track of steps and walk more if they know they can earn money towards health care reimbursement.

Why it Works

A number of factors go into designing a successful gamification program:

- By giving users a chance to "move up" in a game, gaming gives users a sense of accomplishment. Keeping a doctor's appointment, walking more or adopting better lifestyle habits can help employees feel better about themselves while progressing in the "game."
- When the gaming feature is combined with incentives, employees have a reason to come back to the wellness program. Rewards can be daily raffles, point redemptions, prizes and gift cards. Time off is the most popular reward.
- Financial incentives to participate often are not enough to attract participants. Some wellness programs impose penalties for activities such as smoking and then offer rewards for quitting.
- It's important the wellness program incorporate tiers and levels that must be reached. For instance, a fitness counter could track progress, buzz if the wearer is inactive and offer trophies and rewards.
- Participants in these programs enjoy immediate feedback and the knowledge that they are getting closer to their goal.

Give us a buzz if you want more information on how gamification could possibly be incorporated into your health plans.

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