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# Voluntary Benefits Have a Vital Role in Protecting Employees' Retirement Savings

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*By John A. Thornton, Amalgamated Life Insurance Company*



Most plan sponsors take measures to help their employees prepare for

retirement. In addition to offering retirement plans, many now bring a menu of voluntary benefits to the worksite to help their participants preserve their retirement funds. These employee-paid benefits provide essential protection in the event of a critical illness, disability, accident or other event, such as identity theft, that could quickly undermine an individual's financial stability.

While much has been said about voluntary benefits' role in attracting and retaining employees, plus helping shift the cost of insurance from the company to the worker, less focus has been placed on how these benefits can help preserve employees' retirement savings. Plan sponsors offering the benefits should highlight this and encourage employees to consider adopting some of them.

### **Sobering critical illness statistics**

According to the American Heart Association, every 29 seconds an American suffers a coronary event and every 40 seconds an American suffers a stroke. Now, consider this fact provided by NerdWallet Health: Nearly 10 million adults with year-round

health insurance accumulate medical bills they can't pay in any given year. In fact, according to data from multiple sources—i.e., the U.S. Census, Centers for Disease Control and Prevention (CDC), the federal court system and the Commonwealth Fund—medical issues are the No. 1 cause of personal bankruptcies in the U.S.

Approximately 60% stem from medical costs, mostly related to critical illnesses including heart attacks, strokes, certain cancers and conditions such as multiple sclerosis. For many Americans recovering from a critical illness, retirement becomes a more distant option as they must struggle to climb out of serious financial difficulties.

### **Disability data**

While not necessarily as devastating as a critical illness, an unexpected disability also can have a damaging effect on retirement. The Social Security Administration (SSA) reports that a 20-year-old has a 26.8% chance of becoming disabled for at least one year before reaching a retirement age of 67. The average long-term disability absence is just shy of three years

based on Council for Disability Awareness data.

What is the financial cost of a disability? For individuals who rely on their paycheck to cover rent/mortgage, utilities, food, gas, clothing, etc., a disability can take away that paycheck and leave savings *and* retirement funds in serious jeopardy.

### **Most accidents occur off the job**

Accidents also deplete personal savings and retirement funds. The CDC notes that over 1 million Americans incur a slip, trip or fall injury yearly, many of which result in serious back, brain, head, neck, eye and facial injuries or paralysis; broken bones or fractures; and/or amputations. Fifty percent of these accidents occur inside the home, 24% outside the home. These, too, can force an individual to leave work, forego a salary and, thus, incur a significant financial setback.

### **Escalating identity theft**

Unexpected critical illnesses, disabilities or accidents aren't the only

things that can upend retirement plans. Javelin Strategy & Research reported that 16.7 million U.S. consumers—approximately 30%—were identity theft victims in 2017, up 12% from 2016, with their financial loss totaling over \$16.8 billion. While estimates differ on the average loss per person, the totals can be up to \$1,039 or \$7,761, as reported by Javelin and the U.S. Department of Justice's (DOJ)'s Bureau of Justice Statistics, respectively. Many people suffered much higher losses.

### **Voluntary benefits offer financial security today and for retirement**

All of these circumstances and the associated financial risks can be significantly mitigated with voluntary benefits. Here is a lineup of just four and how they protect employees and help preserve their retirement funds.

- **Critical illness insurance** can be used to pay for medical expenses not covered by one's health plan—e.g., deductibles, co-pays, non-covered prescription drugs and alternative treatments—and nonmedical expenses such as mortgage/rent payments, utility bills, car payments and insurance

premiums. It is available in face amounts, for example, of up to \$50,000 for employees and spouses and for dependent children at a percentage of the face amount—e.g., 25% for children. Cash benefits are paid directly to the employee or family.

This type of insurance is a guaranteed issue policy—i.e., no health questions are asked. It is also a guaranteed renewable policy, assuming premiums are paid, and it's portable, meaning employees may retain the benefit if they change jobs or retire.

- **Short-term disability insurance** covers expenses if an employee becomes disabled. The disability payment is based on the employee's income. The policy is portable and guaranteed renewable up to a certain age, such as 72, depending on the policy. Among basic policy provisions are partial disability survivor, mental illness, alcohol/drug services, and waiver of premium and pregnancy benefits.
- **Accident insurance** covers initial care following an accident, paying certain expenses for the employee, spouse and dependent child. Among the items covered are: emergency room treatment, hospital admission, confinement,

intensive care, initial doctor's visit, major diagnostic exams, medical appliances, pain management, physical therapy, prosthetics, rehabilitation, transportation and X-rays. It can be guaranteed issue, portable and offered with level premiums that do not increase with age.

- **Identity theft protection and credit monitoring plans** give employees access to resolution center professionals who can help them determine the extent of the theft, gather evidence, resolve the incident and work with creditors if damage has occurred. Additional plan features can include: fraud alerts; help filing police reports, fraud victim affidavits and credit grantor notifications; post-fraud follow-up; and extensive searches of private/public databases, social media channels, and the dark web to detect misuse of an individual's personal identity and credit data.

Clearly, each of these voluntary benefits and others—e.g., accidental death and dismemberment, legal plans, dental, vision, etc.—has its role. All, however, serve to protect an individual's assets and financial health and, in doing so, gives him a greater opportunity to achieve a financially secure retirement.

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Tagged: accident insurance, critical illness insurance, disability insurance, Financial Wellness, identity theft protection, Retirement Readiness, voluntary benefits



The advertisement features the AICPA logo in the top left corner. The main text reads "Getting it right" in a large, serif font, followed by "Employee Benefit Plans Conference" in a bold, sans-serif font. Below this, the dates "May 6-8, 2019" and the offer "Save \$76 through March 22." are listed. An orange button with the text "Register now" and a right-pointing arrow is positioned at the bottom left. On the right side of the ad, there is a graphic of three stacked, metallic-looking rectangular blocks with a large, dark checkmark symbol overlaid on them.