UNIVERSITY CONFERENCE SERVICES

May 2014 Benefits Spotlight

Begin Saving While You're Young or Plan to Work Forever

The April edition of EBRI ***Notes*** examines the growing percentage of those 55 and older in the labor force. The report, which is based on information from EBRI's 2014 ***Retirement Confidence Survey***, notes that the economic downturn may have compelled older workers to continue their employment as a means of access to employer-provided healthcare, to make up for their lack of retirement savings or to pay down debt. Some, of course, may simply want to continue to work because they enjoy their jobs. At the same time that the percentage of older workers has increased, the percentage of younger workers has decreased. This poses a "chicken or egg" type question: Are older workers filling the void caused by the lack of younger workers, or are older workers preventing younger workers from entering the labor force?

A **white paper** by Catherine Collinson for the Transamerica Center for Retirement Studies looks at three generations of workers--Baby Boomers, Generation X and Millennials. Based on Transamerica's 15th annual survey of U.S. business employers and workers, the paper notes that the leading edge of the Baby Boomers has already begun retiring. With median retirement savings of just $127,000, according to the study, it's not surprising that many Baby Boomers (65%) do not plan to retire at age 65--or possibly, ever. At least half (52%) say they will work at least part time during retirement. The study dubs Generation X the "401(k) generation," since they are the first workers for whom defined contribution plans have been available throughout their careers. While these mid-career workers fully expect to have to fund their own retirements, their median assets at this stage of their lives--just $70,000--suggests they will fall far short of the $1 million they anticipate needing to maintain their lifestyles in retirement. This explains why many from this generation plan to work past age 65--or not to retire at all. Millennials, today's youngest workers, appear to be more savvy about the need to save for retirement: 70% are already doing so and started saving at age 22, earlier than either Generation X (27) or Baby Boomers (35). In fairness to the Baby Boomers, however, 401(k)s did not come into existence until these workers were in their 30s! Millennials expect to be able to retire before or at age 65 but expect to continue working for the enjoyment of it when they do retire. Now, is that just youthful enthusiasm, or will these youthful super savers be able to achieve their retirement dreams?

We want to pass on a couple of EBSA links that may be helpful to your employee retirement savings education efforts. The Agency has produced an online publication, **Savings Fitness: A Guide to Your Money and Your Financial Future**. This web page includes links to interactive financial **worksheets** to help people methodically work out a plan to achieve financial fitness. There is also a **printable, fully illustrated 44-page Adobe PDF version**.

Healthcare--It's All About the Cost

Health Insurance Premiums: Comparing ACA Exchange Rates to the Employer-Based

Market, a study by PricewaterhouseCoopers' Health Research Institute, offers an interesting look at how the Affordable Care Act's (ACA's) insurance exchange rates stack up against those in the employer-provided health insurance arena. The report reveals that exchange rates are comparable to--and in some cases lower than--those offered for employer-provided coverage. Insurers included in the survey said they expect price to be the primary influencer of the level of coverage that consumers select. According to the study, the actuarial value of the average employer plan nationally falls somewhere between the Affordable Care Act's gold and platinum levels and has single coverage premiums of $6119. This is about $275 (4%) higher than the comparable median premium for an exchange plan, $5844. The report concludes that, in the future, employers may see public exchanges as an attractive alternative.

The prospect of an employer exodus from providing healthcare benefits leads, inevitably, to a discussion of a "defined contribution" approach to health insurance. A recent article by *Kaiser Health News*, "**Defining What 'Defined Contribution' Means for Work-Based Health Insurance**," notes that there is a divergence of opinion about whether employers will rush to abandon their benefit programs and simply give employees a stipend with which to buy insurance on the public exchanges. The stipend, by the way, would be taxable income to the employees. This approach also leaves employers on the hook for the ACA's play or pay penalties. The article suggests that employers may, instead, look more closely at private exchanges. This would allow employers to control costs by providing a set dollar amount to employees. Under this scenario, employers would also avoid paying the penalty since they would still be sponsoring employee health coverage. Employees would continue to receive the tax benefit of employer-provided health insurance and would also, ostensibly, have a wider choice of plans from which to choose. The danger of this, according to some, is that employees will go for the cheaper, less comprehensive plans and end up with much more out-of-pocket expense. So what's the solution? No one knows for certain. The issue of healthcare cost--and who pays for it--has been with us for a very long time and is likely to remain that way.

The Last Word

Kaiser Health News and *USA Today* teamed up to answer the question, **Who Really Pays for Healthcare?** This is a quick read that dispels some of the myths about who really foots the lion's share of the healthcare bill and concludes that the answer is--spoiler alert--we (the consumers) do!