

Benefit Insights

Inadequate Life Insurance Coverage Plagues Today's Employees

Life insurance is considered by most people to be the best way to protect against the financial repercussions surviving family members face when a primary wage earner dies. Yet, according to figures from LIMRA, an insurance and financial services industry association, 44% of U.S. households either don't own life insurance but think they should, or own life insurance but think they need more. A survey from MetLife found that 43% of life insurance beneficiaries received less than \$50,000 in proceeds following the insured's death, and 55% received an amount that was less than the deceased's salary. This pronounced need gives employers a significant employee engagement and recruitment/retention opportunity, by adding to or enhancing supplemental life insurance products offered through an employee benefits package.

The MetLife research underscores the financial insecurity survivors feel following the death of the primary wage earner in an uninsured or underinsured household. While more than half of surviving spouses who received three or more years of income through life insurance benefits felt financially secure the year following the death of their partner, fewer than half of those who received a lower amount of life insurance benefits felt financially secure, and only 11% of those who received no life insurance proceeds felt financially secure. More than a quarter reported continuing to feel financially vulnerable even four to five years after their spouse's death.

Due to the primary wage earner's income not being adequately replaced, 64% of surviving spouses reported an impact on their lifestyle, such as having to move; 55% had to withdraw funds from savings; and 47% had to resort to tapping retirement savings.

While most employers offer some form of life insurance coverage to employees, in many cases this is one times salary,

or less. However, employees frequently have the opportunity to buy additional coverage on a voluntary basis. The MetLife research illustrates the need for employers to better educate their workers as to the availability of supplemental coverage, the advantages of purchasing it through the workplace, and on the amount of coverage needed to remain financially secure.

The advantages of purchasing supplemental coverage through a workplace voluntary plan may not be readily apparent to employees, who may have difficulty seeing beyond the additional, though small, payroll deduction they will incur by purchasing coverage. A supplemental policy purchased through the workplace brings with it the advantage of group rates and sometimes less stringent (or no) individual underwriting.

Illustrating to employees that they can get greater coverage at a lesser cost by purchasing their coverage through the workplace, as compared to in the individual market, can make their participation in the voluntary plan more likely. However, employees must first come to the conclusion that they do indeed need the coverage. Look to your voluntary benefits provider for communications, including "how much coverage do I need" types of worksheets or calculators, to help bring this point across to employees. Your insurance provider also may be able to supply stock newsletter articles to run in a company publication or post on a web site, or speak to employees in meetings or in a one-on-one setting about coverage adequacy.

The effects of a primary wage earner's death can devastate survivors for years. Supplemental life insurance coverage, offered through the workplace and effectively communicated to employees, is the key for most individuals to avoid this tragedy.

The Elan Group, Inc. is pleased to present you with the next edition of our corporate newsletter. We hope the articles in this and future editions will provide insight into an array of financial matters, and we urge you to contact us with questions and comments. Our firm works in the areas of insurance, investment, benefit planning for individuals and corporations and permanent employee placement. Our goal is to provide excellent service, competitive pricing, and products tailored to meet the special needs of each client.



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Cancer Tops List of Disability Claims Yet Again

For the ninth year in a row, cancer ranks as the leading cause of long-term disability claims, according to an annual review of claims by disability insurer Unum. With nearly 1.5 million new cancer diagnoses in 2009, according to the American Cancer Society, and survival rates increasing, cancer-related disabilities are sure to continue to rise, making it imperative that employers implement policies that encourage workforce participation by employees with the disease.

The American Cancer Society reports that the five-year relative survival rate for all cancers diagnosed between 1996 and 2004 was 66%, up from the 50% rate seen during part of the 1970s. Screenings that detect various types of cancers at earlier, more treatable stages, and improvements in treatments account for this gain. Higher survival rates mean that

increases in the rate at which those temporarily disabled by cancer return to work.

- In 2001, 47 percent of those diagnosed with breast cancer returned to work. For 2008, the number increased to 53 percent.
- In 2001, 28 percent of those diagnosed with prostate cancer returned to work. In 2008, the number rose to 34 percent.
- In 2001, 23 percent of those diagnosed with colon cancer returned to work. In 2008, the number rose to 33 percent.

Various studies demonstrate that the support shown by an employer and co-workers influences cancer patients'

return to work. Factors that positively influence a return to work during and after cancer treatment include a company's and co-workers' attitude toward the cancer patient, a willingness to work out a flexible work schedule, and a willingness to negotiate the cancer patient's workload. One study published in the *Journal of Clinical Oncology*, and specific to breast cancer, found that a company's willingness to accommodate workers'

breast cancer and treatment was an important factor in the studied women's decision to return to work after treatment. In that study, 82% of the cancer patients had returned to work within one year after their diagnosis, with 87% perceiving their employers as being accommodating to their cancer and treatment needs.

Your company makes a huge investment in recruiting and training qualified employees. While your

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a cancer diagnosis does not necessarily carry the meaning it once did. Unum characterizes cancer survival rates as more similar to levels seen with serious chronic conditions, rather than those associated with a terminal illness.

Consequently, more and more individuals diagnosed with cancer are benefiting from treatment options and staying connected to the workforce, albeit sometimes with periods of time off work while undergoing treatment. Though its cancer disability rates have increased, Unum also reports significant

support and that of co-workers means the world to a cancer patient, it also makes good business sense for your company. A willingness to implement flexible work policies for employees struggling with this disease, coupled with a sensitivity to each individual's specific needs, can engender the kind of loyalty that can motivate these temporarily disabled workers to return to work, with renewed commitment to your company, once they've officially joined the ranks of "cancer survivor."

Why LTC Planning Is Essential for Boomers

As millions of baby boomers in the United States rapidly approach old age, experts predict the number of long-term care patients will double over the next 30 years. What does that mean for you? It means that if you don't have a long-term care plan in place, you and your family may have to face some tough choices down the road.

Read on to learn why a long-term care plan is critical for every baby boomer.

A booming generation

Between the years of 1946 and 1964, the United States experienced an unprecedented baby boom. More than 76 million American babies were born during that relatively short 18-year span. Representing a disproportionate 28 percent of the U.S. population, the baby boomer generation will certainly make waves as they sail into retirement.

By 2050, the youngest surviving baby boomers will turn 85. That will raise the population of people 85 and over by a whopping 300 percent. Because the majority of people need some form of long-term care by the age of 85, the long-term care system will be overrun with baby boomers by 2050.

On top of that, Americans are living increasingly longer lives. Recent estimates give a healthy 65-year-old man a 24% chance of living to at least 90 and a healthy woman a 35% chance of living that long. While this is great news, the longer we live, the more likely we are to suffer from a long-term care event.

What does all this mean for you? It means now is the time to put a plan in place.

The hefty price tag

If you or a loved one suffers from an illness that requires long term care, get ready for some sticker shock. A year-long stay in a nursing home can cost between \$40,000 and \$80,000 or more. While prices vary by state and the type of care required, one thing is consistent across the board when it comes to long term care: it's phenomenally expensive.

Just take a look at the average costs of long-term care in the U.S.:

- \$5,566 a month for a semi-private nursing home room
- \$6,266 a month for a private nursing home room
- \$2,968 a month for care in an assisted living unit
- \$19 per hour for a home health aide

While this may not seem like a huge expense, these costs can quickly add up and eat away at your nest egg. For example, let's say you hire a home aide to assist your husband just three times a week for four hours. At \$19 an hour on average, that would come out to \$228 a week. That adds up to nearly \$12,000 a year. Unfortunately, Medicare does not cover these exorbitant long-term care expenses.

To top it off, informal home care is simply not a realistic option for most families these days. After all, most children of

baby boomers are struggling to balance their own work and family life. They simply don't have the time or resources to care for sick parents.

This is why it's critical for each and every family to plan ahead for a potentially expensive long-term care event. Without the proper protection, such an event could devastate a family's finances.

The simple solution

How can boomers handle the skyrocketing costs of a potential long-term care event? The answer is simple: long-term care insurance (LTCI). Without LTCI, a nursing home stay or another long term care event could devastate your family's finances. Because LTCI covers many of these expenses, this valuable insurance will not only protect your finances-it will also help you to maintain your current standard of living if you or spouse requires long-term care.

Even the affluent need coverage

Let's say you and your wife are 65, and you have \$2 million in liquid assets, not including your home. With that much cash, you probably assume that you'd have more than enough funds to cover a 5-year stay in a private nursing home room.

However, you've forgotten to factor in a few additional costs of self-insuring for long-term care:

- Inflation: The ever-increasing rate of inflation could quickly magnify the cost of long-term care. What costs \$200 today could cost as much as \$1,000 20 years from now.
- Taxes: If you're forced to sell an asset that has appreciated in value or take an IRA distribution to cover the cost of long-term care, you'll probably face some hefty tax consequences.
- Lost investment opportunities: If you end up paying out of pocket for long-term care for five years, you'll lose out on other investment opportunities.

When you factor in these additional costs, it turns out that the real cost of long-term care for you and your wife would be much more expensive than you realize. This is why everyone stands to benefit from long-term care insurance-even affluent seniors.

Gain peace of mind with LTCI

Without LTCI, the cost of a nursing home stay or a home health care aide could wreak havoc on your finances and whittle away at that nest egg you've worked so hard to build. Don't burden your loved ones with this kind of emotional and financial strain. Create a long-term care plan today to save your family a lot of heartache and stress tomorrow.

If you want to discuss your long-term care insurance options, meet with a financial advisor or insurance agent. A professional can evaluate your unique situation and help you customize an effective plan.

A Look at Healthcare Reform's Impact on HSAs and FSAs

If your company currently sponsors a flexible spending (FSA) or health savings account (HSA) to allow employees to pay out-of-pocket medical expenses with pre-tax dollars, be prepared for upcoming changes. New health care reform legislation could make these "cafeteria plan" benefits less appealing to employees.

Under the new law, maximum annual FSA contributions are reduced, and there are new regulations affecting how the funds can be used. The intent of the new rules and penalties is to generate revenue which can be used to fund aspects of the health care reform package.

FSAs and HSAs (assuming the employee is covered under a qualified high deductible health plan) allow an employee to contribute tax-free funds that can be used to pay for deductibles, drug co-pays, treatments that are not covered by health insurance, and other qualified medical expenses.



Beginning on January 1, 2013, the annual limit for FSAs will be set at \$2,500. Previously, the IRS had stipulated that employers could establish their own FSA contribution limit, and according to the Center on Budget and Policy Priorities, these limits generally fell into the \$2,000 to \$5,000 range. In 2009, Mercer's National Survey of Employer-Sponsored Health Plans stated that the average yearly employee contribution was \$1,424.

Annual limits for HSAs, however, were not affected by the new legislation.

Be aware that some restrictions will become effective more quickly. For example, as of January 1, 2011, FSA and HSA participants will no longer be able to spend the funds on over-the-counter medications unless a physician has specifically prescribed them. Also starting next year, non-qualified withdrawals from HSAs will be subject to a 20% penalty instead of the 10% penalty which is currently applied.



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