A Generation With Income to Protect

From an employee benefits perspective, generational differences undoubtedly play a big role in not only how to communicate with employees about their benefits but what benefits to offer. Yet while there’s been a lot of talk about how to reach other generations, information about connecting withGeneration X is harder to come by. This article discusses the state of Generation X’s unique income protection and financial concerns. The author shows how offering income protection to Generation Xers not only helps them deal with today’s expenses and prepare for the future but can also help employers meet business objectives such as attracting and retaining top talent.

by Amy C. Friedrich | The Principal Financial Group®

Generational differences aren’t a new phenomenon. Over the ages, employers have struggled to address the needs of all of their employees, knowing well those needs often vary based on age. In fact, different life experiences have resulted in each generation having its own distinct communication and work styles, goals and levels of engagement on the job.

From an employee benefits perspective, generational differences undoubtedly play a big role in not only how to communicate with employees about their benefits but what benefits to offer. Yet while there’s been a lot of talk about how to reach Millennials—and even Baby Boomers as they retire and exit the workforce—information about connecting with Generation X is harder to come by.

Who are the Gen Xers? Often the children of Baby Boomers and parents of Millennials, they were born in the early 1960s through the early 1980s and number 65 million in the United States. In 2015, the oldest of the Gen Xers hit a major milestone, turning 50. Think Brooke Shields, DJ Jazzy Jeff, Sarah Jessica Parker and Robert Downey Jr. They all turned 50 in 2015 and are part of Generation X.

As they came of age, Gen Xers were characterized as disillusioned and disengaged. Many were latchkey kids who learned to adapt and be self-reliant. They’ve experienced a juxtaposition of technology—new and old—moving from typewriters and word processors to desktop computers. Social media didn’t dominate their younger years, though they’ve since adapted and embraced it.

All grown up now, Generation X kids are now spouses and parents . . . and play an integral role in America’s workforce.

Income to Protect

Until 2015, when Millennials surpassed them, Gen Xers made up the largest share of employees in the country’s workforce. Most have been in the workforce for decades,
which means they’ve accumulated assets and are building a legacy they need to protect now for future generations.

Today’s Gen Xers have plenty of financial commitments on their plates. They’re parents and partners, homeowners and business owners.

According to the U.S. Census Bureau, 70% of Americans aged 45 and over own their own homes.² And about a third of America’s small business owners are Gen Xers aged 35 to 49.³ Protecting the investment they may have worked decades to build means protecting their income should they be unable to work for a period of time. Financially, running the risk could be devastating.

Some Gen Xers still are paying back loans for their college education, while saving money—or paying tuition—for their children’s education. They’re preparing for retirement, setting aside current income to provide income in the future.

And while we’ve generally characterized Baby Boomers as the sandwich generation, Generation X is now moving into the role. As they watch their own parents advance into their older years, many Gen Xers are now raising and/or supporting their own children while also caring for their aging parents—paying for their kids’ college education at the same time as they may be gathering funds for their parents’ caregiving expenses.

The financial impact can be far-reaching. About one in seven adults in their 40s and 50s is providing financial support to both an aging parent and a child.⁴ As Baby Boomers retire and live longer, more Gen Xers will find themselves sandwiched between their children and their parents.

Bottom line: Generation Xers have income that needs to be protected. They see themselves in a unique position, financially. They feel the pressure from both the generation before them and the generation behind them. That’s why—perhaps more than any other existing generation—they need to be able to handle a loss of income due to a short- or long-term disability.

Disabilities Hit the Wallet Hard

Generation Xers are feeling the financial pinch; 83% have financial concerns. For half of them, their main financial concern is not having enough money in emergency savings funds, and 48% fear not being able to retire when they want.⁵

Without a way to protect their income, a disability could cause a devastating blow to their financial present and future.

During a disability, life’s normal expenses continue. Gen Xers are the prime age to be active parents with children in day care or after-school care. They’re paying mortgages and utilities. They’re paying for their own student loans and possibly their children’s education expenses. And they’re saving for retirement. Plus, like all of us, they also have expenses like grocery bills, insurance premiums and car payments.

The effect of losing job income can be even more devastating financially when disability-related expenses—insurance copays, medical expenses not covered by insurance, travel expenses for treatment and in-home care, to name a few—are added to the mix.

Even if an employee has saved, for example, 10% of each paycheck for an emergency, one long-term disability could wipe out years of savings.

It Won’t Happen to Me?

Yes, it just might. Every seven seconds, a working-age American suffers a disabling injury or illness.⁶ It could happen to any of us. For Gen Xers, often characterized as skeptical and resilient, that feeling of invincibility may over-power the instinct to be protected.

But just like generations before them, as the members of Generation X age, the chance they will become disabled escalates. For example, 41% of new disability claims are for individuals under the age of 50, and long-term disability (LTD) claims for people aged 50 and up consistently have increased as a percentage of all LTD claims.⁷ In fact, the average age of LTD claimants continues to trend upward for both men and women, representing a maturing employee population.

Beyond a doubt, the “silver tsunami”—the rising median age of the American worker—has an impact on Gen Xers. According to the Bureau of Labor Statistics, the share of the workforce comprised of people aged 55 and older is projected to rise steadily to 25.6% of the workforce by 2022.⁸
And those workers, ladies and gentlemen, will be Gen Xers.

As they age, it’s imperative Gen Xers understand and address their need to protect their income in the event of an injury or illness. Because the reality is that disabilities that prevent employees from working usually aren’t from unexpected injuries.

Most long-term disabilities are caused by illnesses, like the standard-bearers of heart disease, diabetes and cancer. The creaks and groans that come with getting older often are symptoms of conditions—such as arthritis and obesity—that can lead to debilitating health conditions. On-site wellness programs and fitness initiatives are a great way to help steer employees in the other direction. But that may not be enough. That’s where insurance comes in.

Helping Employees Protect Their Income

Offering income protection to employees helps them deal with today’s expenses and prepare for the future. For business owners and employers, it’s an opportunity, as well, to:

- Attract and retain top talent
- Reinforce employee job satisfaction and build positive relationships with employees
- Provide a way to help employees achieve financial security.

Unfortunately, though, the benefits of offering income protection don’t always resonate with small business owners, and that’s a loss for their employees. In fact, most companies don’t offer disability coverage. According to the 2015 Principal Financial Group® Well-Being Index, only 36% of business owners surveyed offer disability insurance, while 58% rate the coverage as important.

As disability numbers increase for Generation X, there will be a bigger and bigger gap to fill. Without income protection, a serious illness or unexpected injury can jeopardize an employee’s financial future. This is especially true because most Gen Xers—two-thirds—expect to work past traditional retirement age. And consider this: Four in ten do not feel financially secure, more than any other generation.10

What can employers do to make a difference?

It’s essential for employers to evaluate employee needs based on generational diversity and embrace solutions that can help employees stay above water. Providing disability coverage is one way to support employees’ needs, and it can certainly be a budget-friendly benefit to offer. Employers can choose to pay all the premium, pay part of it, or offer it as voluntary, where the premium is paid by employees. Think of the cost in terms of purchasing everyday items. For example, the average daily cost per employee for disability coverage can be less than the cost an employer may spend on a bottle of water.

The members of Generation X will continue to be in the workforce for years to come, and their needs and
expectations are unique. Keeping those generational differences top of mind can help ensure all employees are best served. The average Gen Xer—not just the DJ Jazzy Jeffs and the Brooke Shields of the generation—will continue to need income protection. Now is the time to make certain the gap is filled.

Endnotes