

Employers as Influencers— Helping Your Employees Navigate Health Care

Surveys consistently reveal that Americans are worried about their ability to pay for health care. Given that premiums for family coverage in workplace health insurance plans have risen 20% since 2011, and considering the unsettled legislative environment surrounding health insurance, this is not surprising.¹

As employees face the challenge of saving for health care expenses today and for the future, they look to their employers as a trusted source of support.² This paper examines the role employers play in the financial wellness of their employees through the offering of workplace financial wellness education and programs.

Rising health care costs are impacting employees' financial lives

The Bank of America Merrill Lynch 2017 *Workplace Benefits Report* indicates that 79% of employees reported an increase in health care costs, up from 69% a year earlier.² This reality is eroding an employee's ability to take actions that improve their financial wellness, such as saving for retirement and paying down debt. 56% of employees who have reported an increase in costs say they are contributing less to these financial goals.²

Yet new expectations for longevity mean that your employees could spend up to 30 years in retirement, with many years of their life still ahead. And the reality is as people age and move into retirement, their health care expenses are magnified, especially at a time when their income may be lower. 81% of Americans say they don't know how much they will need in retirement.³

Studies suggest a married couple will need nearly \$265,000 to cover out-of-pocket health care expenses during retirement (and up to \$143,000 for single people).⁴ When you factor in the Medicare gap—a recent EBRI study noted that Medicare generally covers only about 62% of medical expenses for people ages 65 and older—it's clear that concerns are warranted.⁵ The ability to fund the retirement your employees hope for is at risk.

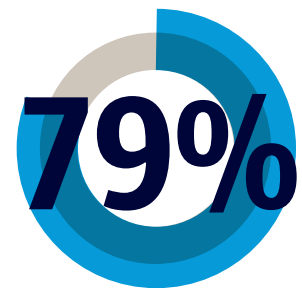
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Health care costs increase



of employees indicate that they have experienced an increase in healthcare costs—up from 69% in 2015.²

The good news? Your work makes a real difference.

While the statistics are sobering, there is good news. Our research shows that despite these stressors, employees remain very positive on access to health care and retirement benefits. Employees rank health care and retirement plans as the #1 and #2 most important benefits that they receive.²

Health care plan design is one area where employers are making an impact. Employers are increasingly relying on Health Saving Accounts (HSA) eligible plans to help their organizations curb rising costs and provide employees with a tax-advantaged means to fund health care expenses. With an HSA eligible plan, monthly premiums are usually lower and the employees can fund their HSA with the savings from the lower premiums to pay for certain medical expenses before the insurance company begins to pay its share. HSA-based plans have surged in popularity; 72% of larger employers offered them in 2016, according to the National Business Group on Health.⁶

Our work supports another key finding—as employers, your influence has never been stronger nor your guidance been more sought after. When it comes to access to support, education and financial wellness programs, employees see their employers as a trusted source of help.²

As an employer, the more you are aware of these realities, the better you can factor them into your thinking and planning. The more you can encourage your employees to take advantage of your workplace programs, the greater the chance that they will prioritize saving for their health care needs.

Your influence and impact as an employer

While it's clear that the health care environment is worrisome for employees, what's even clearer is that they need your help to navigate it. Over half of employees who feel stress over these issues also indicate that the stress interferes with their ability to focus and be productive at work.² Employers can be a powerful resource in helping to reduce this financial stress by providing education and support in the workplace to help them work toward their financial goals.

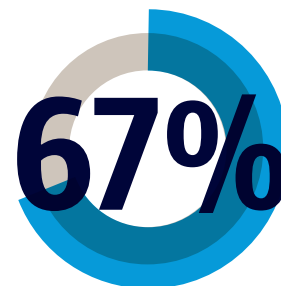
With topics as sensitive as health care, debt management and financial strategy, employees' desire for help and their willingness to participate in workplace education programs are significant. Your support can pay dividends for everyone involved.

Employers can be highly influential when it comes to education on health care consumerism. Consumers who claim better knowledge of health care, insurance and health accounts, such as HSAs, most often cite their employers as the best source of information. What's more, 67% of employees say their employer was influential in getting them to save for retirement.²

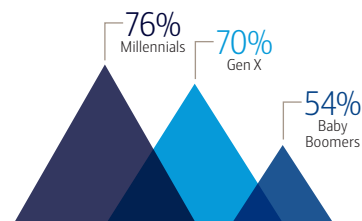
Put your power to work

Putting your influence to work to help your employees manage their health care responsibilities can help you drive better outcomes for both you and your employees. We believe that employers can dramatically increase employee engagement and financial wellness by taking even small steps.

Employer choices can have a positive effect on employee behavior²



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With so much at stake and so much territory to cover, it's wise to have a plan about where to direct your efforts. Consider organizing and simplifying your approach by focusing on two key areas:

1 Offer basic financial education.

86% of employees surveyed said they would participate in a financial education program provided by their employer.² That said, content is critical. Most employees don't possess a sophisticated knowledge of health care and insurance, not surprising given the complexity and dynamics of these topics. Implication: Take time to review your curriculum and materials to assure they would be approachable and easy to understand.

In particular, HSAs are still such a new concept for employees—with 85% of them having been opened since 2011—that many employees still don't quite understand them.⁷ Paul Fronstin, director of the health research and education program at the Employee Benefit Research Institute (EBRI), says: "The employees who are being told about this new health plan don't even know what to ask."⁷

Your best bet? Help them understand the questions they should bring up: how much they should save for health care expenses, what vehicles to save in, what their plan covers and how they work. Start with the basics; otherwise, employees may find the information too confusing. As your employees become more knowledgeable, you can gradually move on to higher-level subject matter.

2 Focus on the power of two: the HSA and 401(k).

Remind employees how their benefits work together. Two in particular—the 401(k) and HSA—are among the two most tax-efficient savings vehicles available to help your employees save for their retirement and health care expenses. Remind employees that HSAs offer unique triple tax benefits:⁹

- 1.) Pre-tax contributions.
- 2.) No taxes on any interest or investment gains.
- 3.) No taxes on withdrawals for qualified medical expenses now and in retirement.

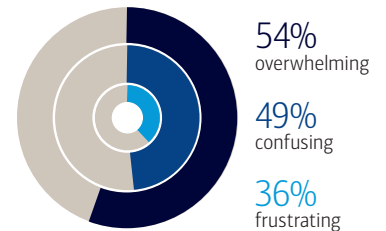
Beyond the tax advantages, health care expenses in retirement are a true wild card, one that cannot be ignored. Planning and saving now improves the chances of having enough funds on hand when the time comes. According to the 2017 Plan Sponsor Council of America *Health Savings Accounts and Retirement Plans* survey, 75.3% of employers view the HSA as part of their retirement strategy.

Any way you look at it, retirement will be expensive, especially given today's longer life spans and rising health care costs. Remind your employees that having options like the 401(k) and HSA helps them with their best chance at financial wellness and can help them save for these costs in retirement. Help educate them to save every chance they get in tax-deferred vehicles such as the HSA and 401(k), no matter what their stage of life or financial situation.



HSAs may complement an overall retirement strategy. There is no "use it or lose it" limitation. Employees can save for future healthcare expenses and rollover assets year over year for compounding growth. The less money employees pull out to cover out-of-pocket expenses in a given year, the more they save for the future.

Percent of workers who feel retirement-related health care costs and insurance information is:⁸



When asked what health care topics they most value advice and help with:⁸



How much should be saved to pay for health care throughout retirement



How to pay for any long-term care that may be needed



Choices regarding Medicare and supplemental plans

The benefits of a stronger employer focus on health care education

Employees empowered with knowledge are better consumers and are more likely to advocate for themselves. They tend to research medical procedures and ask healthcare practitioners the right questions. This proactive approach often leads to more informed decisions about the quality and cost of their care.

When your employees are armed with greater knowledge, they make more confident decisions that can lead to significant savings for them, and for you. And when employees feel financially confident, they are more productive and engaged at work.

Talk to us. We can help.

At Bank of America Merrill Lynch, our mission is to help make financial wellness a way of life for your employees. We believe that providing your employees with a more holistic understanding of their full financial picture can help them better plan for their health care costs, alongside their other financial priorities.

We can provide key insights on your health care strategy and employee education approach. Our experience with companies of all sizes helps us understand the unique challenges in designing and implementing a plan appropriate for each company's needs, while helping your employees appreciate the value of your overall offering.

Contact our Health Benefit Solutions team to learn more about our health savings program—an easy, flexible way to save for health care needs now and long into retirement.

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¹ 2016 *Employer Health Benefits Survey*, Kaiser Family Foundation, September 14, 2016.

² 2017 *Workplace Benefits Report*, Bank of America Merrill Lynch, May 2017.

³ *Finances in Retirement: New Challenges, New Solutions, A Merrill Lynch Retirement Study*, conducted in partnership with Age Wave, 2017.

⁴ "Savings Medicare Beneficiaries Need for Health Expenses: Some Couples Could Need as Much as \$350,000," *Employee Benefit Research Institute*, January 2017, Vol. 38, No.1.

⁵ Powell, Robert, "You might need nearly \$350,000 to pay for health-care costs in retirement," *MarketWatch*, March 11, 2017.

⁶ O'Brien, Elizabeth, "4 Things You Should Know About Health Savings Accounts," *Money*, September 12, 2016.

⁷ Neus, Elizabeth, "Understanding health savings accounts," *USA Today*, September 2, 2017.

⁸ Merrill Lynch/Age Wave Report *Health and Retirement: Planning for the Great Unknown*: This research study, completed in May 2014, was conducted in partnership with Age Wave and executed by TNS via online data collection methodology.

⁹ About Triple Tax Advantages: Participants can receive tax-free distributions from their HSA to pay or be reimbursed for qualified medical expenses they incur after they establish the HSA. If they receive distributions for other reasons, the amount withdrawn will be subject to income tax and may be subject to an additional 20% tax. Any interest or earnings on the assets in the account are tax free. Participants may be able to claim a tax deduction for contributions made to the HSA. We recommend that applicants and employers contact qualified tax or legal counsel before establishing an HSA.

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