The Future of Work and Financial Wellness for Millennial Employees
Employers can improve their ability to attract and retain talent in the years ahead by aligning their benefits programs with the needs and concerns of Millennials, who make up a growing percentage of the workforce.

Attracting and retaining employees is critical to corporate performance—and to controlling costs. Screening job candidates when an employee leaves the business, then conducting interviews, negotiating employment terms, and getting the new hire up to speed consumes time and money—an average of six to nine months’ salary for a salaried worker.1

Meanwhile, the war for talent is becoming ever more fierce. In a 2016 Conference Board survey, global CEOs were already ranking “failure to attract and retain top talent” their number one concern. Now, attracting and retaining top talent is poised to become even more critical—especially for complex jobs—as Baby Boomers and their years of experience continue to exit the workforce, and rapidly advancing technologies boost demand for workers with sophisticated skillsets.2

In many cases, Millennials will have to fill those jobs. They are now the largest generation in the U.S. labor force, with a reputation for job hopping. Accordingly, it is imperative that employers create an appealing work environment to attract and retain this critical pool of talent with its unique blend of values, skillsets, and priorities. Beyond providing an engaging work environment that facilitates growth, this means providing them with competitive benefits tailored to their concerns.

We know some things about those concerns. Now ages 22 to 39, Millennials are undergoing big changes in their personal lives—getting married, purchasing homes, having children. As a result, they are paying increasing attention to workplace benefits and their contribution to financial security. Studies suggest that old assumptions about work, career aspirations, and finances don’t apply in many cases to Millennials, nor are they likely to apply to the generations following them.

Given all this, Prudential commissioned Kantar Futures to conduct research aimed at understanding more deeply Millennials’ views about developments that may take place within the next 30 to 40 years in the areas of work and career, health and wellness, personal finance, and technology. Employers can use these findings to develop benefits programs that align with the country’s changing employee demographics, and to help attract the top talent they will need in the decades ahead.

The Evolving Workplace

Millennials are adapting to a new world of work and career driven by emerging technologies.

Millennials are concerned about the need to adapt to the next wave of technologies that will shape the workplace. Three quarters agree that it is likely people will struggle to learn and adapt to digital tools and technologies as they age—something younger generations will take for granted. Nearly two-thirds of Millennials are extremely or somewhat nervous that people will need to learn to work with and adapt to robots and artificial intelligence (AI) to do their jobs in the future.

75% of Millennials agree it is likely people will struggle to learn and adapt to the digital tools and technologies as they age, something younger generations will take for granted.

Implications for Employers

Millennials will need and value reassurance that they will be adequately trained for the new world of work. Since they are anxious about the implications of technological advances in the workplace, they will seek out companies willing to invest in their education and provide training that happens in parallel with work. The Life Insurance and Market Research Association (LIMRA) finds that 48 percent of Millennials believe educational benefits are an important employer benefit, while only 34 percent of Gen Xers and just 20 percent of Baby Boomers say the same.³

Tips for Employers: Skills Retraining Programs

- Offer tuition assistance/reimbursement programs for continuing education courses.
- Consider linking educational offerings more closely with employment outcomes by expanding apprenticeships, work-study programs, rotation programs, stretch assignments, and internships to strengthen the link between education and work.
- Offer different types of company-sponsored education programs such as “executive BA/MBA” programs or corporate college courses, which allow employees to receive a degree while working.
- Provide training classes in software, robotics, and AI to ensure Millennials keep up with the latest technologies shaping the future workplace.

Millennials predict a rise in gig/freelancing work and a more pragmatic attitude toward work.

Many Millennials struggled to launch their careers after entering the workforce during the difficult years following the 2008 financial crisis. As a result, they now approach work with a spirit of experimentation over stability, rethinking life’s major milestones, and expanding their definitions of success. They are comfortable taking risks with their careers and with proactively exploring how to be their own boss.

As a result, almost two-thirds of Millennials think it is somewhat likely or highly likely that traditional full-time employment will largely disappear, and freelancers will make up 75 percent or more of the U.S. workforce in the future. A significant number have already worked as an independent contractor or freelancer—almost a quarter of them in 2016 alone—more than any other generation. Many Millennials appear to be embracing gig or freelance work as a near-term means of balancing work/life demands—43 percent of Millennial gig workers are either stay-at-home parents or students.⁴

Although gig work may seem appealing, it also poses significant challenges to financial wellness. Nearly half of Millennial gig workers say they are struggling financially, and 70 percent say they have no access to benefits, which may be a particular concern for Millennials raising families.

Implications for Employers: To help attract and retain employees, employers should stress to Millennials the advantages of employer-provided benefits, including systematic retirement savings programs with employer-sponsored matching contributions, and benefits that provide protection against the risks of premature death, disability, or critical illness. Gig workers typically lack access to these types of benefits.

Tips for Employers: New Employment Models

- Consider offering independent contractor workers—the same holistic financial wellness programs provided to traditional employees, as well as voluntary benefits not covered by the Employee Retirement Income Security Act (ERISA).
- To attract full-time talent, make it easier for workers to balance work and life responsibilities by offering flexible work schedules and sabbaticals.

The Future of Financial Wellness

Millennials are looking for a holistic approach to health and financial wellness.

With the adoption of emerging technologies, and consumers’ willingness to entertain alternative healing practices, healthcare is becoming more preventative, holistic, and consumer-centric. As more consumers take their health into their own hands, there will be increased demand for consumer-centric approaches to managing financial wellness, too. Millennials, for example, already recognize that financial stress impacts their health. In fact, two-thirds say financial stress has had a negative effect on their own physical health.

Against this backdrop, employees are increasingly turning to their employers as trusted advisors in achieving and maintaining financial wellness, which Prudential defines as the ability to achieve the foundational elements of financial security: managing day-to-day finances, protecting against key financial risks, and achieving important financial goals. In fact, Prudential’s research finds that individuals are more likely to use financial counseling services and tools aimed at budgeting, saving, and investing if those services and tools are offered by their employer.

---

6 Money.com, “Millennials Spend a Big Part of Their Work Day Stressed Out by Their Finances,” June 2017.
Implications for Employers

In a survey of finance executives, 82 percent agreed their companies would benefit from having a workforce that is financially secure, and 78 percent felt employers should assist employees in achieving financial wellness during working years.⁸ Employers can do this by offering a wide range of financial wellness programs that provide, among other things, customized financial education, and access to financial professionals who can counsel employees on money management strategies, including managing student loan debt.

Tips for Employers: Holistic Financial Wellness Programs

- Consider a holistic approach to improving employees’ financial wellness by offering workplace financial wellness programs that complement traditional benefit offerings with education, tools, advice, and solutions that focus on foundational financial issues. These programs not only meaningfully impact employees’ financial wellness, they also can benefit employers by boosting employee productivity, optimizing employers’ investments in employee benefits, and improving workforce management outcomes.

- Encourage employees to take the important first step of self-assessing their financial health, and then take the proper next steps to improve their condition.

- Implement a financial wellness program with education and guidance components that can be delivered through multiple channels and formats—such as a classroom setting, one-on-one counseling, and web-based tools—to maximize impact and empower employees to take the right steps toward improving their financial security.

- Consider offering financial education classes and seminars on key financial topics, facilitated by a financial advisor. One survey revealed that 38 percent of employed consumers would like to access one-on-one advice with a financial advisor through their employer, with more than half of those ages 25 to 34 in favor of this benefit.⁹ Prudential Pathways, by way of example, offers financial wellness seminars delivered on-site by financial professionals for employees of all ages. The program consists of a holistic worksite financial education series covering a comprehensive range of topics.

- Provide discounts and/or rewards, such as discounts or reimbursements for gym memberships, or incentives for completing assessments, for employees who are managing their health and financial wellness proactively. This will encourage these health-improving behaviors.

Managing day-to-day finances

Millennials are concerned they will face ever-rising educational expenses.

More than any other generation, Millennials were forced to take out student loans to pay for their college degrees due to soaring costs. As a result, many are carrying large student loan balances into their careers, causing them to delay or forego saving for retirement, building emergency savings or buying a home. Approximately 53 percent of Millennial women are extremely nervous about increasing education costs, compared to 44 percent of their male counterparts.

---

Millennial women & 44% Millennial men are extremely nervous about the prospect of a world where the cost of education continues to rise.

Implications for Employers

Millennials’ experiences paying for college will impact how they think about saving for their children’s education. Employers may wish to introduce a payroll deduction feature for repaying student loans as part of their benefits package.

Tips for Employers: Education Planning/Student Loan Repayment

- Provide college planning resources, such as Paying for College: A Practical Guide for Families, to help employees understand the various options available for funding a child’s post-secondary education—without jeopardizing employees’ long-term financial security.

- Facilitate education savings by offering payroll deduction savings vehicles, such as 529 plans for college funding, and planning tools for various education goals.

- Provide student loan repayment and loan consolidation programs as an employee benefit. While some employers directly match some of what their employees pay against their student loans, others provide that match in the form of employer contributions to a 401(k) plan. Prudential research has found that college graduates still paying on student loans consider employer assistance in repaying those loans just as important when deciding where to work as the availability of employer-sponsored health insurance.

Protecting against key financial risks

Millennials are nervous about the fate of employee benefits provided through work.

Employers have long been shifting onto employees more of the financial costs and risks of healthcare and retirement benefits. Now, a majority of Millennials (72 percent) report being nervous that employers will stop providing healthcare and retirement benefits, such as 401(k) plans, in the future, with women and Millennial parents slightly more likely to be nervous than average (76 percent of each group). A third of Millennials say they are extremely nervous that employer-provided healthcare and retirement benefits will disappear.

Implications for Employers

Contrary to popular belief, Millennials place just as much value as other generations on employee benefits. Furthermore, the perceived value doesn’t change dramatically based on who pays for it, employee or employer.\(^\text{11}\) It is essential, then, for employers to offer benefits—even if they are purely voluntary—to attract and retain younger employees. More constant, clear communication may be required to drive home the fact that the employer is committed to providing adequate employee benefit coverage at an affordable price.

Tips for Employers: Employee benefits

- Make benefit programs more front-and-center in recruiting efforts, and communicate a continued commitment to providing valuable workplace benefits to employees.
- Give employees more control over their benefits packages, allowing them to customize coverage to suit their situations.
- Offer disability, critical illness, and/or accident insurance coverage as voluntary benefits for employees. This not only gives them greater ability to customize their benefits package, it also may help protect their retirement security by reducing their need to withdraw retirement savings in the event of unforeseen medical expenses.

Achieving important financial goals

Millennials envision a long road ahead to retirement, with little light at the end of the tunnel.

Nearly 9 in 10 Millennials think it is likely that people in their 20s and 30s today will need to work much longer than previous generations to retire with the same level of financial security. A sizable majority question whether their generation will ever achieve the same kind of payoff for a lifetime of hard work, with 79 percent of Millennials thinking it is likely people will no longer be able to retire comfortably in the future. This may prompt some Millennials to become apathetic about saving for retirement.

79% of Millennials think it’s likely people will no longer be able to retire comfortably in the future.

Implications for Employers

Delayed retirements may result in turnover of younger employees due to lack of upward mobility. Younger employees need to know that older workers are saving and will be able to retire near traditional retirement ages, paving the way for Millennials to advance in their careers. Otherwise, feeling the promotion pipeline clogged, Millennials may leave to work for other employers.

To promote saving for retirement, employers can monitor employees who are not saving and actively encourage them to do so. Employers also can help by becoming more paternalistic in the design of their 401(k) retirement savings plans, adopting features such as auto enrollment, auto escalation, and auto enrollment into emergency savings funds. As these design features that contribute to Millennials’ retirement savings grow over time, they may reinforce positive attitudes toward saving and prompt Millennials to save even more. Seeing their savings accounts grow faster than average also may motivate Millennials to become more involved with their retirement plans, another indicator of retirement savings success. In fact, more so than other generations, Millennials say they would increase the proportion of income they contribute to their 401(k) plans if they learned that others of their age and income were saving a bigger proportion.¹² Employers can tap into this competitive spirit to encourage them to save more. Digital tools that project future retirement income also can help Millennials see that a secure retirement is attainable through a disciplined approach to savings.

Tips for Employers: Retirement Planning

• Encourage employees to track their savings progress in terms of an income goal, rather than a savings goal, while targeting a realistic retirement age. For many, an income goal is a more tangible target.

• Provide education on how much income will be needed in retirement to cover expenses, and on identifying potential sources of income (e.g., Social Security, savings, retirement plans, and annuities). Planning tools may help employees set and gauge progress against retirement income planning objectives.

• Consider adopting 401(k) retirement plan features that encourage employees to save for retirement while optimizing employer contribution dollars. This includes adopting matching contribution formulas, automatic enrollment features, and automatic escalation features that encourage employees to start saving earlier in their careers and at higher rates.

• Make available guaranteed lifetime income products to help reduce the level of 401(k) savings that employees need to generate toward their desired level of retirement income. Prudential’s research suggests that incorporating guaranteed lifetime income products into a 401(k) plan reduces by 36 percent the level of assets required for a typical participant to retire at age 65.¹³

• Offer Qualified Default Investment Alternatives, such as target-date funds, in 401(k) plans. Fifty-three percent of surveyed finance executives say that participants are apt to make better investment decisions when presented with pre-packaged diversified investments like target-date funds.¹⁴

Although Millennials expect to live long lives due to medical advancements, they are nervous about rising healthcare costs.

Having witnessed fast-paced progress in medicine throughout their lives, Millennials feel confident that medical advancements will continue to progress at a similar pace in the future. About three in four believe common cancers that are fatal today will be curable in their lifetimes. Millennials also expect to remain active and healthy beyond traditional retirement age, believing that future 80-year-olds will be just as healthy as those in their 50s and 60s today.

Although optimistic about future health prospects, Millennials are nervous about the skyrocketing costs of healthcare. Four in five Millennials with incomes over $75,000 believe the healthcare procedures they have access to today will likely be considered a luxury in the future.

Implications for Employers

Employers can help address concerns about rising healthcare costs by helping employees prepare for future medical needs and expenses. Health Savings Accounts (HSAs), which can be offered with high deductible health insurance plans and provide triple tax benefits, are likely to become more popular as a way for employees to save for future healthcare expenses. A recent study finds that HSA participation among Millennials who are offered an HSA soared to 76 percent in 2018, up from 40 percent in 2017.15

Tips for Employers: Health Savings Accounts

- Help employees save for future healthcare expenses by offering HSAs, which allow account owners to make tax-deductible contributions, earn tax-free interest, and make tax-free withdrawals for qualified medical expenses.
- Offer education on how to prioritize savings, and how to make decisions about appropriate investment choices for HSAs.

Tech Forward

Millennials aim to bring technology into all facets of their lives.

As they think about the future, nearly three-quarters of Millennials believe it is likely that over time all their possessions will be digitally connected and synched from various platforms, allowing them to enjoy personalized services in many aspects of their lives. Employers should consider how they can leverage the emergence of new technologies to help broaden the reach of, and engagement with, their financial wellness programs and other employee benefits.

Tips for Employers: New Digital Technologies

- Leverage the emergence of new technologies, and Millennials’ preference for connected solutions, to provide digital financial wellness tools and programs that employees can conveniently access 24/7. Examples include:
  - **Digital financial wellness education**, which can help employees adopt good financial behaviors that become part of their lifestyles. Allow employees to access interactive and insightful tools, educational articles, engaging videos, webinars, and other web-based materials through an employee intranet portal, personalizing their experience based on specific goals and interests.
  - **Financial wellness self-assessment tools**, which provide employees with a clear picture of their financial strengths and gaps. Employers can leverage the insights and data these tools generate to understand the financial needs of their employee base at various life stages. With this information, employers can predict financial behaviors and customize a suite of benefits, educational programs, and communications materials that best meet their employees’ needs while making the best possible use of benefit dollars.
  - **Online budgeting tools**, which employees can use to create a personalized budget that is relevant to them and tracks their day-to-day progress. Technology can play an important role in budgeting tools by aggregating information from various accounts to provide a holistic view of an employee’s financial life.

- Consider using financial wellness platforms that bundle digital technology with access to financial advisors to deliver an experience that is tailored to each employee’s preferences and individual needs. For example, Prudential’s LINK can help individuals identify their financial needs and connect them to solutions directly online or remotely through a LINK financial professional.

- Use data analytics tools to diagnose how plan designs are driving employee behaviors and impacting economic outcomes. These tools also can be used to identify any overlaps or gaps in coverage, and interdependencies among various benefit offerings. They also can help ensure that customized benefit plan designs are aligned with the employer’s objectives and are as cost-effective as possible.

- Leverage technology to create financial solutions that encourage employees to pay down debt and/or save systematically. These include student loan debt repayment programs to help employees pay down their educational debt, and 401(k) plans with automatic enrollment, automatic escalation of employees’ contribution levels over time, and employer matching contributions. Elsewhere, data tracking and analytics tools can help employers understand user behavior in new ways and proactively intervene to nudge, motivate, and influence employees toward desired outcomes tied to financial goals.
Conclusion

Attracting and retaining top talent is imperative for employers, given the rapid pace at which emerging technologies are transforming the workplace. With Millennials now the largest generation in the U.S. labor force, it is important that employers create an appealing work environment to attract and retain this increasingly important pool of talent. And while attracting top talent is imperative, so is developing those workers and giving them the resources they need to flourish.

To that end, employers should structure their benefits offerings to help employees succeed in their future workplace and achieve financial wellness. Given Millennials’ broad range of concerns—about their future career and work prospects, rising education and healthcare costs, the availability of employee benefits, and their chances of retiring comfortably—they will appreciate financial wellness programs and employee benefit offerings that promote financial stability in a complex and uncertain world. Ultimately, employee benefits are likely to be an important differentiator for Millennials choosing where they want to work.