What voluntary brokers need to know about millennial student debt

Every benefits broker should, by now, be familiar with the raw data on millennial purchasing power.

According to the most recent population estimates from the U.S. Census Bureau, reported by the Pew Research Center just weeks ago, millennials have officially overtaken Baby Boomers as the nation's largest living generation.

In 2015, there were nearly 74.5 million Americans between the ages of 18 and 34 — a little under one-quarter of the total population. Perhaps even more notable, as the percentages of Baby Boomers and Gen Xers decrease over the next decade, due to mortality, the Census Bureau expects the number of millennials to *increase* in that time – a growth powered largely by immigration.
Millennials have officially arrived. The oldest are well into their 30s. Even the youngest millennials, born in 1997 are now of college age. If they haven't yet entered the workforce, they've at least begun their post-secondary education career.

The good news for benefits brokers is that the millennial explosion dovetails naturally with health care consumerism the value of voluntary benefits. Social scientists and market researchers have noted this generation's strong independent streak and their craving for a personalized consumer experience. For many, their emergence in the workforce coincides with greater adoption of consumer-driven health care plans. And the communication and delivery technologies transforming the selling experience could not be better timed for millennial consumption, as this generation is not so much tech-savvy as tech-*insistent*.
That said, real challenges stand in the way of millennials fully understanding the value of voluntary products. For brokers seeking to deliver the most practical and intelligent benefits solutions possible, it's necessary to acquaint yourself with those impediments.

Student debt: "the elephant in the room"
Jeff Oldham spends a lot of his time considering how to best communicate the value of voluntary benefits to millennials.

As a vice president at Benefitfocus, a publicly owned provider of cloud-based benefits platforms for large employers, Oldham oversees a comprehensive suite of voluntary benefits options that can be customized for a group's needs. Brokers serving Benefitfocus' clients can incorporate every imaginable voluntary and ancillary benefit option into a program -- from turnkey financial wellness solutions to non-traditional offerings like pet and cybersecurity protection.

When the firm recently mined data from employers using its platform, Benefitfocus found that millennials were increasingly attracted to lower cost, consumer-driven health care plans. But their adoption of voluntary benefits was lagging.

The primary culprit is student debt, said Oldham. “By some measures, student debt has surpassed credit card debt in the country,” he said. “For millennials, it is the elephant in the room. The challenge for the benefits industry going forward is helping to manage that problem.”

Total outstanding college loan debt has doubled in the past eight years, according to the Federal Reserve Bank of New York. For all age groups, 43 million Americans now hold about $1.2 trillion in student debt obligations.

Millennials account for the largest portion of that debt. College enrollment has increased and shrinking state budgets have shifted more of the funding burden on young Americans. The Pew Research Center said that 69 percent of millennials who graduated in 2012 financed some portion of their college education, an increase from 49 percent in 1992. The New York Fed found that in 2014, millennials under the age of 30 accounted for one-third of the nation’s total student debt load.

For the class of 2014, the average debt load hit an all-time high: The nonprofit Institute for College Access and Success found that the seven in 10 graduates with debt averaged nearly $29,000 in loans.

Brokers can lead sponsor and millennial education on debt
From Oldham’s perspective, there is a clear correlation between millennials’ low rate of voluntary benefits adoption their growing student loan debt balance.

The question is, how can brokers address the issue? Brokers who are seeing the most success with voluntary products are deploying more in-depth communication strategies beyond the simple product descriptions typically delivered at enrollment time. Consistently touching base with sponsors, human resources leaders and participants well in advance of and after enrollment periods can also increase voluntary participation.

One question brokers can ask sponsors is whether they know what large debt loads their younger workers are carrying as they gravitate to consumer-driven plans. For larger plans with committed internal HR resources, employers will likely be aware of the student debt burden of their workforce. But that doesn’t mean they are aware of the precise debt levels of their millennial workers. A targeted, anonymous questionnaire that asks younger workers to quantify their debt burdens is one way brokers can generate actionable data for sponsors before designing next year’s benefit options.

It can also offer an intelligent door-opener for one-to-one meetings between brokers and younger employees. As their debt appears to impede voluntary enrollment, one new study suggests that many millennials lack basic information on how to manage their loans. Citizens Bank found that almost half of recent college graduates did not know what percentage of their salary was allocated for debt payments. Another 37 percent were unaware of their interest rate, and 44 percent did not understand the difference between federal and private debt.

That suggests millennials need help, not just managing debt, but understanding the basics. The benefits provider market seems poised to respond. Media reports as recent as the end of 2015 show several large employers offering debt repayment programs. Fidelity, PricewaterhouseCoopers, and money manager Natixis have all announced new initiatives that include sponsor contributions to younger employees’ debt loads.

At the federal level, the Department of Education has taken proactive steps that both employers and debt-bearing workers should be aware of.

Last December, the DOE launched the Revised Pay-As-You-Earn loan repayment plan for federal debt. The revised plan now more broadly applies to *all* graduates with federal loans, and caps the monthly maximum payment at 10 percent of income. Previously, workers had to meet certain debt-to-earnings ratios to qualify for the capped payment. The new program also slows accruing interest payments.
That will be good news for sponsors and their indebted millennial workers. But here is the catch: Participation in the revised plan is not

automatic. Borrowers will have to log on to studentloans.gov to benefit from the new resources.

For the time being, employer-sponsored direct repayment programs may not be broker-sold. But that doesn't mean voluntary specialists can't benefit from educating employers about this option.

And for millennials with student debt, options are emerging to help lighten the load. In delivering awareness and education, brokers can emphasize their role as a trusted consultant operating in the best interests of participants. That trust will be indispensable when it comes to educating millennials on the voluntary products that can secure their wellness and financial future over the ensuing decades

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