

Getting a (Financial) Life: Attracting Millennials to Insurance and Retirement Products

INTRODUCTION

Millennials, the largest generation in U.S. history, are a diverse, educated cohort whose spending power is estimated to be in the trillions in the near future¹. With their predicted earning capacity, Millennials are likely to purchase big-ticket items that require insurance and make regular retirement savings contributions. But the reality for Millennials is more sobering: many Millennials admit they do not understand how insurance works, much less the need for it. When it comes to building retirement savings, Millennials are also falling behind. Many entered the workforce during the Great Recession and faced a shortage of career-track positions with good compensation. Millennials also carry more student debt than previous generations, which makes saving for retirement much less of a priority.

For insurance and retirement providers, the yawning Millennial void in their customer base presents a unique sales opportunity. To target this digitally savvy generation, providers need online purchasing options that provide an effortless and intuitive customer experience. They also need an online presence, as well as personalized sales strategies, to appeal to a generation that is disengaged from mass advertising and needs a more tailored and convincing value proposition.

Providers can take advantage of the pronounced interest of many consumers -- Millennials among them -- in insurance and retirement products as a result of the ongoing coronavirus pandemic. They are requesting more health and overall financial wellness advice from their providers and employers, including mental health benefits, critical illness, paid family/medical leave, and budgeting and retirement planning. Millennials in particular are also petitioning for benefits that are more applicable to their stage in life, such as career development, student-loan repayment assistance, and flexible leave.

Once insurance and retirement providers bridge the digital gaps and provide Millennials with the products they need to weather the pandemic, Millennial customer conversion is more likely to follow.

THE MILLENNIAL STORY, CHALLENGE, AND SOLUTIONS

Today's Millennials (individuals born between 1981 and 1991) number 83.2 million² and are the largest, best educated, and most diverse generation in U.S. history.³ With their sheer numbers and education, they are predicted to have spending power of up to \$8 trillion by 2025⁴, with the discretionary income to make major purchases that require insurance and earmark funds for retirement.



But with respect to insurance, Millennials have made their indifference plain: they freely admit that they “don’t speak the language” of insurance.”⁵ Add a general distrust of institutional corporations and advertising in general⁶ due to being surrounded by mass marketing for much of their lives, and you have an audience that is difficult to penetrate. Of Millennials who do have nonmandated insurance, only 9% have disability/income protection⁷, 10% have the life insurance they say they need⁸, and only 42% have renters insurance.⁹

Saving for retirement has also been a challenge for Millennials, as larger economic forces hindered their long-term earning potential since they first entered the job market. The Great Recession depressed wages and reduced the number of available positions with long-term earning potential, forcing many Millennials to settle for lower-wage positions and underemployment. As the most educated generation (27% of Millennial females and 21% of Millennial males have college degrees¹⁰) Millennials currently have a median of \$19,000 in student loan debt¹¹. According to a recent study about retirement savings and the ongoing pandemic, the median retirement savings for Millennials is \$23,000, compared with \$144,000 for Baby Boomers and \$64,000 for Gen Xers¹².

With these statistics in mind, insurance and retirement providers can take advantage of Millennials’ love of and proficiency with digital technology. They can appeal to them through online sales channels that offer effortless self-service and eliminate human interaction altogether. Millennials appreciate systems that are quick and intuitive and are judgmental of products and services with lackluster functionality. As consumers who rely heavily on search engines and user-generated content, Millennials need to see that providers have a strong online presence, with user testimonials that speak highly of their products. To penetrate Millennials’ distrust of mass advertising, providers need to target them with personalized sales pitches, and products that convey an authentic purpose.

Providers now have an even greater opportunity to reach Millennials, because of the increased interest in financial and retirement wellness due to the pandemic. According to a recent LIMRA task force data on financial wellness expectations, 41% of consumers in general feel that their financial wellness is unlikely to change in 2021, while 14% (1 in 8 respondents) fear that their financial wellness will deteriorate in the months to come.¹³ Providers can allay those fears by offering more hands-on financial wellness programming, including budgeting and retirement planning. In a separate LIMRA poll, 64% of Millennials now consider their insurance benefits more valuable due to the crisis.¹⁴ Providers can further capitalize on this sentiment by offering programs of particular interest to Millennials, such as long-term benefits as



health and wellness programs, mental health benefits, critical illness, paid family/medical leave, and EAP programs.¹⁵ Millennials have also realized the importance of benefits particular to their stage of life, including career development, student loan repayment assistance, and flexible leave, and have started to advocate for those as well.

CONCLUSION

For insurance and retirement providers, the key to converting Millennial prospects into customers is reaching them through effortless digital experiences that feature products with an authentic value proposition. Other tactics, such as a strong online presence and personalized user testimonials can also convince advertising-indifferent Millennials to purchase insurance and retirement products. To address their more urgent needs due to the ongoing health crisis, providers can offer Millennials targeted financial and health wellness programming. Demonstrating this personalized service based on understanding Millennials' particular needs, insurance and retirement providers alike can ensure Millennials' loyalty, repeated purchases, and trust for a more comprehensive, enriched customer base.

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¹ <https://www.cnbc.com/2015/08/17/how-trillion-dollar-millennials-are-spending-their-cash.html>

² Number of individuals born from 1981-1991 according to the U.S. Census Bureau, 2017, Current Population Survey, Washington, DC.

³ R. Fry, "Millennials overtake Baby Boomers as America's largest generation," Fact Tank, Pew Research Center, Washington D.C., 2016; C. Scheresberg, A. Lusardi, and P. Yakoboski, "College-Educated Millennials: An Overview of Their Personal Finances," TIAA-CREF Institute, GFLEC, Washington D.C., 2014.

⁴ Op. Cit., <https://www.cnbc.com/2015/08/17/how-trillion-dollar-millennials-are-spending-their-cash.html>

⁵ https://www.barkleyus.com/wpcontent/uploads/2019/05/Barkley_Report_NewPicOfHealth_FINAL2.pdf

⁶ <https://www.agencynation.com/how-to-sell-insurance-to-millennials/>

⁷ <https://vouchforme.co/how-insurance-companies-can-attract-more-millennials/>

⁸ <https://www.newyorklife.com/newsroom/2018/life-gap-survey-millennials-at-risk>

⁹ [https://www.prnewswire.com/news-releases/a-generational-divide-millennials-choose-to-protect-their-tech-and-pets-more-than-other-generations-yet-may-be-overlooking-basic-protection-needs-](https://www.prnewswire.com/news-releases/a-generational-divide-millennials-choose-to-protect-their-tech-and-pets-more-than-other-generations-yet-may-be-overlooking-basic-protection-needs-300737929.html#:~:text=A%20new%20study%20conducted%20by,those%20millennials%20have%20renters%20insurance)

[300737929.html#:~:text=A%20new%20study%20conducted%20by,those%20millennials%20have%20renters%20insurance](https://www.prnewswire.com/news-releases/a-generational-divide-millennials-choose-to-protect-their-tech-and-pets-more-than-other-generations-yet-may-be-overlooking-basic-protection-needs-300737929.html#:~:text=A%20new%20study%20conducted%20by,those%20millennials%20have%20renters%20insurance)

¹⁰ <https://educationinitiative.thepacificinstitute.com/articles/story/millennials-changing-the-face-of-higher-education>

¹¹ <https://www.cnbc.com/2019/09/18/student-loans-are-not-the-no-1-source-of-millennial-debt.html>

¹² [https://time.com/nextadvisor/investing/retirement/millennial-retirement-fund-](https://time.com/nextadvisor/investing/retirement/millennial-retirement-fund-withdrawal/#:~:text=According%20to%20the%20study%2C%20millennials,form%20of%20work%20in%20retirement.&text=The%20median%20retirement%20sa)

[withdrawal/#:~:text=According%20to%20the%20study%2C%20millennials,form%20of%20work%20in%20retirement.&text=The%20median%20retirement%20sa](https://time.com/nextadvisor/investing/retirement/millennial-retirement-fund-withdrawal/#:~:text=According%20to%20the%20study%2C%20millennials,form%20of%20work%20in%20retirement.&text=The%20median%20retirement%20sa)

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¹³ Financial Wellness in the Future, by James Scanlon, AVP, Insurance Research, LIMRA.

¹⁴ Covid-19 and Workplace Benefits: New Perspectives, November 2020, LIMRA.

¹⁵ Ibid.