Workers Are Turning to Employers for Inflation Help

With inflation at its highest levels in more than four decades, it's not surprising that nearly three in four American workers report they're experiencing increased stress concerning their personal finances. According to a 2022 survey of more than 1,000 employees conducted by Voya, almost 90% of respondents say that inflation — including the rising cost of food, gas and housing — was their greatest concern.

As a result, many employees (70%), according to the research, are looking to optimize employer-provided benefits, including HSAs, health care, retirement savings, disability income, critical illness and accident insurance during open enrollment. Increasingly, American families are having to reconcile competing budget priorities as they attempt to deal with day-to-day financial challenges and simultaneously work to meet longer term retirement and emergency savings goals.

Inflationary pressures have hit lower income workers harder, with the majority of their paychecks often allocated to purchasing food and other basic household necessities. And with pandemic stimulus and child tax credit cushions gone, the financial impacts are being felt to an even greater degree. Unfortunately, even the benefit of higher wage growth during a tight labor market has largely been outpaced by the combined effects of rent increases and inflation.

In contrast, higher income households, with a greater proportion of disposable income, tend to apportion a higher percentage of their budgets toward retirement accounts, investment accounts and mortgage payments versus everyday expenses. Plus, their more substantial savings and increased home equity, bolstered by the recent run-up on home prices, has helped insulate them from rising costs at the grocery store and elsewhere.

A 2021 Schwab survey found that participants are seeking assistance from employers in the following areas when it comes to retirement planning:

- Determining how much they need to retire (44%).
- Deciding how to invest in their employer-sponsored retirement plan (39%).
- Understanding how to generate retirement income (35%).
- Anticipating retirement tax liabilities (35%).

High market volatility and retirement plan investment losses have further complicated retirement savings as participants have watched account balances diminish. Plan sponsors can provide education around mitigating investment risk as well as saving, budgeting, debt and retirement planning through their financial wellness programming. They might also consider offering lifetime income options in their investment lineup.

Supporting workers through this unprecedented post-pandemic period of historic inflation will require a multipronged strategy, bearing in mind the outsized impacts on lower income earners. That participants are turning to employers for guidance in maximizing their benefits and navigating financial difficulties is an encouraging sign — and one that plan sponsors should not take lightly.

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