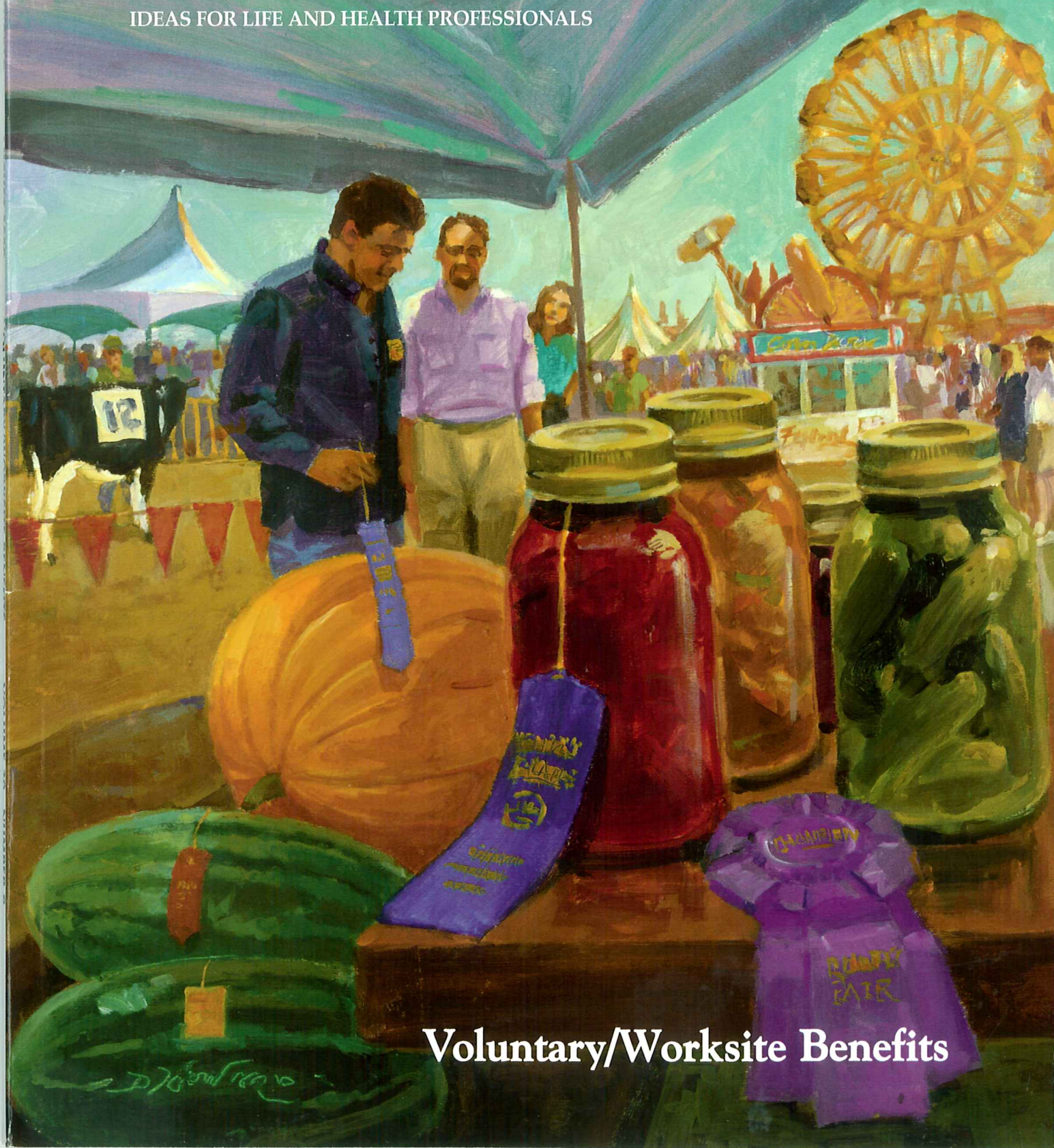


BROKER WORLD

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IDEAS FOR LIFE AND HEALTH PROFESSIONALS



Voluntary/Worksite Benefits



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Payroll Deduction: What's Being Offered And Purchased, And How You Can Increase Your Sales

The past year's economic turmoil has brought the topic of voluntary benefits to the forefront in the minds of brokers. As the global economy has become less secure, employers are looking for ways to save money, which often comes in the form of cutting back traditional benefits. Despite the need for cutbacks, employers still want to stay competitive and retain the best employees.

It is a new world for employees, too, particularly when it comes to accessing credit. According to a November 2008 report by the Federal Reserve, nearly 60 percent of banks severely tightened their lending standards on credit card loans in the last three months. Additionally, the credit card industry is reducing lines of credit by more than two trillion dollars over the next 18 months to lower risk and comply with new regulations.¹ Forty percent of employees surveyed in *The 7th Annual MetLife Study of Employee Benefits Trends* (released in March 2009) reported they want a wider array of voluntary benefits and would welcome financial help from employers. In addition, employees increasingly view benefits as the foundation of their financial safety net. The tightening of credit means employees must look for new ways to purchase items they need, which provides an opportunity for employers—and even more so, brokers.

Given these facts, advisors are turning more and more to voluntary benefits. Although health insurance and retirement

benefits are top-of-mind in the benefits marketplace, voluntary benefits are becoming increasingly important. Originally, voluntary benefits primarily were additional insurance products such as long term care, disability and critical illness. However, in an era when employees want more financial security and flexibility and employers want to provide for them without incurring additional costs, more non-traditional, non-insurance products have emerged for brokers to sell—including prepaid legal, pet insurance, entertainment discounts, wellness programs and purchase programs.

Improvements in technology have paved the way for these voluntary benefits to be easily communicated and administered by employers. In particular, more complex payroll deduction systems have simplified the process for employers interested in offering more voluntary benefits. Employees appreciate the option of payroll deduction because of the ease of manageable, automatic payments toward big-ticket items and the added benefit of getting to enjoy the product immediately. Additionally, the explosion of the Internet and company intranets has created a way for employees to easily find out about benefits programs and new product offerings.

So, what are employees really purchasing through payroll deduction? According to data from Purchasing Power's sales year-to-date 2009, statistics show that consumers

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are using payroll deduction programs to meet needs such as access to information and providing for their families. Out of all the company's offerings (which includes computers, electronics and home appliances), computers are by far the most popular item. In fact, nearly 61 percent of all of Purchasing Power's products sold via payroll deduction are computers (desktops and laptops) and/or computer accessories. This fact verifies findings of the 2009 *MetLife Study of the American Dream*, which reported that 75 percent of all American adults (regardless of age or gender) named access to the Internet at home as a necessity, not a luxury. It is also worth noting that almost 60 percent of computer products sold are laptops—showing that employees want the flexibility of owning a computer that can be used at home or at work.

Employers care about this issue as well. When asked how important it is for their employees to have a home computer, about 58 percent of respondents said "very important," and an additional 35 percent said "somewhat important." However, 26 percent of human resources professionals responding said they estimate that more than 30 percent of their employees do not have computers at home.² There is a clear need from both sides to help employees have access to a home computer, which is now considered a necessity in today's workforce.

Electronic products, including televisions, mp3 players, cameras, camcorders, GPS and gaming systems, are the second-most popular type of item that Purchasing Power's customers are buying, and comprise just over one-third of the company's

sales. Feedback from customers indicates that purchasing these items this way allows employees to provide for their families in giving access to gifts for birthdays and holidays. Customers have reported a reduction in stress from knowing that their families are happy because of the products they were able to provide for them through making manageable payments from their paychecks.

Purchasing Power is only one such benefit that allows employees to purchase much-needed items through payroll deduction. Users of such programs often become repeat buyers, which turns into increased commissions for brokers who sell the product.

So, how can brokers increase participation in employee benefits to further their business? The key is better and more frequent communication with employers to make sure the message about benefits offered is reaching employees. Also, it is important to work with providers to distribute program marketing materials to employers to post on company intranets, and directly reach employees via email and direct mail. Word-of-mouth referrals are the best way to increase program participation, and these channels are increasing due to employee affinity groups and social networking. Empower employees to work for you by giving the tools to spread the word about your offerings.

Increased communication about payroll deduction meeting financing needs in a shrinking credit market will mean happy, repeat buyers. Productive employees and little implementation costs will keep employers satisfied, so start taking advantage of payroll deduction programs today to increase your commissions, even in a down economy. The power is yours. ☺

1. "Credit card industry may cut \$2 trillion of lines: analyst," Reuters, December 1, 2008.

2. Survey of HR professionals administered Purchasing Power at two industry conferences—the 21st Annual Benefits Forum & Expo and the Society for Human Resource Management's (SHRM) 60th Annual Conference.



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