

This is a supplement to the Council for Disability Awareness 2017 Disability Insurance Awareness Month Campaign Factsheet. It contains a more detailed look at the financial and income protection outlook for both younger and older millennials, with talking points and supporting statistics related to recent graduates, first-time home buyers, newlyweds, and young parents.

Millennials and Income Protection

Experiencing a disability isn't exactly top of mind for many millennials.

Making the case for income protection to a young, healthy person is not easy—especially if they don't have dependents and are focused on just living life.

But there are plenty of reasons why income protection is a good idea—even for the young, healthy person who thinks they're invincible. Not least because today's millennials are financially vulnerable, with little to no savings, and many with substantial student debt.

There are a few events in a person's life that cause them to think about their finances and their exposure to financial risk. The three life events arguably most likely to prompt a younger adult to consider their financial outlook are:

- Marriage
- Buying a home
- Starting a family

There's evidence that millennials delay these major life events compared to older generations – in large part due to lack of financial preparation. Still, many older millennials are now reaching these milestones and must confront the financial realities they bring. No matter whether young, free and single, or married with a house and little kids, disability insurance is an important financial consideration for all millennials.

Here's why:

It's easier and more affordable to get coverage when you're young

As we get older, we tend to have a more extensive history of health issues or injuries. That means a tougher underwriting experience and possibly higher premiums and policy exclusions.

Even young, healthy people aren't immune.

A disability can happen to anyone at any time. While young, healthy people have lower risk, they're still vulnerable to the financial consequences.

Homeowners with a mortgage have a lot to lose.

Medical problems have been identified by multiple studies as contributing to foreclosure. Disability insurance can help people keep their home if their income is interrupted.

Disability insurance protects your spouse.

People tend to buy life insurance to benefit their loved ones, and disability insurance should be considered in the same terms. If you're disabled, not only do you not earn an income, but you're also less able to take care of yourself. Your spouse may need to work more to make up for your lost income, or they may need to help care for you during your recovery. In any scenario, a continued stream of income can alleviate the burden on both of you.

Disability insurance protects your kids.

Similarly, most young parents don't have a lot of time or money to spare. That's why they're more vulnerable than ever to an income interruption – and why it's critical to protect their income. That's true no matter what their income situation is. If the earner loses their income, there is no other source to rely on. But if the stay-at-home parent is sick or injured, the family needs a new solution for childcare, and the "earner" may need to reduce their schedule to care for the other parent. Either way, when parenting capacity is reduced, the last thing a family needs is to lose their income as well.

The majority of younger workers live paycheck to paycheck and are unlikely to have substantial (if any) savings.

- Forty-six percent of millennials find it difficult to meet household expenses every month.¹
- Sixty-two percent could not meet their basic expenses if they were out of work for an extended period. Thirty percent use credit cards for monthly necessities because they can't afford them otherwise.¹
- Eighty percent of adults under 35 have less than \$5,000 in emergency savings² – less than three months of their median income.³ And around 32 percent have no savings.²
- The median savings account balance for American households is \$5,200, but for those under 35 the median is \$1,580.⁴

While a greater majority of millennials are highly educated than previous generations, they are also highly in debt, and often underemployed.

- Thirty-six percent of 25 to 34 year olds has a Bachelor's or more—the highest in history.⁵
- Sixty-eight percent of 2015 grads took on debt, with an average balance of \$30,100.⁶
- Student debt has more than doubled since the early 1990s⁶, but the median income for young college graduates has only risen by around five percent.⁷
- Often overlooked, two-thirds of millennials do not have at least a bachelor's degree, and the income gap between graduates and non-graduates is higher than ever—\$19,450 in 2015.⁸

While millennials don't necessarily have disability insurance top-of-mind,



the do have very clear perspectives on the role of benefits in their lives.

- Eight-six percent of millennials value having benefits customized to meet their needs.⁹
- Sixty percent of employees said they'd be willing to bear some of the cost for more choice.⁹
- Two-thirds of millennials expect to leave their current employer in the next five years.¹⁰
- Sixty-one percent of employees want to take benefits with them when they change jobs.⁹

Today's young adults are waiting longer before taking the plunge on traditional life milestones, in part due to not feeling financially prepared.

- The median age of first-time homebuyers in 2015 was 33, up from 29 in the late 1970s.¹¹
- Thirty-five percent of Americans under 35 are homeowners¹² – the lowest percentage since the Census Bureau began recording this data in 1982. But that doesn't mean they don't want to become homeowners – 91 percent of renters under 35 want to own a home someday.¹³
- The average age of couples getting married has also increased. In 2015, the median age for women at the time of their first marriage was 27, for men 29.⁵ And millennials are the least likely generation to be married by age 32.¹⁴
- The average age of new mothers in 2014 was 26. In 1970, it was 21.¹⁵

Life happens, and even positive events bring financial pressures

- In 2015, the median home purchase price for millennial buyers was \$187,000.¹⁶ For a first-time buyer, that translates to an estimated \$1,200 a month including taxes and insurance – and that's 50 percent more than the median monthly rent for the same age group.¹⁷
- The median wedding cost in 2016 was \$14,499.¹⁸
- Thirty-six percent of millennial couples used their credit card to pay for their wedding.¹⁹
- Financial issues are the number one cause of friction between spouses.²⁰ TD Bank reports that 36 percent of millennial married couples fight about money at least once per week.²¹
- Despite these increased financial pressures, only forty-seven percent of married workers under 35 have disability insurance.²²

Parenthood brings financial pressures to a new level

- Women aged 25 to 34 earn an average of \$710 per week.²³ Without any paid leave, that's a potential to lose over \$4,000 of income if taking six weeks off after a routine delivery.
- The average annual cost of sending a child to a daycare center is over \$11,000.²⁴
- The average cost for a middle-income family to raise a child to age eighteen is \$233,600.²⁵
- The average cost of childbirth in 2012 was \$8,775 for a routine delivery.²⁶ Caesarian deliveries – representing almost a third of births in the U.S.²⁷, cost over \$11,000.²⁶
- Even women with insurance typically pay over \$2,000 out of pocket for a routine birth.²⁸



- The average employee cost for their employer-provided health coverage is \$1,129. Their cost when increasing to family coverage is \$5,277.²⁹
- The average healthcare cost for a healthy baby in their first year is over \$5,000.³⁰ With the trend towards higher deductibles, more and more of this cost will be out of pocket.

Work-Life Balance Comes at a Cost

Work-life balance is a high priority for the latest generation of parents. But there are no easy answers, with significant financial impact no matter which path they choose.

- More than half (57 percent) of moms with a child under 3 also work outside the home.³¹
- Moms have almost tripled the amount of paid work they do each week since the 1960s.³²
- Part-time employees are very unlikely to have employer-sponsored disability insurance—15 percent for short-term disability, five percent for long-term disability.³³
- Over 1.4 million moms with a child under 3 work part-time—that’s just under one-third.³¹
- Of 10 million married couple families with children under six, around 41 percent have one stay at home parent.³⁴ It is very rare for a stay at home parent to have disability insurance.
- Just 12% of American private sector workers have access to paid family leave.³⁵
- 53% of working parents say it is difficult to balance their work and family life.³²

Parenthood causes disability claims (and not just from stepping on legos)

- According to CDA member Unum, one of the largest disability insurers in the U.S., pregnancy is by far the most common cause of short-term disability claims. Most plans allow for six weeks of benefits for a routine pregnancy. In many cases this is an employee’s only source of paid parental leave.
- Up to one in seven new moms experience post-partum depression³⁶, and there is evidence that women with a history of depression may be more susceptible. Mental health disorders like depression are a major cause of long-term disability and SSDI claims. In 2015, “mood disorders” like depression made up 19 percent of new SSDI awards for women under 35.³⁷

No matter their life circumstances, millennials need protection.

America’s income protection gap is a serious concern for all, but millennials are especially vulnerable as they chart their personal and professional path. With significant debt, limited savings, and other financial pressures, an illness or injury that interrupts their income could cause serious hardship. The Council for Disability Awareness calls on everyone during Disability Insurance Awareness Month to help us educate young adults about the importance of income protection to their financial security.



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The Council for Disability Awareness
477 Congress St, 5th Floor, Portland, ME 04101
<http://disabilitycanhappen.org>

