4 Workplace Benefits to Help Address Financial Challenges for Older Employees, Today and Tomorrow

By Rodney Bolden, Head of Industry Engagement and Learning, Morgan Stanley at Work

America's workforce is aging, as many continue to work longer than ever before[1] and retirees look to re-enter the workforce amid high inflation.[2] This creates an opportunity for employers to tap into a great reservoir of knowledge and experience. But to attract and retain older generations of workers, employers must help them prepare for what is to come as they age. Older workers will have different priorities and different needs taxing their financial well-being both in terms of where they are today and what support they need to plan for the future.

How can employers better recruit and retain older talent and retirees? It starts with understanding the financial challenges faced by older generations, and then strategically improving four key areas of workplace benefits to better support their needs.

The Income Equality Dilemma

It would be wonderful if careers followed a linear path culminating in the highest income level right before retirement, but that is not usually the case. Income typically decreases as workers age—especially for those at lower income levels. The United States Government Accountability Office (GAO) found disparities between low-income and high-income older workers' retirement accounts were even greater in 2019 than in 2007, indicating we are moving in the wrong direction.[3]

[1] "Who's not working? Understanding the U.S.'s aging workforce", Federal Reserve Bank of Minneapolis, February 27, 2023
[2] American Staffing Association Workforce Monitor, August 2022
[3] Older Workers: Retirement Account Disparities Have Increased by Income and Persisted by Race Over Time, GAO, July 2023

What's more, factors like gender, ethnicity, socioeconomic status, and age can erode earnings potential: PayScale found that women reach an average peak earnings of $66,700 at age 44, while men average a peak of $101,200 at age 55.[4] Average earnings for workers of color peak at later ages and lower rates than their white counterparts,[5] meaning that they have less time and opportunity to save. Older workers of color are also less likely to have a retirement account, and if they do, they contribute at lower rates.[6] These inequities and obstacles all play a role in the ability to prepare adequately for retirement—not to mention the inevitable health challenges that come with age.

Retirement Education and Plan Structure

Given this context, it's no surprise that employees are increasingly looking to their employers for help—especially older generations. Our research suggests that employee engagement and reliance upon workplace benefits for overall financial needs are continuing to increase—especially among older generations of workers, who are less shy: Gen X and Baby Boomer workers are more likely than Gen Z and Millennials to cite help with retirement preparation as the most essential workplace financial benefit to help them meet their financial goals.[7] Yet retirement benefits can be hard to get right: Workers aged 50-64 were also least likely to say they are extremely or very satisfied with their employer's retirement benefits.[8]

This can be improved. First, workers don't always fully understand the retirement plan choices or additional resources available, so employers should consider offering education sessions focused on the financial aspects of aging, including long-term care, medical expenses, managing a fixed income, and company and government resources for situations like a leave of absence or early retirement due to disability or a health issue. Also, consider providing personal benefit counseling support: Older workers were most likely to say that they would like one-on-one benefits counseling but less likely to want group counseling.[9]

Second, consider automatic enrollment. The GAO found that automatic enrollment for workplace retirement plans substantially increased participation rates for workers aged 50-64.[10] Auto-enrollment is trending for a reason: Effective in 2025, one of the provisions of the SECURE Act 2.0 is a requirement for new 401(k) and 403(b) plans established after December 1, 2024, to automatically enroll eligible participants.[11]

And third, investigate automatic escalation features, which increase contribution rates over time. According to the GAO, automatic escalation would increase the workplace retirement account balances of all older workers—with low-income older workers seeing the largest proportional boost.[12]

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[4] Earnings Peak at Different Ages for Different Demographic Groups, Payscale, June 4th, 2019
[5] Earnings Peak at Different Ages for Different Demographic Groups, Payscale, June 4th, 2019
[6] Older Workers: Retirement Account Disparities Have Increased by Income and Persisted by Race Over Time, GAO, July 2023
[7] Morgan Stanley at Work State of the Workplace Financial Benefits Study III, May 2023
[8] Employee Benefits Research Institute/Greenwald Workplace Wellness Survey 2022, October 2022
[9] Employee Benefits Research Institute/Greenwald Workplace Wellness Survey 2022, October 2022
[10] Older Workers: Retirement Account Disparities Have Increased by Income and Persisted by Race Over Time, GAO, July 2023
[11] SECURE 2.0: Retirement Plans | Morgan Stanley at Work
[12] Older Workers: Retirement Account Disparities Have Increased by Income and Persisted by Race Over Time, GAO, July 2023

Emergency Savings Funds

It will remain important in the future to protect retirement savings from unexpected expenses. The Employee Benefit Research Institute (EBRI) found that workers aged 50-64 said saving enough for emergencies is their top financial priority, yet over half (53 percent) say their retirement savings are their only significant emergency savings.[13]

Retirement savings and emergency savings are not the same, but unfortunately, only about one in ten older workers have access to a workplace emergency savings benefit.[14] Helping older workers build a rainy-day fund can mean the difference between raiding retirement savings in a pinch or being able to cover medical bills or unexpected home repairs from a separate savings account.

Financial Planning and Coaching

Everyone's situation is a little different, and access to a financial advisor or a financial coach can help older workers make the most of their workplace benefits as a part of their financial strategy. However, less than one-third of workers aged 50-64 are working with a financial advisor on their own, and just 14 percent say they have access to personalized financial counseling, coaching, or planning in the workplace.[15] This is a simple adjustment for employers to make: Many benefits providers offer the option of access to a financial advisor through their retirement plans, financial wellness coaching, or even wealth management branches, and many EAP providers give employees access to financial coaching and debt counseling. If you're an employer, it's worth considering, especially as tapping into personal, in-depth financial guidance at work is growing in popularity among employees.[16]

Older workers tend to be very engaged when financial advice is available in the workplace: For the few who reported working for an employer that offers this benefit, 47 percent have used it.[17] Bringing this resource to a broader base of employees can help them improve how they manage many areas of their financial affairs, including budgeting, investing, and even comprehensive debt counseling. Once that financial foundation is in a good place, a financial advisor can help older employees craft a goals-based financial plan and an actionable strategy for mid-to-long-term goals like retirement.

Equity Compensation

Equity compensation benefits will most likely remain another central retention and recruiting tool: Eight out of ten employees say equity compensation is the most effective way to keep them motivated and engaged.[18] Gen Xers and Baby Boomers report that the biggest benefit of equity compensation is that it helps them meet long-term investing goals, such as retirement.[19] Additionally, one in five Gen X and Baby Boomer workers find it beneficial that equity compensation provides an additional source of income.[20]

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[13] Employee Benefits Research Institute/Greenwald Workplace Wellness Survey 2022, October 2022
[14] Employee Benefits Research Institute/Greenwald Workplace Wellness Survey 2022, October 2022
[15] Employee Benefits Research Institute/Greenwald Workplace Wellness Survey 2022, October 2022
[16] Morgan Stanley at Work State of the Workplace Financial Benefits Study III, May 2023
[17] Employee Benefits Research Institute/Greenwald Workplace Wellness Survey 2022, October 2022
[18] Morgan Stanley at Work State of the Workplace Financial Benefits Study III, May 2023
[19] Morgan Stanley at Work State of the Workplace Financial Benefits Study III, May 2023
[20] Morgan Stanley at Work State of the Workplace Financial Benefits Study III, May 2023

Yet, older workers (aged 50-64) are far less likely than younger workers to work for an employer that provides equity plan benefits.[21] Imagine the impact this type of benefit can have on older workers and their families if more companies extend equity to them. Consider this example: In 2022, all 800 employees were made owners in a manufacturing business acquisition, from truck drivers to office workers. In addition to approximately $9,000 in dividends received since 2015, hourly employees and truck drivers were scheduled to receive an average $175,000 payout on their equity—with the most tenured employees earning substantially more—along with employer-paid financial coaching.[22] Equity can become a true game-changer.

The Takeaway

Companies are on the front line when it comes to helping older generations of employees plan for whatever may come their way in older age. If employers would like to better attract and retain this emerging talent pool, they should start building a better understanding of the financial challenges older workers face, then consider leveraging workplace benefits like retirement plans, financial planning, emergency savings accounts, and equity compensation as tools to attract and retain this emerging talent pool.

[21] Employee Benefits Research Institute/Greenwald Workplace Wellness Survey 2022, October 2022

[22] KKR and C.H.I. Employees Prove 'Ownership Works' With Sale of C.H.I. Overhead Doors to Nucor, May 16, 2022