

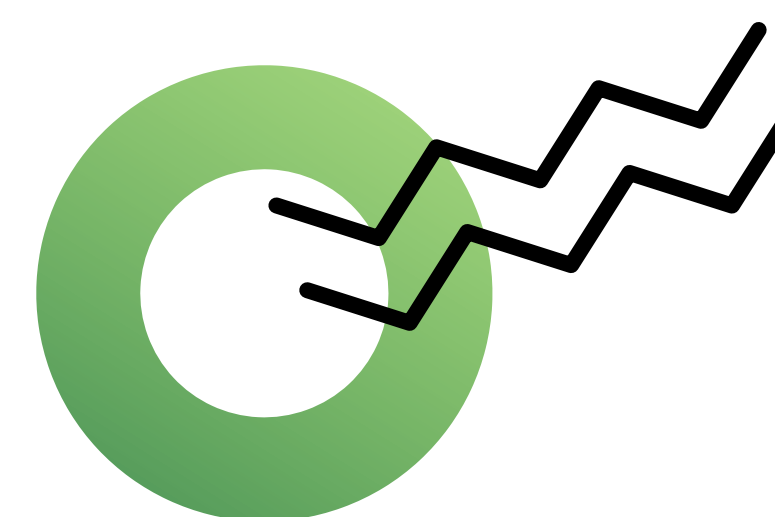
# WHITEPAPER

## Increase Employee Engagement and Competitive Differentiation with a Life Planning Account (LPA)



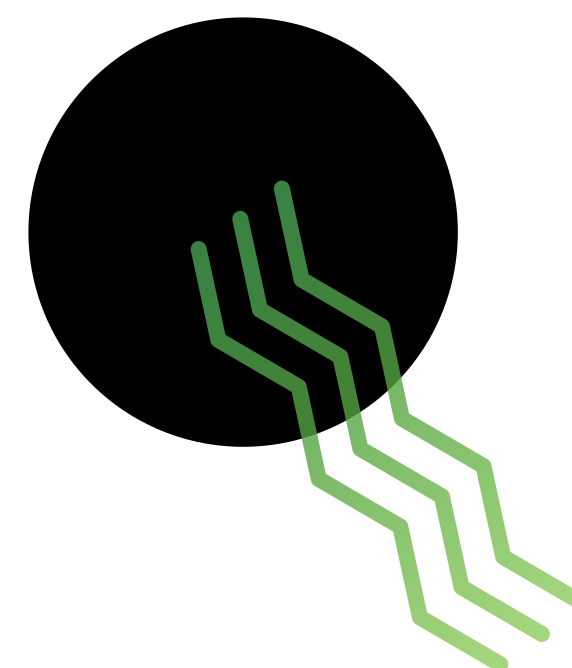
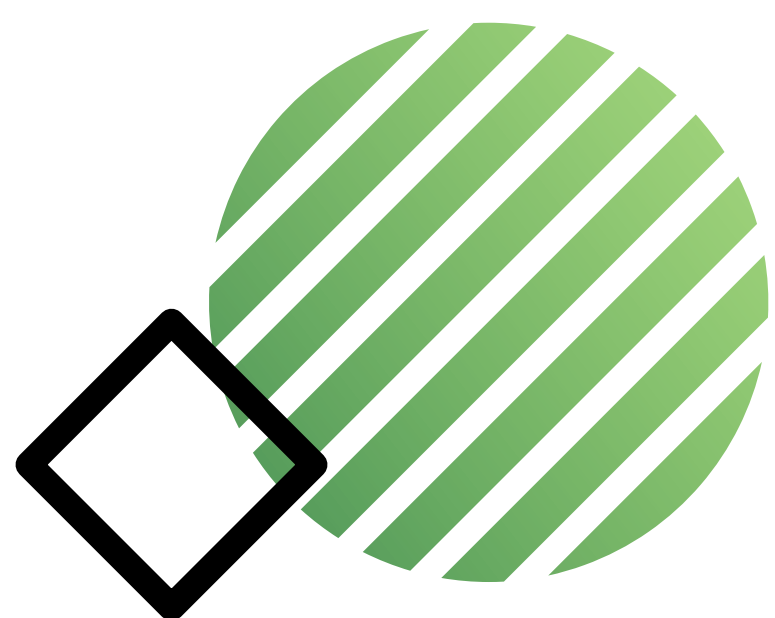


# Increase Employee Engagement and Competitive Differentiation with a **Life Planning Account (LPA)**



Over the last several years, the impact of the pandemic and the proliferation of flexible work arrangements have forced many employers to think creatively when it comes to rewarding employees. Attracting and retaining staff is now a heightened priority for HR and the C-suite. Organizations need to find new ways to connect with their employees, especially younger generations of workers who seek companies with benefits that fit their lifestyle. It's no longer a matter of just increasing pay to fill open positions; organizations need to offer more choice and flexibility in their total reward programs.

In this whitepaper, we're going to share how a **Life Planning Account (LPA)** increases employee engagement and creates competitive differentiation without significantly adding to an organization's fixed costs.







## What is an LPA?

An LPA is a notional (no upfront funding) spending account offered to the employee. The account is typically structured on an after-tax basis without a rollover of unused balances (“use it or lose it”). Any reimbursements participants receive are taxable and added to the individual’s W-2 earnings at the end of the year.

The beauty of the LPA is its simplicity. It is considered a non-qualified ERISA plan, so there are no compliance requirements, no annual 5500 forms to be filed, and Cafeteria Plan rules do not apply. The employer controls the eligibility and funding levels so that the LPA can be designed to fit within an organization’s budget. Since an LPA doesn’t need to be offered to all benefit-eligible employees, companies can target a select subset of the workforce or a specific job that is hard to fill. Companies can also create different funding levels so contributions can vary based on factors such as length of service, salaried/hourly, or job title. Each of these factors can be tailored to meet a desired budget target.

## How Can Employers Use an LPA?

Typically, an LPA is designed to support a broader HR or business strategy and is often linked to the four dimensions of wellbeing: physical, financial, emotional and social. The idea with an LPA is to offer benefits that improve an employee’s overall quality of life and job satisfaction.

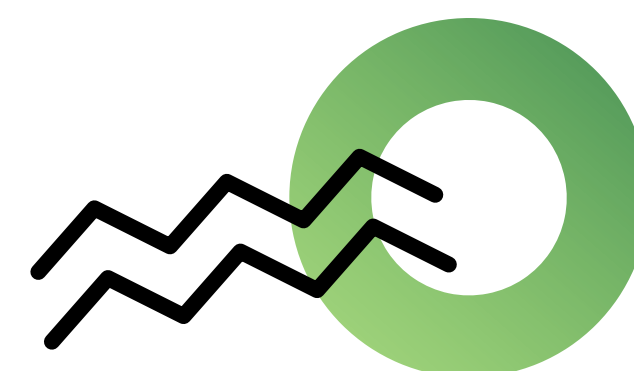
For example, an employer focusing on health improvement might include reimbursement for gym membership, wearable devices and exercise equipment. Another employer concerned about retirement readiness might focus on emergency savings, financial planning and debt management. With the shift to virtual work, some employers have chosen to cover things like home internet, pet sitting, tutoring costs and food delivery services. While an LPA is relatively simple to set up, employers should make sure that they know the kinds of services that will be the most meaningful to their employees.





## Considerations for a Successful LPA

When creating an LPA for your company, there are five areas you want to take into consideration: funding, covered services, communications, administration, and benefits marketplace.



### 1 Funding

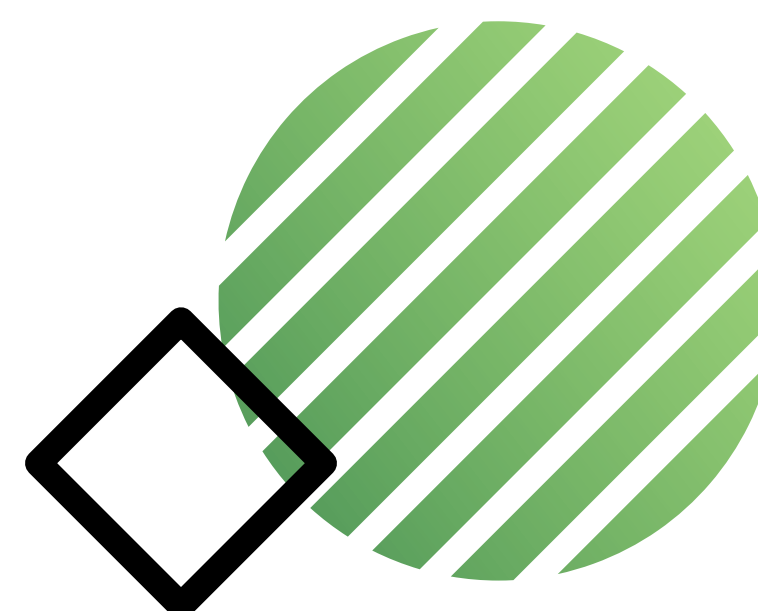
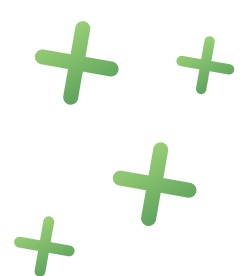
Employers should know how much they want to contribute to each participant's account and what it's going to cost from an annual budget standpoint. The contribution level needs to be meaningful enough for employees to see value in the new benefit, but not too much where it could negatively impact the company's financials. The rule of thumb is that a contribution of less than \$300 is going to be viewed less favorably, while anything above \$1,000 is going to have the most value. The typical contribution is around \$500 per employee per year.

In order to find budget dollars, some employers decide to roll up other under-utilized programs into the LPA. For example, if the employer allows reimbursement for gym membership or other wellness activities, these services could be combined with the LPA and those budget dollars can go towards the cost of the LPA. Looking for existing budget dollars is a good way to help subsidize the initial funding of the plan.

### 2 Covered Services

**Remember:** Employees like choice and flexibility, so an LPA should offer a variety of options that appeal to participants in hybrid work environments or at various life stages. A traditional wellness plan that provides incentives for on-site wellness activities likely will not meet the needs of employees that work from home. The most common types of services that are offered as a part of an LPA are services that improve overall physical and mental wellbeing such as lifestyle coaching, spa treatments, yoga classes, nutrition counseling, and exercise equipment.

Other examples of covered expenses include hobby expenses, family vacations, pet sitting, private tutoring for a child, after-school programs and summer camp for the kids. At the end of the day, an LPA can include a broad assortment of offerings that may improve the employees overall quality of life and ultimate job satisfaction.



### **3 Communications**

Employers need to take the time to brainstorm on how best to design and roll out the LPA. Some employers conduct focus groups as part of the design process to determine which kinds of services to include. Don't assume that you know what your employees will value – ask them! Conduct some research and surveys to narrow the list of potential options. You're doing this for your employees, so you want to make sure that you're offering the best variety of services that best meet their needs.

Once the design is finalized, take the time to communicate and educate participants about the new benefit. Use a variety of communication tools, including employee meetings, Zoom calls, email/text, social media and traditional home mailings. While not an ERISA plan, employers should have a simplified document that spells out the plan provisions, including eligibility rules, what's covered, and how to receive reimbursement.

### **4 Administration**

While an LPA is relatively simple to design, the set-up and ongoing administration is challenging and should be outsourced to a third party who has the expertise and technology to make the process seamless for employers and participants. Third-party vendors, like PTO Exchange, have the payroll interfaces and automated processes in place to streamline administration. PTO Exchange offers two different delivery models: The Transaction Model and the Debit Card Model. The Transaction Model requires participants to submit receipts in order to get reimbursed, while the Debit Card Model allows participants to receive immediate reimbursement when they use a pre-loaded Visa Debit Card for eligible expenses.

There are different advantages to both models so employers should make sure they understand how each model works before determining the best fit and communicating that clearly to their employees.

### **5 Benefits Marketplace**

Another advantage of using a third-party administrator is that some vendors have built online marketplaces that offer discounts on various products and services. These include significant savings on travel expenses for cruises and family vacations, as well as savings on fitness equipment, wearable devices, yoga classes, etc. These marketplaces enhance the value of an LPA, making it more attractive to employees.



A circular portrait of Dr. Peter H. Ravnkilde, a middle-aged man with short, light-colored hair, wearing a light blue button-down shirt. He is looking directly at the camera with a neutral expression. The background is a blurred green, suggesting an outdoor setting. The portrait is framed by a thick green border.

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