

Thinking beyond salary increases

5 ways to help employees manage inflation





Employees are struggling to manage their budget

Even though indicators suggest inflation is **cooling slightly**, it's still tracking **above 6% year over year**. Employees are struggling to manage their budget—and many are asking for raises.

Of course, businesses are facing rising costs too. This makes it extremely difficult to provide the kind of across-the-board wage increases employees are asking for.

But a few simple strategies can help you provide the material support employees need—and take the sting out of inflation.

Let's jump in.

01

Strategy 1

Provide support for student loan repayment up to \$5,250 annually.

The CARES Act included a provision that lets employers provide assistance for student loan repayment on a tax-free basis **up to \$5,250 each year**.

Although this benefit isn't widespread, it's gaining popularity. A recent **EBRI Survey** found that 17 percent of employers offer student loan assistance and another 31 percent say they will do so in the next year or two.

Many benefits leaders believe that student loan benefits can help with talent acquisition, especially when it comes to attracting younger employees and recent graduates.

In the immediate term, however, student debt assistance could help free up some resources to make inflation easier to manage. According to the College Investor, the average student loan payment **is \$393/mo**. Even helping to offset a fraction of that could put more real dollars in employees' hands each month.

The best part? There's cost savings for employers too. Since this is a tax-free benefit, employers don't have to pay the 7.65% FICA payroll taxes on money they distribute for this purpose.

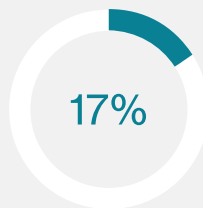


\$393/mo

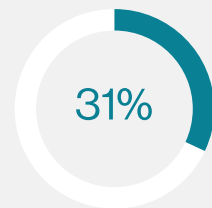
avg. student loan payment

\$5,250

tax-free employer contribution



of employers offer student loan assistance



of employers will do so in the next year or two



02

Strategy 2

Offer free financial planning to improve financial wellbeing.

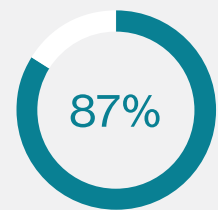
Recent studies suggest a positive link between financial planning and financial outcomes. Those who work with financial planners are often **further ahead with retirement savings**, see **better investment portfolio performance**—and may have higher net worth too.

Beyond that, financial planners may help employees manage financial stress. Consider that inflation doesn't only impact purchasing power.

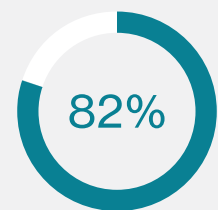
In **a study** last year by the American Psychological Association, 87% of respondents said that inflation is “a significant source of financial stress.” A **2023 Bankrate survey** similarly revealed that that 4 in 5 “say feelings of stress, anxiety, worrisome thoughts, loss of sleep, depression, etc., are caused by economic factors.” Including rising interest rates and rising prices.

So, giving employees resources to help manage the psychological dimensions of rising costs can be genuinely helpful.

Importantly, this matters not just for employee wellbeing, but job performance too. Some **estimates suggest** that lower productivity from financial stress could cost businesses north of \$500 billion annually. In this respect, you might find meaningful ROI by offering financial planning benefits.



87%
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82%
say financial factors contribute to anxiety, depression, and loss of sleep

\$500 bn

lost annually due to lower productivity from financial stress

03

Strategy 3 Invest in consumer-directed benefits.

Consumer-directed benefits like **Health Savings Accounts (HSAs)**, **Flexible Spending Accounts (FSA)**, and **Commuter benefits** offer two main ways to help employees manage inflation.

First, these benefits can help employees be more conscious of—and conscientious about—their spending habits. HSAs, in particular, are especially effective in this respect, since they reduce reliance on health insurance, and encourage employees to consider how they're spending the real dollars in their HSA.

On this score, FSAs also are valuable because they encourage better planning. Employees have to forecast their annual spending because they only make elections once each year during the enrollment period. This opportunity for planning enables employees to more effectively manage their costs.

The second way consumer-directed benefits can help is through tax savings. [In this article](#) we showcase how common employee benefits can help employees unlock \$4,500+ potential tax savings each year.

An HSA, for example, lets members with a family plan contribute up to \$7,750 each year. Let's say their tax rate is 20%. Not paying 20% taxes on \$7,750 means employees could see \$1,550 more dollars in their pocket at the end of the year. And that's just with an HSA!

The tax savings can add up fast.

Many employers also choose to put HSA contributions into employee HSAs to provide additional support and help offset the higher deductible associated with high-deductible health plans.



Annual tax saving potential

\$4,500+

with consumer-direct benefits

HSA tax saving potential

\$1,550

annual tax savings with an
\$7,750 family plan contribution

04

Strategy 4

Stay connected – and prioritize benefits education.

According to [FINRA](#), people with higher financial literacy are more likely to:

- Spend less than they make
- Have an emergency fund
- Have a retirement savings plan

Importantly, this kind of survey research is only directional, not causal. Financial literacy doesn't necessarily lead to more wealth. Nevertheless, there's a clear relationship between financial security and financial knowledge.

Increasing financial literacy can also help reduce financial anxiety and empower employees with more control and confidence around their financial decisions.

In the near term, it can help employees understand strategies to save more on healthcare and become savvier consumers. For example, understanding the [qualified medical expenses](#) associated with HSAs and FSAs can offer simple ways to maximize tax savings on thousands of items people buy every day.

That's why it's so important to work with a benefits partner who prioritizes employee education – and who has the expertise to help you maximize financial literacy.

But financial knowledge is only one piece of the puzzle. People often know what to do, but they don't always make the best decisions. Personal finance is very much about behavior change: Planning more, automating savings, sticking to budgets, reducing impulse buys, etc.

So, it's not just about financial literacy. It's also about helping your employees develop positive behaviors and attitudes that help them achieve their financial goals.

Therefore, along with prioritizing benefits education, consider a benefits partner who has a [proven employee engagement program](#). Think beyond enrollment season. Changing behavior requires personalized, systematic, consistent engagement – all year round.



05

Strategy 5

Offer flexible benefits with a Lifestyle Benefits Account (LSA).

Every company is unique. Employees bring different needs. And challenges and goals shift as conditions change.

To stay ahead of the curve, benefits teams need to think beyond off-the-shelf options. Unique needs require fully customizable solutions.

That's where **Lifestyle Spending Accounts (LSAs)** come into play. **LSAs are reimbursement accounts that are easily configured to reimburse any activity or employee need.**

Basically, LSAs make it easy to incentivize or reward employees based on certain activities and goals. They're also a great way to provide material support for more expensive items or activities.



Here are a few examples:



Surrogacy costs



Home office



Gym reimbursement



Mental wellness



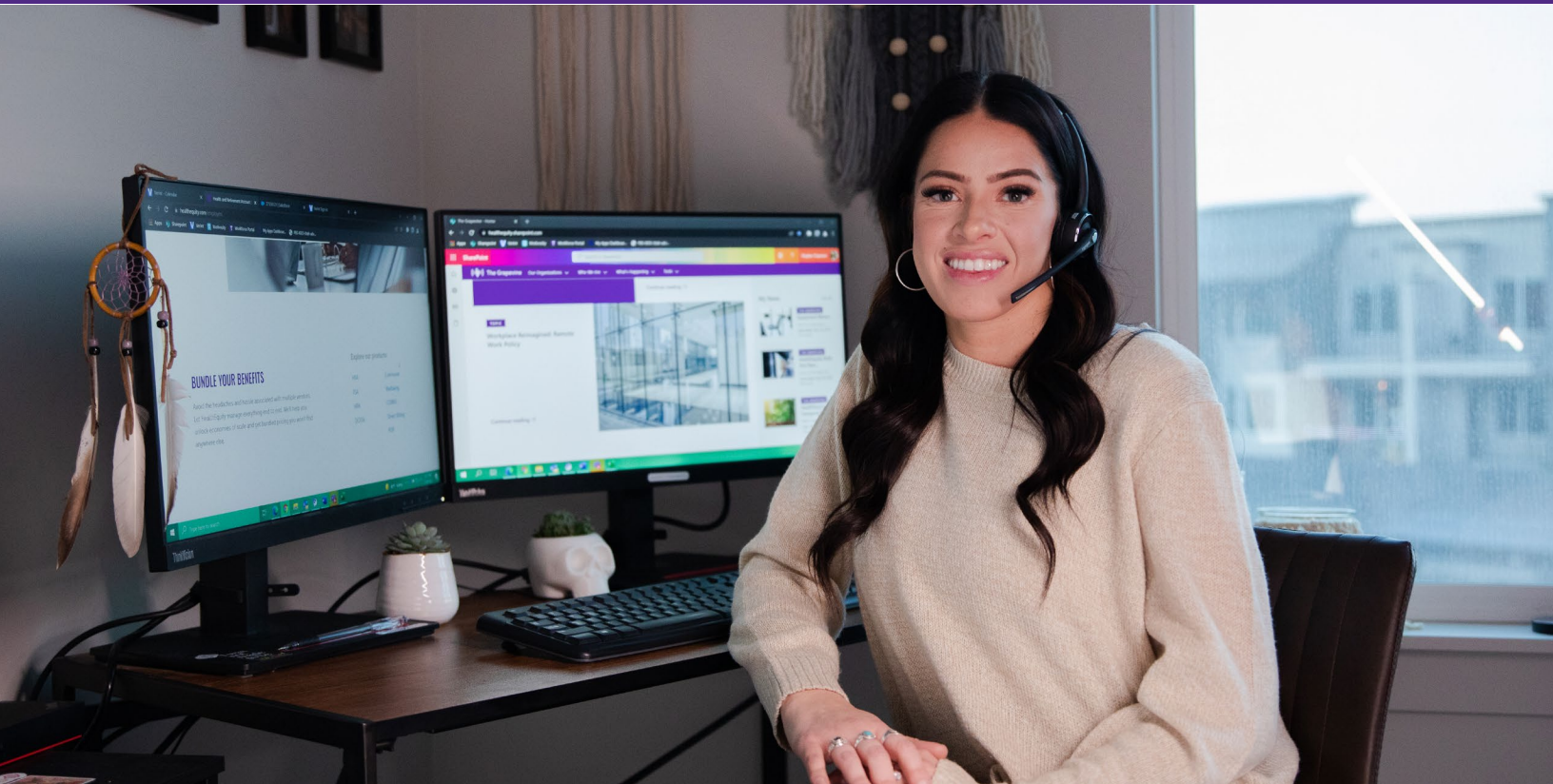
Travel stipends for healthcare



Behavioral health treatment



Tuition assistance



HealthEquity can help.

HealthEquity brings innovative strategies and proven best practices to help make benefits more affordable for all employees—at any income level. Through plan design and educational engagement we'll help your employees realize greater health and financial security.

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HSA



FSA



HRA



Commuter



COBRA



Wellbeing