

Lifestyle Spending Accounts: A Flexible Benefit for Today's Diverse Workforce

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The modern workforce is more diverse than ever, with employees spanning different generations, genders, cultural backgrounds and life experiences. This diversity brings a wide range of expectations and needs when it comes to benefits. Lifestyle spending accounts (LSAs) provide an effective way for employers to address this diversity by offering a benefit that can be tailored to the unique preferences of each employee group.

Learn more about LSAs and how they can help you foster inclusivity, wellness and engagement across all demographics.

What Is an LSA?

An LSA is an employer-sponsored benefit that allows employees to allocate funds for various lifestyle-related expenses. Unlike traditional benefits such as health insurance or retirement plans, LSAs are highly flexible and can be customized to align with the specific needs and preferences of employees. Employers fund LSAs and determine the eligible expenses, which may include anything from wellness programs and gym memberships to child care, home office equipment, mental health services and even hobbies or personal development courses.

LSAs are unique in that they do not offer tax advantages like health savings accounts (HSAs) or flexible spending accounts (FSAs), but they make up for this with unparalleled flexibility. Employees can choose how to use their funds based on what matters most to them, whether it's a yoga class, a subscription to a mental health app or new running shoes. The diversity of options makes LSAs particularly appealing in today's varied workforce.

Supporting a Diverse Workforce

LSAs are particularly well-suited to address the varied needs of a diverse workforce. An LSA can:

- **Appeal to multiple generations:** LSAs can accommodate the different priorities of various age groups. Younger employees might use funds for fitness classes or professional development, while older workers may opt for home office equipment or family support services.
- **Support a culture of inclusivity:** By allowing a wide range of expenses, LSAs can support employees from different cultural backgrounds and their unique needs or preferences.
- **Promote work-life balance:** LSAs can fund services that help employees balance work and personal life, such as meal delivery services or childcare support.
- **Contribute to employee health and wellness:** From mental health services to physical fitness programs, LSAs can contribute to the overall well-being of employees across all demographics.
- **Offer career development:** Funds can be used for professional development opportunities, supporting employees at various career stages.

Implementing LSAs in Your Organization

When implementing an LSA, start by defining your goals, such as enhancing company culture, supporting diversity and inclusion or promoting wellness. Set a budget that aligns with your resources (this could be a few hundred to few thousand dollars per employee), choose eligible expenses that match your goals, like childcare, and establish a simple reimbursement process for employees to submit and receive funds. Finally, communicate the LSA clearly to employees, explaining how it works and what expenses qualify, ensuring they fully understand and use this flexible benefit.

Advantages and Considerations for Employers

LSAs offer employers several key advantages that make them an appealing benefit option. They can be tailored to fit any company size or culture, ensuring they align with organizational goals and values. LSAs also provide cost control, as employers only pay for the benefits that employees use, with any unused funds remaining with the company.

LSAs can potentially reduce benefit costs and administrative burdens. By consolidating benefits into one flexible account, employers may find that LSAs minimize the need for multiple specialized programs, each with distinct administrative requirements and associated costs. This one-stop-shop approach means fewer administration needs and lower costs, offering a streamlined solution that still meets diverse workforce needs.

This benefit can significantly enhance company culture and give companies a competitive edge in the job market, helping to attract and retain top talent.

While LSAs don't provide tax advantages for employees, they are a low-risk option, as employees who choose not to use the benefit are not taxed on it. This combination of flexibility, cost control, cultural enhancement, inclusivity and the potential to reduce overall expenses makes LSAs a valuable tool for employers looking to offer meaningful and customizable benefits.

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