



Launching a Competitive
Lifestyle Spending Account Program:

7 Steps for Success

Table of Contents

1	Introduction
2	Step 1: Assess your employees' needs
5	Step 2: Define your budget
9	Step 3: Advocate for buy-in
19	Step 4: Select an LSA partner
25	Step 5: Design your LSA program
28	Step 6: Communicate the program to your employees
31	Step 7: Ongoing monitoring and refinement
34	Final thoughts

Introduction

If you're exploring lifestyle spending accounts, you're not alone: A recent Mercer Insights survey found that 70% of companies are considering adding one to their benefits package. Thanks to the inherent flexibility of an LSA, more companies are realizing the value these accounts offer to both employers and employees.

But as a relatively new benefit in the market, you might have some questions about implementing an LSA. For example, you might be wondering: How do I determine an appropriate budget? What's the best way to structure the program? How do I get senior leadership to sign off on this? And how should I evaluate vendors during the selection process?

These are important questions to ask if you want to launch a program that meets your goals and effectively supports your employees. In this guide, we'll dive into the 7 steps you should follow to create a successful program and provide best practices, comprehensive templates, and helpful tips to get you started.



Step 1: Assess your employees' needs

Step 1: Assess your employees' needs

To ensure your benefits program is successful, start by surveying your employees to understand their wants and needs. An employee benefits survey is one tool you can use to demonstrate the need for a new benefit to leadership and internal stakeholders. It can also help you decide how to structure your LSA and which eligible expenses you'll add to your program.

Take a look at the sample survey below to get an idea of what you can ask employees.



Step 1: Assess your employees' needs (continued)

Benefits survey questions

This benefits survey is designed to gauge employees' perception of your overall benefits package and the \$ dollar value of specific benefits. Then, employees will be asked to rate additional benefits. The purpose of this survey design is to give you an overall benchmark and a ranking of the benefits employees may value the most. It will give you insight into the potential impact on employee satisfaction if you were to offer an LSA.

1

How would you rate our overall benefits package today?

- Response structure: Scale of 1-100
- Purpose of this question: Set the baseline for employees' perception of your existing benefits package. Typical ratings will be in the ~60-80 range.

2

What \$ dollar value would you ascribe to...

- Question variants:
 - Health insurance coverage (per year)
 - 401K match (per year)
 - Paid time off (per year)
 - Parental leave (per year)
 - Flexible work policy (per year)
 - Limit of 5 total question variants to avoid survey fatigue
- Response structure: Open-ended \$ write-in box
- Purpose of this question: To determine the average perceived \$ dollar value of each major component of your benefits package. You can compare the perceived \$ dollar value vs. the cost to your organization.

3

How would you rate our overall benefits package if we were to add...?

- \$500 per year in a lifestyle spending account (incl. coverage of your choice of physical health, mental health, family activities, professional development)
 - \$500 per year contribution to your Health Savings Account
 - \$500 per year contribution to caregiving expenses, including children, elderly, and pets
 - \$500 per year contribution to enable remote work, such as cell phone service, internet service, office furniture, and technology accessories
 - []
 - Limit of 5 total question variants to avoid survey fatigue
- Response structure: Scale of 1-100
- Purpose of this question: Rate the potential lift in the overall perception of your benefits package if you were to add a new benefit. You can compare the responses here to the first question. An increase of 3+ points would typically be considered a significant lift to the overall perception of the benefits package, and you can stack rank how each additional benefit would be perceived and valued.





Step 2: Define your budget

Step 2: Define your budget

One of the biggest hurdles you'll face in implementing an LSA is getting budget approval. That's why defining your budget should be among the first steps you take as you're exploring an LSA. Consider the following as you're creating a budget:

1

What is your overall budget for the program?

If you work with a benefits broker, they should be able to help you determine a competitive budget by providing benchmarking data that gives insight into how companies of various sizes and industries are designing their programs. If there are specific companies you frequently compete with for talent, it's also a good idea to look at what they are offering and consider how you can stand out.

2

How much will you allocate per employee?

Assess the amount of LSA funds you want to allocate for each employee. Make sure you keep your goals in mind as you decide this. For example, if you truly want to support employee wellness, \$15 a month might not make a very large impact. Try to settle on a number that's budget-friendly while also allowing employees to purchase items or services that will make a difference to their well-being. If you have any large hiring plans in the future, factor those into your decision.

3

What will be your contribution cadence?

The most common contribution cadence is monthly, but you can also provide benefits on a biweekly, quarterly, or annual basis. Consider your employees' needs and your company's overall goals when you're deciding this.

4

How often will benefit funds expire?

This is important as it will affect the amount of savings you experience in employee forfeiture. Many companies choose to have funds expire at the end of each month on a "use it or lose it" structure, while others decide to let employees save up for big-ticket items by allowing funds to roll over every month and expire at the end of the year. If budget is a concern for your company, consider allowing fewer eligible spending categories and setting funds to expire monthly—this combination provides the greatest potential for employee forfeiture and cost savings while still providing employees 100% of the benefit.

Step 2: Define your budget (continued)

Let's say you don't have much budget for an LSA but still want to implement one. Luckily, you don't always need new budget to introduce an LSA to your employees. Another option you have is to audit your existing budget. Below are a few areas that could potentially be used for an LSA:

1

Point solutions for various programs

Often, companies will manage benefits by implementing point solutions that are singularly focused on one type of benefit or wellness initiative. For example, they might offer employees a Headspace subscription for stress management, LinkedIn Learning for professional development, Bright Horizons for childcare, and DoorDash credits for food. But these point solutions don't work for your diverse employee base—why would an employee care about pet insurance if they don't have a pet? With these point solutions, you're paying full costs even if you're only getting 10-30% engagement. Using a separate vendor for each of these benefits also adds more fees and administrative work. You can instead consolidate by creating a single LSA that supports multiple benefit pillars and lets employees choose how to use their dollars. Limiting these low-engagement vendors can provide the necessary budget to fund the LSA.

2

Ineffective EAP programs

Employee assistance programs sound great in theory, but they are often underutilized. Studies have shown that EAP usage is often below 10%, likely because they limit employees to certain providers and don't give employees freedom over their care. Redirect these funds to an LSA to improve engagement rates and provide personalized care.

3

Annual merit increases

Merit increases usually fall in the range of 3% to 5%, but moving even just 1% of this budget into an LSA program can be a smart strategy. Employees still receive a salary boost, but you also create a new benefit that positively impacts recruitment, retention, and engagement. The perceived value of the new LSA program will be much greater than the 1% in salary you're redirecting.

Step 2: Define your budget (continued)

-

4

Carrier wellness funds

Many health insurance carriers provide companies with funds they can use to implement wellness initiatives. The idea is that these initiatives encourage employees to adopt healthier lifestyles, resulting in fewer claims that the insurance company will have to pay out. Tap into these funds to create a flexible LSA program that supports fitness, wellness, nutrition, and mental health.

5

On-site programs and perks

After the pandemic, many companies have transitioned to a hybrid or remote-first work model. Consider transitioning budget from programs like on-site cafeterias or gyms to a comprehensive LSA that covers the same benefits. This approach has the added benefit of being more inclusive and equitable so your remote or hybrid employees enjoy access to the same benefits as your headquartered employees.

6

Programs run through payroll stipends

Does your company have any recurring benefits, stipends, or rewards that you administer through payroll? This creates a lot of administrative work for your team, and it also means that your company spends 100% of the funds without knowing how employees are using them. Moving these programs into an LSA saves money through reduced administrative burden and employee forfeiture, but it also strengthens the relationship with your employees. Every time employees receive new funds, they're reminded that their employer cares about their well-being and are incentivized to spend the funds on wellness items they might otherwise forgo.

A woman with short dark hair is running on a treadmill in a gym. The image is overlaid with a semi-transparent purple filter. The text "Step 3: Advocate for buy-in" is centered over the image in a large, white, sans-serif font.

Step 3: Advocate for buy-in

Step 3: Advocate for buy-in

Implementing a new employee benefit is rarely a unilateral decision. Usually, you'll have to gain buy-in not just from your immediate team but also from executive leadership, your finance team, and other internal stakeholders before rolling out an LSA.

Here are a few ways to advocate internally for an LSA:

Clearly define an LSA

If you're putting together a presentation to share with stakeholders, start by clearly defining a lifestyle spending account. Since LSAs are a relatively new benefit in the market, stakeholders might be confused about how they work. Share details about how the program is designed, how employees spend, possible spending categories, and how taxability works.

Stakeholders may also be hesitant about the seemingly complete flexibility of an LSA, so it's helpful to explain how companies design LSAs to match their unique goals and preferences. Clarify how your company can customize the program and create parameters around spending.

Highlight the key advantages

Stakeholders will want to know: Why an LSA? Make sure that you answer this question thoroughly to win internal buy-in. Share the advantages covered on the next few pages to help stakeholders understand the unique capabilities of an LSA.



Step 3: Advocate for buy-in (continued)

1. The hard ROI of an LSA

When thinking about the ROI of an LSA, we can distinguish between "soft" and "hard" ROI. Soft ROI refers to an LSA's positive impact on areas like recruitment, retention, productivity, and employee engagement. Hard ROI, on the other hand, refers to quantifiable metrics such as cost savings.

LSAs can lead to cost savings through employee forfeiture because companies only spend when

employees engage with their funds. If employees don't spend part of their stipend, companies get to keep that money. Compare this to if you were to add money to employees' paychecks instead. Those funds will be gone regardless of if employees use them as they were intended or not. Take a look at this example where we assume a per-employee-per-month (PEPM) cost of \$3:

One-time engagement of adding money to employee paychecks:

Total employees:

1,000

Stipend contribution per year:

\$1,200

Total stipend funding:

\$1,200,000

Payroll taxes (8%):

\$96,000

Total cost of adding funds to employee paycheck:

\$1,296,000

Savings through employee forfeiture with an LSA:

Employee engagement (expected after 1 year):

85%

Utilization (actual dollars spent - expected after 1 year):

80%

Total employee forfeiture:

\$240,000

Payroll tax savings (8%):

\$19,200

Total savings from employee forfeiture:

\$259,200

PEPM for typical LSA vendor:

\$3.00

Annual cost of typical LSA vendor:

\$36,000

ROI of LSA:

7.2x

Step 3: Advocate for buy-in (continued)

•

An LSA also greatly reduces administrative burden for teams. Instead of spending countless hours tracking expenses, approving receipts, and managing reimbursements through payroll, companies can leverage a card-first approach like Benepass to simplify the process of administering benefits. The number of working hours saved can also be worked into the ROI calculation if your team is currently handling receipt tracking and reimbursements.

Suppose your company currently uses a handful of point solutions to provide various benefits for fitness, professional development, WFH equipment, or food. An LSA allows you to consolidate these point solutions into one flexible account, meaning you'll only have to pay for and manage one vendor instead of four or more. Instead of paying for underutilized programs, you'll pay full fees only for the employees who actually use their LSA.

When discussing an LSA with leadership, emphasize the considerable cost savings.

"Handling everybody's wellness submissions for reimbursements can be a significant effort, and we knew it was not a scalable benefit in that fashion."

Angela Blackburn,
Chief People Officer
Lead Bank



Step 3: Advocate for buy-in (continued)

2. Recruitment and retention

Many companies, especially those in competitive industries, struggle to attract and retain top talent. Employees want to work for companies that care about their holistic well-being. It's no longer enough to provide health insurance and call it a day. The companies winning top talent today are going above and beyond by providing unique employee benefits that employees can tailor to their individual needs.

Employees today expect their employers to support their wellness. For example, a report by Mind Share Partners found that 68% of Millennials and 81% of Gen Zers have left roles for mental health reasons, with 91% of respondents believing that companies should support mental health. Comprehensive employee benefits are a great way to provide that support.

Investing in an LSA to reduce turnover can provide considerable cost savings, too. The cost of replacing an individual employee can range from one-half to two times the employee's annual salary, according to Gallup research. The 2023 Mercer US Turnover Survey found that between 2022 and 2023 the average rate of voluntary turnover due to employee resignation was 17.3%, meaning turnover and recruitment costs can be high. However, companies that score highly on compensation and benefits see 56% lower attrition rates than those that rated poorly on benefits and compensation, according to a LinkedIn Talent Trends report.

Take a look at the possible savings associated with investing in an LSA to improve retention for a 1,000-person company. As a reminder, here are the costs of launching an LSA:

Costs of an LSA

Funding for a \$100/month LSA	\$1,200,000
Money saved through employee forfeiture (avg. of 20%)	\$240,000
Payroll taxes (8%)	\$76,800
PEPM for typical LSA vendor	\$3.00
Annual cost of typical LSA vendor	\$36,000
Total LSA costs	\$1,072,800

Turnover costs

	Without an LSA	With an LSA
Number of employees	1,000	1,000
Average voluntary turnover rate	17.3%	9.7%*
Average annual U.S. median salary	\$57,200	\$57,200
Total turnover costs when turnover costs are 50% of employee salaries	\$4,947,800	\$2,774,200
Total turnover costs when costs are 100% of employee salaries	\$9,895,600	\$5,548,400
Total turnover costs when costs are 200% of employee salaries	\$19,791,200	\$11,096,800

***56%** lower attrition rate at companies that score highly on compensation and benefits

Step 3: Advocate for buy-in (continued)

•



Savings from launching an LSA*

Savings from launching an LSA if turnover costs are 50% of employee salaries	\$1,100,800
Savings from launching an LSA if turnover costs are 100% of employee salaries	\$3,274,400
Savings from launching an LSA if turnover costs are 200% of employee salaries	\$7,621,600

*Per Gallup, average turnover costs are estimated at one-half to 2x an employee's annual salary.

Use this template to calculate your own organization's savings in turnover and recruitment costs by launching an LSA. These potential savings are even greater if you consider the range of salaries that exist across your employee base. Of course, not every employee will place the same value on an LSA, but if the investment retains even a portion of your employees, the savings can be considerable.

Step 3: Advocate for buy-in (continued)

•

3. Living out your corporate values

Everyone wants to feel proud of the work they do and who they do it for. People want to work for companies that align with their values: Qualtrics research found that 56% of employees won't even consider working at a company that has values they disagree with.

When employees are assessing values alignment, they will look at everything, including your employee benefits. An LSA demonstrates your commitment to corporate values like diversity, equity, inclusion, and belonging (DEIB) by making your benefits more inclusive. Because of their flexibility, LSAs create a culture of inclusion by acknowledging and validating that everyone's needs are different and that you value your team to make the decisions that are best for them.

You can even use an LSA to create benefits that support certain populations. For example, using an LSA to provide an inclusive family care and formation benefit can help employees with the costs of childcare, dependent care, fertility services, adoption, or surrogacy. This allows you to cover a wide variety of family needs and support all the ways that families come to be.



LSAs also allow you to provide the same slate of benefits for remote team members and satellite offices as headquarters. Food-focused LSAs, for example, can fill a gap for remote team members if HQ employees frequently receive free food or enjoy an on-site cafeteria. Similarly, an LSA is more equitable for a distributed, global workforce. Employees will have various spending options regardless of where they live, which might not be the case if you partner with specific vendors.

Even the name of your LSA can be a source of culture promotion—companies can name their LSA so it ties to specific company values or their wellness program's branding. For example, Mindbody's Benepass LSA program is called Be Well to further reinforce its commitment to employee wellness.



Step 3: Advocate for buy-in (continued)

4. The perceived value of benefits

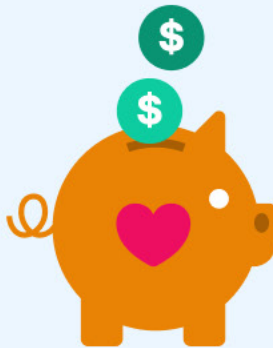
It's important to consider not just the dollar value of the benefits you're offering but also their perceived value. The perceived value refers to how your employees perceive the merits and worth of a benefit, independent of the actual value.

For example, consider two scenarios: giving employees

\$100 a month to spend on wellness vs. \$1,200 as a one-time bonus. In the first scenario, employees receive a monthly reminder that their company cares for their wellness. In the words of one LSA user, "It's an excuse to spend money on my well-being." They can spend the money on a relaxing massage, yoga

Scenario 1

1



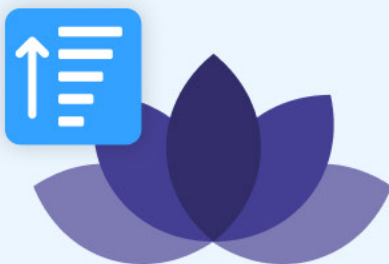
Employer funds \$100 to an employee's LSA monthly

2



Employee is notified that their employer has funded the benefit each month

3



Employee feels cared for and is reminded their wellness is a priority

4



Employee purchases various items and services to take care of their wellness

"It's an excuse to spend money on my well-being."

Step 3: Advocate for buy-in (continued)

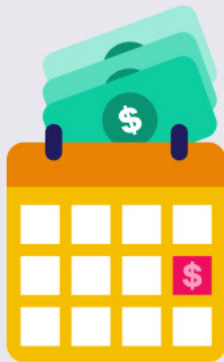
class, online therapy, or any number of wellness activities. With a dedicated stipend, they have money that's set aside specifically to care for their wellness.

Now compare this to employees receiving \$1,200 on their paycheck as a bonus. Employees might barely

notice this on their paychecks before it's spent on groceries and bills, and it's more likely that they'll feel pressured to spend it on "practical" items instead of wellness initiatives. On the other hand, an LSA provides a guilt-free avenue for employees to take care of their health and wellness.

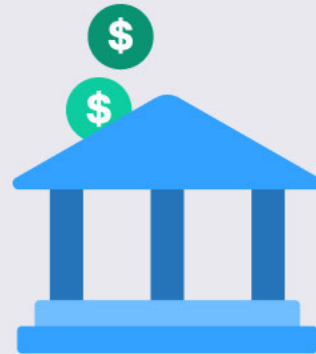
Scenario 2

1



Employer funds \$1,200 bonus through payroll

2



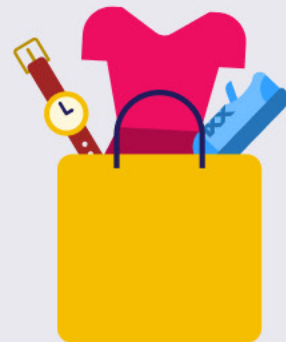
Employee receives the funds with their regular paycheck through direct deposit

3



Employee doesn't notice the extra money before it goes to automatic bill payments

4



Employee forgoes wellness purchases because they feel like a splurge

Step 3: Advocate for buy-in (continued)

Connect the program to larger business goals

Does your company have lofty goals for the next year or specific initiatives it's trying to achieve? If the answer is yes, make sure to weave these goals and projects into your presentations to leadership when you're campaigning for buy-in. On average, LSAs engage over 85% of employees and this engagement has positive implications for productivity, morale, presenteeism, and retention.

Studies show that disengaged employees cost U.S. companies around \$450-\$550 billion annually. Companies with highly engaged employees are 21% more profitable and enjoy higher customer satisfaction, increased profitability, healthier workers, better retention, and fewer workplace accidents. As you're presenting to leadership, highlight how a competitive benefit like an LSA can have a very real impact on your company's ability to achieve its goals and realize higher profits.

21%

higher profitability
experienced by
companies with
highly engaged
employees



A man with a beard and short dark hair is sitting at a desk, looking at a laptop. He is wearing a light blue t-shirt and a watch on his left wrist. His hands are clasped in front of him. The desk has a laptop, a small potted plant, and some papers. In the background, there is a bookshelf with books and a plant. The entire image has a blue tint.

Step 4: Select an LSA partner

Step 4: Select an LSA partner

Choosing the right LSA partner is instrumental to your program's success. With the right vendor, you gain a true partner that's just as invested in your employees' well-being as you are. Consult with your benefits broker to compare your options and select the best fit for your company.

To help you evaluate vendors, we collected the top factors you should consider as you make your decision. Refer to it during product demos and vendor meetings.

Program design capabilities

To get the full benefits of an LSA, it should be highly customizable to your company's needs and preferences. Your LSA partner should allow you to customize the following items:

- | | | |
|---|---|---|
| <input type="checkbox"/> Contribution amount | <input type="checkbox"/> Taxability of the benefit | <input type="checkbox"/> Eligible spending categories |
| <input type="checkbox"/> Contribution cadence | <input type="checkbox"/> Name of the LSA benefit | <input type="checkbox"/> Number of accounts created |
| <input type="checkbox"/> Receipt requirements | <input type="checkbox"/> Forfeiture or rollover rules | <input type="checkbox"/> Timelines for new hires and terminations |



Step 4: Select an LSA partner (continued)

•

Employee experience

LSA benefits should be easy and fun to use. If employees have trouble understanding how to access and use their benefits or have to navigate a clunky platform to do so, the program will be unsuccessful. Explore the following questions during your research:

- | | |
|--|---|
| Q: What will the experience look like for my global team? | TIP: Your global employees deserve as great of an experience as your HQ employees. Learn which countries the vendor supports, how often it updates currency conversion rates, and whether global employees have access to card spending or reimbursements only. |
| Q: Will employees be required to pay upfront and wait to be reimbursed? | TIP: Asking employees to front large expenses and wait weeks for reimbursement is a less-than-stellar employee experience. Not every employee will be able to afford it, leading to lower rates of engagement. Providing employees with a pre-funded card is more inclusive and engaging. |
| Q: What does the employee need to do to get started? | TIP: Employees shouldn't have to do much to enroll in their benefits. Look for a vendor that automates enrollment and can get your employees up and running with their benefits in just a few clicks. |
| Q: Is there an employee mobile app that offers full feature parity with the web dashboard? | TIP: Employees will use their benefits on the go, so the ability to use a mobile app will boost utilization and engagement. |



Step 4: Select an LSA partner (continued)

Customer support

Exceptional customer support is a critical factor in your program's success. The right LSA partner will efficiently answer any questions your employees have and ensure they have the tools and resources they

need to get the most out of their benefits. Cover the following items during conversations with potential partners:

- | | | |
|--|--|--|
| <input type="checkbox"/> Hours of operation | <input type="checkbox"/> Escalation procedures | <input type="checkbox"/> Average response times |
| <input type="checkbox"/> Quality assurance measures | <input type="checkbox"/> Average customer support rating | <input type="checkbox"/> Location of the customer support team |
| <input type="checkbox"/> Methods for contacting customer support | | |

Implementation and IT automation

Your LSA partner's ability to automate certain processes can greatly reduce the amount of ongoing administrative work your team must perform, so the implementation must be thorough and efficient.

Ensure that you understand the implementation workflow of your chosen partner and the resources they'll provide, along with the resources required from your team.

A typical integration includes the following steps:

- | | |
|---|--|
| 1. Program design finalization | 4. Admin training and employee rollout |
| 2. Payroll/HRIS integration (e.g., Workday, ADP) | 5. Funding setup |
| 3. Single sign-on integration (e.g., Okta), if required | |

A full payroll/HRIS integration may be able to automate:

- | | |
|--|--|
| <input type="checkbox"/> Employee directory sync | <input type="checkbox"/> Benefits enrollment for new hires and unenrollment for terminations |
| <input type="checkbox"/> Imputed income reporting for taxable benefits | <input type="checkbox"/> Custom enrollment based on demographics (e.g., location, function, part-time vs. full-time) |



Step 4: Select an LSA partner (continued)

Ongoing partnership

The LSA vendor you choose should help you optimize your program on an ongoing basis and play an integral role in formulating your long-term strategy. The right vendor will feel more like a partner than just a tool you use to administer benefits. Ask vendors about the items below during the buying process:

1

Dedicated customer success contact

Find out whether you'll have a key contact who's dedicated to your account and your program's success. This contact should understand your program's KPIs and actively work on improving them over time. They should also be available to answer questions as they arise.

3

Employee engagement insights

An LSA program can provide valuable insights about how employees spend their funds and what they value most in their benefits. Find out if your LSA partner will provide you with insights into spending patterns and engagement rates over time so you can continuously optimize your program.

2

Required monthly workflows

Ensure that you understand the processes that are required to maintain the program. For example, will the team review eligibility questions weekly, monthly, or quarterly? Who will you partner with to handle recurring funding requirements?

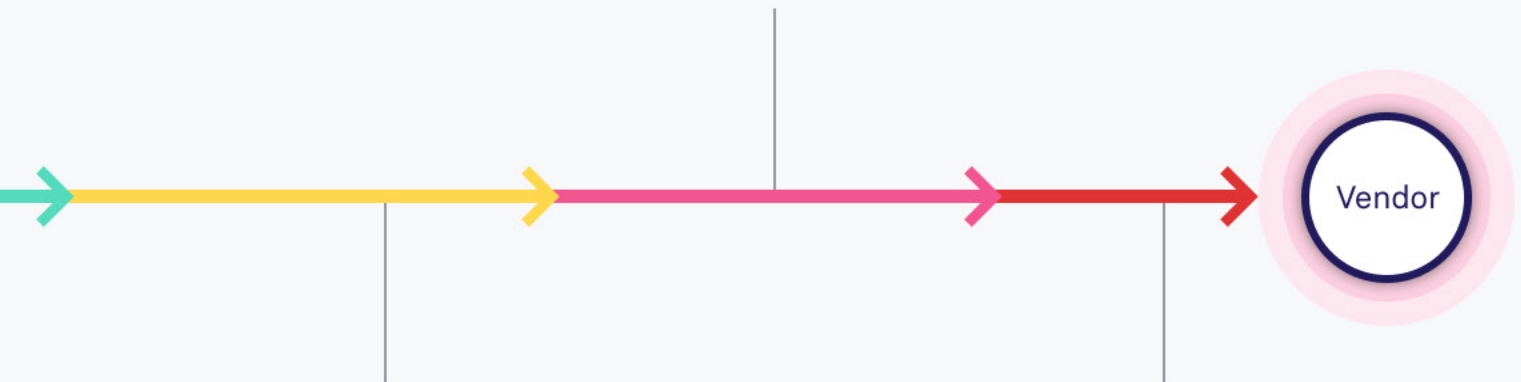
Step 4: Select an LSA partner (continued)

•

5

Setting a benefits roadmap

If your company plans to grow and scale, it's smart to create a benefits roadmap that will help you achieve those growth goals. What other types of benefits do you envision as part of your 3- to 5-year roadmap? How can you create a total rewards strategy that aligns with corporate values you want to promote and that makes a measurable impact on goals for talent attraction and retention? Choose a benefits partner you would feel comfortable and confident working with to develop a long-term strategy.



4

Program refinement

A truly valuable LSA shouldn't be static. Using insights from tracked KPIs or benefits surveys, it should expand to meet evolving needs and help employees manage world events. Many companies modify their LSA to add eligible spending categories or make other program design changes. Your LSA partner should help you harness the flexibility of an LSA to ensure your program meets employee needs.

6

Technological innovation

The most powerful benefits partners stay on top of the latest technology and leverage it to improve the user experience and make their products and workflows more efficient. With emerging technologies like AI creating opportunities for improved efficiency and scalability, it's important to assess whether your chosen benefits partner is staying abreast of new developments and building them into their processes and product roadmaps.

A woman with long dark hair is focused on preparing food in a kitchen. She is wearing a grey short-sleeved shirt with a buttoned pocket. In front of her is a wooden cutting board with various vegetables, including a tomato and a carrot. The background is slightly blurred, showing a kitchen setting. The entire image is covered with a semi-transparent red filter. Overlaid on the image is large, bold, white text that reads "Step 5: Design your LSA program".

Step 5: Design your LSA program

Step 5: Design your LSA program

Once you've chosen an LSA partner, it's time to work with them to design the specifics of your program. Think about the goals for your program as you determine each of the following items:

Contribution amount and cadence

Finalize the amount of funds you want to provide to employees and how often you want to replenish those funds. Some standard timeframes are biweekly, monthly, quarterly, annually, or one-time.

Best practice

The majority of companies replenish funds on a monthly basis. Our 2023 benchmarking guide found that the average LSA contribution was \$169. This amount allows employees to purchase both small and big-ticket items and services that contribute to their wellness. By providing funds on a monthly basis, companies create a more regular touchpoint with their employees than they would by funding the benefit only quarterly or annually.

Expiration dates

Along with deciding on a contribution cadence, determine when funds will expire. For example, funds may expire every month, meaning that your company will keep any unspent funds. Many companies choose to have funds expire at the end of each month, but you can also allow them to roll over to the next month so employees can purchase big-ticket items.

Best practice

Many Benepass customers allow funds to roll over each month and expire annually so that employees enjoy maximum flexibility. Rollovers allow employees to save up for big-ticket items, which can have more of a positive impact on their wellness. However, if budget is a concern, setting funds to expire monthly will result in larger cost savings from employee forfeiture.

Eligible spending categories

Determine the types of expenses that employees will

be allowed to spend their funds on. Below are examples of popular spending categories:



Nutritional supplements



Digital health and virtual care



Professional development



Student debt repayment



Family support



Physical fitness



Financial wellness



Mental health



Charitable donations



Travel and vacation



Home office equipment



Grocery and meal delivery



Spa, beauty, and massage

You also have the option to have a very broad LSA while blocking certain merchants or categories—for example, many companies choose to exclude spending categories like bars, liquor stores, and gas stations as non-eligible because they don't align with their mission of promoting employee wellness.

Best practice

We recommend that customers keep their LSA as flexible as possible for maximum engagement and employee satisfaction. This also improves the inclusivity of your company's benefits. Looking at data from our 2023 benchmarking guide, the top eligible spending categories across all company sizes were fitness (94%), mental health (84%), nutrition (61%), spa (61%), and home services (55%).

Want to explore more LSA design trends? Download the [2023 Benepass Benefits Benchmarking Guide](#) to uncover trends for your company size and industry.

Step 5: Design your LSA program (continued)

Taxability

While LSAs are usually taxable, there are certain situations where an LSA may be tax-free. For example, some benefits such as WFH expenses, educational assistance, or adoption support can be excluded from income and payroll taxes. You'll have the choice to cover these expenses in either a taxable or nontaxable account, but there may be compliance considerations to be aware of. We recommend consulting with legal or tax counsel to avoid any liabilities.

Best practice

Although some accounts can be nontaxable, you'll ensure maximum flexibility and avoid compliance issues by keeping them taxable. For example, educational assistance will only be nontaxable up to a certain amount. However, if you make the account taxable, you can offer employees more funds. Nontaxable accounts may also require strict recordkeeping and receipt tracking, creating an administrative burden for your employees. Again, we recommend consulting with legal or tax counsel to explore the best options for your company.

Eligibility rules

Consider whether your benefits will immediately apply to all employees or if there are any eligibility requirements you want to implement. For example, will full-time and part-time employees receive the same benefits? Do you want employees to work at your company for a certain period before their LSA kicks in? These are details that are within your control. Also determine if there are any particular expenses that will require receipt submission.

Best practice

Most companies choose to keep eligibility as open as possible to promote inclusivity and provide a great benefits experience for all employees. Choosing to exclude part-time employees or contractors from your program, for example, may send a message that they aren't as valued as their full-time peers. We always recommend offering an LSA to all employees regardless of employment status to improve recruitment and retention. Employees are usually enrolled in their benefits upon hire so they have access to the LSA on their first day.

The number of accounts

Decide the number of individual accounts you want to offer employees. You can lump multiple expense categories above into a single LSA or create individual LSA accounts for specific categories. With Benepass, these accounts are still consolidated in one platform to make spending easier.

Best practice

Companies that design a single LSA covering multiple categories experience higher rates of employee engagement and satisfaction. Creating one flexible benefits account provides the best user experience since employees have more freedom over spending and won't have to manage multiple accounts.





Step 6: Communicate the program to your employees

Step 6: Communicate the program to your employees

After you’ve set up your LSA, it’s time to roll out the program to employees. Sending out clear communications outlining the details of your program

is key to ensuring employees understand the program and engage with it. Create a written policy or memo that includes information on the following:

- ☐ How much employees will receive in their LSA
- ☐ Whether or not funds roll over and when they expire
- ☐ How employees can spend their funds
- ☐ What employees can spend their funds on
- ☐ The tax implications of using the LSA
- ☐ Where to go if employees have any questions

Below are a few sections to include in the memo.

Benefit overview

Consider this the tl;dr of your LSA program. Employees should be able to read this and gain a basic understanding of what the benefit is and what they

can use it for. Here’s an example of what we include in policy templates for Benepass clients:

Benefit	Funding	Description
Lifestyle Spending Account	\$100 monthly	This stipend is a monthly benefit intended to be used on a broad range of wellness items. Funds are provided on the first of the month and expire on the last day of the month.

Benefit eligibility

This section should clearly define the types of items and services that employees can purchase with their lifestyle spending account. Make sure to include any

important notes regarding eligibility or validation requirements. Below is an example of what we include in policy templates for Benepass clients:

Benefit	Eligible spending categories	Description
Lifestyle Spending Account	<ul style="list-style-type: none">Gym memberships & classesExercise equipmentNutrition supportMental health support	Receipts required for expenses over \$100

Step 6: Communicate the program to your employees (continued)

Employee experience

To achieve high levels of engagement, employees must understand how to access and use their benefits. Include a section in your memo that breaks down all aspects of the employee experience for your chosen benefits platform. For example, Benepass onboarding memos include a visual of the platform along with short summaries of key features so employees can quickly glean the most important information about the platform.

Frequently asked questions

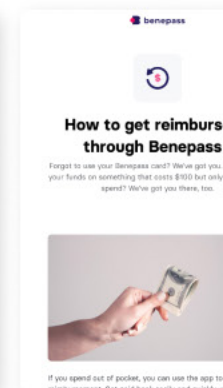
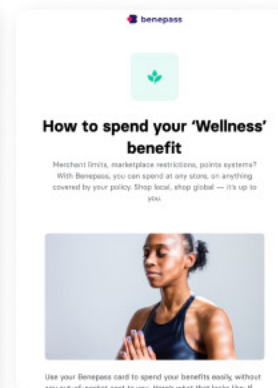
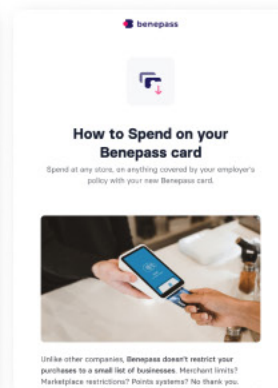
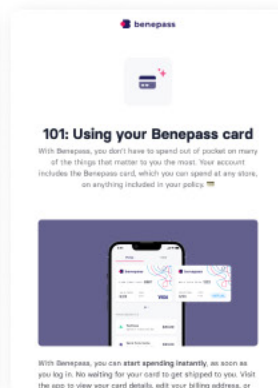
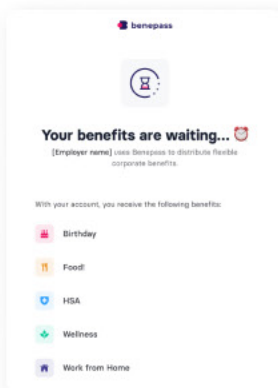
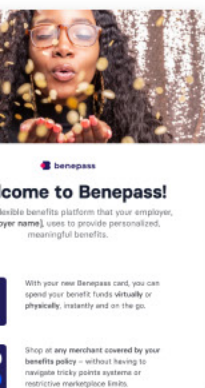
Employees often have similar questions about their benefits, and getting ahead of them saves you time and improves benefits engagement. Your benefits provider should be able to help you identify any areas that are common sources of confusion for employees. For example, Benepass includes information on logging in, accessing virtual and physical cards, making large purchases, and handling expense reimbursements within onboarding memos. You can also keep a log and track questions as they arise so you can continuously refine communications.

Customer support

The last thing you want is for employees to have questions or concerns and be unsure of where to go for help. Include key contacts in your memo along with links to help centers or request forms so employees know how to get in touch with someone who can assist them.

Onboarding emails

Along with written resources like a policy memo, onboarding emails are another way to roll out new benefits and inform employees of the details. During onboarding, Benepass sends strategically timed emails like those below reminding employees about their new benefits and educating them on how to use them.



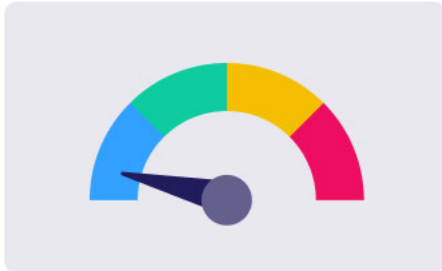


Step 7: Ongoing monitoring and refinement

Step 7: Ongoing monitoring and refinement

After your LSA has been live for some time, you'll want to see how the program is performing. Monitor your KPIs on an ongoing basis and work with your LSA partner to refine your program or meet new employee needs. Below are a few metrics you can track using a mix of quantitative and qualitative data from program data, employee surveys, and team conversations.

Utilization and engagement rates



Monitor the number of employees who are participating in the program and the degree to which they are participating. Low engagement rates could indicate a flaw in the program design or highlight a need for more detailed communication about the program.

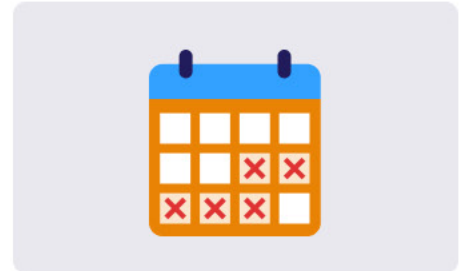
Financial outcomes



Your finance team may be particularly interested in certain financial outcomes such as money saved through employee forfeiture. Along with employee forfeiture, you can track the amount of money you are saving by consolidating point solutions and bringing everything together under one platform.

Many companies also hope that by providing wellness benefits, they will encourage employees to adopt healthy habits and reduce their stress levels. This can lead to a reduction in health insurance claims and help lower benefit renewal costs for employers.

Absenteeism and presenteeism rates



Healthy employees are less likely to need time off because of health issues or burnout and will be more present and productive at work. A well-designed LSA program should help your employees take care of their wellness so they can bring their best selves to work.

You can measure absenteeism by tracking the number of sick days your employees take, but presenteeism is a bit trickier to quantify. An anonymous employee survey given before and after implementing your LSA can help you assess whether the new benefit has helped employees feel more productive and focused at work.

Step 7: Ongoing monitoring and refinement (continued)

Employee satisfaction and morale



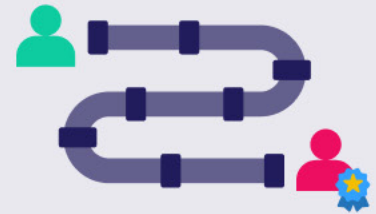
When employees feel supported and cared for, they're more likely to be satisfied at work and overall morale should improve. Regular surveys can help you gauge how employee satisfaction and morale are changing over time and assess if you need to adjust your benefits to address any concerning trends.

Employee retention and turnover



Improving employee retention is often a major motivation for introducing a new benefit like an LSA. Compare retention and turnover rates before and after implementation to see if the LSA has had a positive impact. You can also use exit interviews as an opportunity to ask departing employees about their satisfaction with your company's benefits and how benefits contributed to their decision to accept a job elsewhere.

Quality and quantity of candidate pipeline



Strong benefits improve your employer brand and help your company stand out as an employer of choice. Track your candidate pipeline to see if there are any significant improvements in the quality and quantity of candidates applying to open roles after launching new benefits. Make sure that you're adequately marketing your benefits in your job ads, careers page, and social media profiles so candidates are aware of what your company offers.

Final thoughts

When it comes to flexibility and personalization, there are few benefits more powerful than an LSA. If you want to truly support your employees' personal and professional well-being, a lifestyle spending account is worth exploring. But without the right planning, your program could fall flat and fail to meet your company's goals. By taking the time to carefully complete each of the steps outlined in this guide, you'll ensure that you—and your employees—get the most value out of your investment.

If you have questions about setting up a competitive LSA program, contact sales@getbenepass.com or schedule a demo.





sales@getbenepass.com



www.getbenepass.com