



## Getting the Most from Employer Benefits

Whether you are evaluating a new job opportunity, or just wanting to get the most from your current employer, it pays to understand your employer provided benefits. While it is easy to understand the dollar value of your paycheck, most people don't understand the dollar value of their employer provided benefits. Benefits vary significantly from employer to employer and industry to industry, but it's not uncommon for the value of employer provided benefits to range from 20% to 30% of an employee's total compensation.

### 401(k) Plans

Over the last several decades, employers have been moving away from defined benefit pensions (e.g., we promise to pay you 60% of your final salary when you retire until the day you die) to defined contribution plans (e.g., you save for your own retirement, taking on the investment risk and reward of a personal account, and we'll provide matching contributions). This shift of responsibility has not been embraced by all employees - many are not taking full advantage of company matching contributions. Company matching formulas vary widely between companies so it is extremely important that you understand your company's calculation and take full advantage of it -- where else can you get free money?

Find out if your employer has added a Roth option to its 401(k) or 403(b) plan (an option only made available starting last year). While Roth 401(k)/403(b) deferrals don't provide an immediate tax break, the dollars contributed to the plan grow tax deferred, and eventually come out of the plan tax free in retirement.

In 2008, the contribution limits on 401(k), 403(b) and 457 plans will be \$15,500 plus an additional \$5,000 if you're over 50 years old.

### Medical Plans

As medical care costs continue to rise, many employers are looking for ways to get their employees more actively involved in managing their health care costs. One way of accomplishing this is by offering Health Savings Accounts (HSAs). HSAs require an employee to select a high-deductible health insurance plan (at least \$1,050 for individuals and \$2,100 for families); employees and employers can then save and spend money on a tax free basis for medical expenses. Any funds not used for medical expenses are allowed to accumulate and grow tax free over time.

### Employee Stock Purchase Plans

Many publicly traded companies offer their employees the opportunity to purchase company stock at a discount. While the structure and tax implications of ESPP plans can get complicated, essentially they offer the employee the opportunity to purchase company stock at a discount of up to 15% below fair market value. This can be a nice way to build equity in company stock, as long as the employee doesn't take on too much single stock risk.

### **Flexible Spending Plans**

If your company offers a flexible spending plan (Section 125 Plan) for medical, commuting or childcare costs, make sure you are taking advantage of the plan, as it allows you to spend pre-tax dollars to cover these expenses. You'll have to estimate your deferrals carefully because these plans operate on a use-it-or-lose-it basis; nonetheless, they provide a great way to pay for known or recurring expenses with pre-tax dollars.

### **Insurance Plans**

Many employers offer various group insurance plans (life insurance, short-term disability, long-term disability, and more and more, long term care insurance). Since many of these plans are offered on a group basis, they can be priced and designed very differently than privately-purchased plans. The key is to make sure you insure what you can't afford to lose -- so a serious analysis should be done to evaluate the cost-benefit tradeoffs.

### **Educational Assistance**

More than 75% of companies in the US offer some type of educational assistance to help their employees prepare or enhance their job skills; the value of the higher education generally far exceeds the cost of the tuition. Some employers require ongoing service for this benefit, so it's important to understand that up front.

### **Staying Fit**

More and more companies have negotiated discounts at gyms; with health care premiums rising at alarming rates, they're looking for non-traditional ways of saving on these costs. Some are even going as far as offering employees financial incentives to lose weight or quit smoking.

### **Discounts**

While often limited to larger companies, many employers are finding ways to provide their employees with discounts on a variety of items. For example, some employers have negotiated discounts on automobiles, vacation packages, sporting events, theaters, restaurants, and other local events. So if you are out shopping for these types of items, make sure you are aware what discounts your employer may have negotiated on your behalf.

### **Go Green**

With oil prices escalating, it pays to understand and take full advantage of any benefits your employer may provide for public transportation. While you may pay a price in terms of convenience, balance that against the hard dollars saved in gas and parking costs, as well as the reduction in stress that comes from not driving in our infuriating traffic.

These programs are the most common types of employer-provided benefits; it's important to understand the specifics of the benefit programs your employer provides and to make sure you take advantage of the ones that make sense for you. Most companies have open enrollment periods once a year in which you can change your elections -- if you need any help evaluating your benefit programs, please don't hesitate to give us a call.

-- Joe Hebert. Posted 11/15/07.