

Building an Employee Benefit Plan

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Can you give me some advice on how to build a group of benefits that employees would value, that wouldn't cost the company a lot of money? I run a small service company, and don't have a lot of extra income to pay out. Still, I know that offering benefits is one of the things that will help me to get good employees.

This owner is thinking forward! Congratulations. Getting, and retaining good employees is essential, if we are to hit our productivity and quality goals. And we all know that productivity and quality in the workforce are key drivers to making money. Sharing a little bit of your income with your employees, in the form of a benefits plan, is just good business.

There are two types of employee benefits, mandated and optional. You have to have the first. The second are can set your company apart as you invest in your employees above and beyond what's required. In terms of optional benefits, you have many ways of going about it, and probably will expand what you offer as your company grows. Some optional benefits cost you little or nothing to offer, others can be quite costly. And there are ways to limit the company's exposure. Let's take a look at what's available.

Let's start with mandated benefits. These include social security, unemployment

insurance and worker's compensation. All of these benefits must be paid regularly, to the government. Don't even think about skipping payments. The penalties are stiff, from significant interest and fines up to and including jail time. Be sure your employees know how much you pay on their behalf, above and beyond their salary. Just because it's mandated doesn't mean you, or your employees, should take it for granted.

Now let's look at the options. Health care is a big issue for most employees. Savings plans, particularly pre-tax savings accounts and retirement plans are also big. Cafeteria plans, which allow employees to pick and choose options, are often overlooked, and well worth considering. Regular reviews and annual bonus or profit sharing plans are also part of the compensation plan.

Health care is a growing problem, for everyone. Not everyone is insured, as we all know. Options for offering coverage range from basic hospitalization to major health insurance and comprehensive plans. The company can limit its exposure by offering to pay a portion of the insurance offered, and allowing employees to choose what they want and pay the difference in premiums. A good insurance agent is worth their weight in gold, in terms of guiding you through these choices.

Preferred Provider Organizations, or PPO's, are a list of providers, offered to the insured, as part of a group, under a health insurance plan. PPO's can range in flexibility, from ability to use any doctor inside the network for a low fixed fee to going outside the network and being confident of reimbursement of a portion of the bill, to HMO's where there is no coverage outside the network. HMO's usually cost the least, because the insurance company is able to control its costs best. However, some employees may not want to leave behind doctors with whom they have a relationship, just to save money on a premium. Again, an insurance broker can be invaluable in helping you choose one or more plans, and explaining the options to employees.

There is always the option to self insure. I don't recommend it for small companies. Health care is expensive, and a year with a lot of claims could put the company under water.

Other benefits you can consider are retirement benefits. Individual Retirement Plans (IRA's) and Simplified Employee Pensions and 401k's are examples. SEPs allow higher deferral and contributions as compared to IRA's. 401k's are the most popular plans, today, providing employees with the ability to save for retirement with pre-tax dollars. Again, not to sound like a broken

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record, but a good benefits consultant can help you make the right choice, and set up the plan correctly.

Cafeteria plans are benefit plans that let employees choose what they want. These plans include one taxable and one non-taxable benefit. Offers in cafeteria plans can include Dependent Care Accounts and Health Care Reimbursement Accounts. In both cases, employees can set aside pre-tax dollars for expenses they expect to incur during the year.

In addition to outside benefit plans, set up a regular review process. Employees want to know where they're going with your company, and this is a way to let them know. Set up a plan to share company profits and tie bonuses to goals, to increase employee incentives to do a good job.

In summary, investing in your employees is good business. If you want to offer health insurance, and control the company's exposure, start by figuring out a budget. Decide how much per employee you can afford. Then offer to cover that amount, as a contribution towards the individual's insurance premium monthly.

Looking for a good book? Try Employee Benefits, 6th Edition, by Burton Beam Jr and John McFadden.

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