

Providing An Employee Benefit Program

Your total compensation plan must serve to attract, retain and motivate your employees. While wages will be the largest component, other parts of the plan are also important. Together with the work environment, your benefit program may be the difference between having an effective, steady work force or a group of dissatisfied employees that you are constantly replacing.

Retirement benefits

The right retirement plan should take into account the business's needs as well as the employees concerns. Costs and ease of administration must also be carefully evaluated. Here are very brief descriptions of several choices. Be sure to investigate them thoroughly before deciding which one is right for your business:

SEP-IRA – These plans are ideal for small organizations or self-employed individuals. They are easy to establish and have no special governmental filing requirements. Only the employer makes contributions and the limit is up to 25% of compensation, up to \$57,000 for 2020.

SIMPLE-IRA – These plans are for companies with up to 100 employees and allow for employees to defer wages into the plan and for the company to also make contribution. Employees can defer up to 100% of their wages with a limit of \$13,500 for 2020; and up to \$16,500 if age 50 or over. The employer can elect a matching feature or a simple percentage of wages contribution. There is some administration needed.

401(k) Plans – These plans have become popular because of their flexibility and the higher limits for employee and employer contributions. There can be significant administration needed and annual filings are required.

Employee benefit consulting firms, trust departments or some investment firms usually have the expertise to help you evaluate your options. However, be sure to understand all the costs for administration and investing the funds.

Medical insurance

If your company has many employees, a group medical plan may be attractive. Health insurance has become expensive so you will want to consider your plan carefully, shop for the best plan and perhaps use a health insurance consultant. Your cost will be based on the size and make-up of your group. It will also change based on actual results. You may want to consider sharing the cost with your employees and providing different options for them to choose.

Disability and supplemental life insurance

Many insurance companies offer relatively inexpensive plans that can be established so the employees share in the cost.

Flexible spending accounts

This type of program is relatively new and offers some tax advantages for the employees with little or no additional costs for the employer. Employees direct a portion of their wages into the accounts to provide for the reimbursement of dependent care or unreimbursed medical costs. Employees pay lower income taxes and the company will pay less in payroll taxes.

These are “use it or lose it” arrangements. Employees decide how much to defer for each type of expense and that decision is irrevocable. Many insurance companies offer these types of arrangements and some will handle all the paperwork.

Savings programs

Many employees are interested in accumulating funds and yet have a very difficult time actually saving money on a month-to-month basis. You may be able to help them without any cost. Most payroll services offer employees the ability to direct a portion of their wages into an account at their financial institution. Be sure your employees are aware of this option and also of direct deposit. These conveniences make it easier for employees to handle their finances and the company may save some of the costs of payroll processing.

Education reimbursement programs

Many employees are interested in furthering their education. If your business requires ongoing training in certain fields, it may be prudent to provide partial or total reimbursement for certain types of classes. The employees enhance their skills and you have a better-trained employee group.

Vacation and days-off policies

Employees need time off occasionally for personal business or just for rest and relaxation. Having a policy that employees understand and that provides some flexibility will be greatly appreciated.

Summary

Employee benefits are important. Creating a program doesn't have to be difficult or expensive. The trend is for more flexibility for employees to choose what is important to them and for employees to share in the total cost. While most recruiting conversations center on salary levels, ongoing employee satisfaction is greatly influenced by what comes with the paycheck.