Understanding Your Employee Benefits Program

An employee benefits program is designed to provide items of value to employees in addition to their straight salary. Rather than being simple add-ons, many benefits programs represent a complex set of perquisites and services for employees. Sadly, the full extent of the features available are often not understood, since most employees either don’t have or never take the time to really explore what’s available to them.

You don’t have to be one of the mystified millions. You can learn to understand your employee benefits program in a short time by focusing in on the main product areas. By understanding the “big rocks” you will be able to make smarter choices about your benefits and ensure you are maximizing the value of your benefits package.

Health Benefits

Health benefits form the main part of the typical employee benefits program. Given the current national focus on health care issues, reading over the materials for your personal health coverage and understanding what you are getting from your employer is critical. Many employees are surprised at what is and isn’t covered by their plans, and what benefits they may be overlooking.

Some core elements that are especially worth giving some attention to have to do with dependent coverage, compensation for not taking coverage, and coverage for mental or alternative health care options. These areas are often neglected, especially if you are healthy and don’t often use your health coverage. However, it is important to know where you stand.

- Dependent coverage rules for your plan are key to understand, even if you have no children. You may be surprised to know that your significant other could be a dependent, as could an elderly parent, depending on the nature of your plan. Read and ask questions!

- Compensation for not taking coverage is usually aimed at couples. If you get better coverage through your spouse’s employer, you may be eligible for cash compensation for declining coverage with your employer.

- Alternative health care and mental health care are often subject to special regulations and exclusions in modern insurance plans. Even if you don’t need them know, it is worthwhile to know what kind of support is there for acupuncture, massage therapy, chiropractic, counseling, or psychotherapy.

The three areas listed above form the core of some of the most frequently asked questions about health care coverage. Prescription drug coverage is also a topic
of great discussion, so once you have covered the areas above, you may want to review your prescription coverage. By taking the time to read about these areas, you will have a much better understanding of your rights and benefits under your employee health plan.

**Retirement Plans**

Retirement plans are another major area of your average employee benefits program. Retirement plans come in many different formats, from pension plans to 401(k) programs. To get the most from your retirement plan options, you need to understand your choices, your contribution options, and the potential payouts when you retire.

- **Knowing your choices is critical.** While some companies offer an “and” program, such as 401(k) AND pension, for most other firms it is an “or” proposition, as in you get either 401(k) matching OR an annuity contribution. Be sure you understand your choices and the consequences of those choices.

- **Contribution options are also important.** Are your contributions to your employee plan limited to a percentage of salary, or can you put in more if you like? Does your employer contribute on your behalf? Is there matching? When you know how contributions are managed, you understand how the plans grow with time.

- **Potential payout knowledge helps you understand how your retirement plans from your employer fit into your overall retirement planning.** Is there enough money there that you would be able to retire in comfort on just the employer plan alone, or do you need to supplement with other savings plans? How much of the payout is guaranteed, and how much is subject to market fluctuations?

With Social Security under suspicion for many upcoming retirees, and a deep fear from many current workers that retirement may not be an option, understanding the retirement benefits you get from your employers will help you reduce your anxiety and confusion about retirement. You will be able to understand more of what options are available to you, and know what money you can really count on for your old age. You may also find, with a little research, that your current method for saving needs to change to maximize the benefits of your plan.

**Flexible Spending Accounts**

Flexible spending accounts are on the rise as a part of most employee benefits programs. Associated most commonly with health savings programs, there are actually a number of different types of flexible spending accounts available for
use from the tax code. Your employer may offer some, none, or all of the possible options, so it pays to do your research.

The main benefit of flexible spending accounts is the ability to set aside money pre-tax to fund your expenses. This reduces your taxable income, giving you more money in your pocket each paycheck. However, as most flexible spending accounts operate on a use it or lose it basis each year, you need to be able to plan ahead and budget properly to get the most benefit out of your accounts.

- Health savings accounts are the most common flexible spending accounts. Offered as a supplement to health insurance plans in the employee benefits program, these accounts are to be spent on health expenses. They can be used to buy medications, eye care products, and some alternative health items.

- Dependent care savings accounts are the second most commonly offered flexible spending account. The funds in these accounts are designated for childcare expenses. Daycare and babysitters are the most common items paid for with monies from a dependent care account.

- Transportation accounts are an up and coming flexible spending account option that gained popularity when gas prices were so high. Monies in this account could be used for bus passes, speed pass accounts, or subway tickets, but often may not be used for straight fuel purchases.

Each one of these flexible savings accounts comes with its own set of rules and regulations. The first step, of course, is finding out what programs are offered by your employer and which plans you are qualified to participate in based on your life. For example, while you may think of your pet as a dependent and eligible for plan coverage, your employer disagrees. Thus, you want to be sure you have the right personal situation to maximize your flexible spending account benefits.

Additionally, because flexible spending accounts provide you with tax benefits, they are based on a tax year. Changes to the plans can generally only be made during a limited enrollment window, and joining the plans typically is limited to a set point in the year as well. You will want to be on the alert for sign up periods, enrollment periods, and disbursement periods to be sure the account is a good fit for you.

**Associate Discounts**

A final feature of the average employee benefits program is the associate discounts program. This is a set of benefits that many employees overlook, as unlike federal programs or retirement plans, these benefits are generally not as formally advertised. However, they can result in significant personal savings.
• Insurance discounts. Although not formalized in the culture, many employees are eligible for discounts on insurance due to their employment at certain firms. This can include discounts on life insurance, disability insurance, and even car insurance. Be sure to ask both your employer and your insurance company if they provide discounts.

• Health club discounts or community recreation center discounts are other popular options. Typically, the employer will pay a part of the membership fee on behalf of employees to encourage healthy behaviors and support local businesses. While this may not be at the club of your choice, the savings can be substantial, especially on family plans.

• Entrance discounts. Many employee discount plans include discounted rates of entrance for theater productions, museums, and area amusement parks. Some even allow you to bring friends or family along at the discounted rate as well.

Although they are less common, associate discount programs are growing in popularity. You may be surprised at the savings you earn just for being a part of the company.

Concluding Thoughts

An employee benefits program is designed to give you additional benefits for your employment on top of your salary package. If you fail to take the time to understand the features of your plan, you may miss out on substantial benefits and savings. There is no need to be confused about the features of your employer’s plan or to miss out on benefits to which you are entitled. Take the time to learn about the main areas of your employee benefits program and improve your understanding today.