

Employee benefits are often defined as compensation paid by an employer to an employee over and above regular salary and wages. Employee benefits come in many shapes and sizes and are an integral part of an overall compensation package offered to employees. Employee benefits are essential in keeping current employees happy, and have become an important ingredient to attracting new and highly skilled employees to a firm.

Some employee benefits are required by law. For instance, an employer is required to make payments on an employee's behalf for Social Security and Medicare benefits, as well as make unemployment benefit payments on behalf of employees.

While large employers have the finances and infrastructure to offer a wide array of employee benefits, small employers must compete and manage employee benefits that fit the appetite and needs of its employees and prospective employees, while also fitting the financial needs of the firm.

There are a wide range of employee benefits available to small firms. In many instances, the benefits will not create a financial burden for the employer as many are paid for by the employee. These are referred to as voluntary benefits, and by making them available, you are providing a benefit for your employees.

The following list includes the many types of employee benefits, including those that are *typically* employer-funded and employee-paid – and some that may be either – available in the marketplace today. In the past, health insurance coverage was typically employer-paid; however, more frequently it is co-funded by both.

### **Employer-Funded Plans:**

- Group plans:
  - Life Insurance
  - Dental Insurance
  - Vision Insurance
  - Disability Insurance
- Employee Wellness Programs
  - Health Club Discounts
  - Flu Shots
  - Para-med Exams
  - Smoking Cessation Programs
- Paid Time Off (PTO)
  - Vacation Days
  - Sick Days
  - Paid Holidays

## **Employee-Funded Plans**

- Flex Spending Accounts
  - Medical/Dental
  - Dependent Care
  
- Workplace Benefits:
  - Life Insurance
  - Disability Insurance
  - Cancer Insurance
  - Critical Illness Insurance
  - Accident Insurance
  - Dental Insurance
  - Vision Insurance
  - Pet Insurance
  - Legal Plans
  - Identity Theft Plans

## **Additional Benefits: Co-funded by both employer/employees**

- Major Medical Insurance
  - Health Savings Accounts (HSAs) (employee-funded)
  - Health Reimbursement Accounts (HRAs) (employer-funded)
  
- Retirement Plans
  - 401k Plans
  - Profit Sharing
  
- Educational Assistance
  - Tuition Reimbursement
  - Student Loan Consolidation and Debt Refinancing
  - 529 College Savings plans
  - Industry Association dues
  - Registration Fees for Professional Meetings
  
- Parking and Transportation reimbursement

Generally, the top five employee benefits offered to employees include:

1. Paid time off (PTO), sick days and vacation days
2. Health Insurance
3. Life Insurance
4. Dental Insurance
5. Vision Insurance

While you may not be expected to provide every one of the benefits available, depending on where your firm is located and what is valuable to your employees, you will be required to offer some of these programs to retain and attract the skill level of employee that fits your culture and delivers on your firm's customer commitments. It's important to remember that some of these plans can simply be made available to your employees with the employee paying 100% of the cost.

### **How Do I Figure Out What to Offer?**

One of the best ways to determine which benefits you should offer is to survey your employees to find out what is most important to them – and then design your plan around the survey results and what they tell you about your employees and their families' needs.

It would also be prudent to do some market research on what comparable small firms are offering in your area, to ensure you are competitive in your benefits offering.

### **Making Employer Contributions to Employee Benefits**

The answer as to how much you, as the employer, should contribute to defray the cost of employee benefits inherently lies in your firm's financial position. However, there are ways to help contribute towards your employees' cost of benefits. One approach is to pay a portion (%) of their cost for certain benefits and allow them to purchase the rest on their own. Another approach is to provide a Defined Contribution program, whereby you provide employees each with a set amount of money per month and allow them each to choose the benefits that are most important to them and their family. The Defined Contribution approach has become popular as of late in response to the ever-changing health insurance market. This approach allows the employer to budget and cap their contribution while also providing employees with choices versus a one-size-fits-all approach. There are specific tax regulations governing how to administer such a program, so if you pursue this approach, seek the advice of a reputable insurance broker or consultant and tax advisor.

### **Finding the Right Benefits Broker**

A broker should understand your needs well enough to find innovative and valuable solutions to your firm's specific needs. In an era of health care reform and confusing compliance issues, a strong broker relationship is worth every dollar your broker earns. A good broker will help guide your firm through the changes and help you to plan ahead to handle the changing landscape and responsibilities. It's important to look for more than a transactional broker who will only assist you during open enrollments and may not provide the comprehensive insight and guidance that your firm needs. Instead, look for a broker who takes a consultative approach and focuses on finding solutions for your firm's unique needs while delivering the knowledge, tools and advice to help you manage your benefits plans, cost and communications plans to your employees.

### **Summary**

Employee benefits are a critical component of the overall real and perceived compensation of your employees. Benefit offerings must be meaningful to attract and retain top talent, while also being managed to control costs for the firm. Seeking the assistance of an insurance broker or consultant can be very helpful in navigating the many choices of different plan offerings.

## **For More Information**

For more information, [click here for AIA Trust healthcare resources](#) including a seminar about the ACA impact on firms and fact sheets about grandfathered plans, Health Savings Accounts, and more.

For more information on finding a Broker, [click here for a listing the enclosed link from the National Association of Health Underwriters](#)(NAHU), which represents licensed Health Insurance agents, brokers, consultants and benefits professionals who serve the health insurance needs of employers and individuals seeking health insurance coverage.