



FROM BACKPACK TO BRIEFCASE: BENEFITS BASICS

TYPES OF BENEFITS TO EXPECT A FUTURE EMPLOYER TO PROVIDE:



MEDICAL INSURANCE -- Most employers will offer you the opportunity participate in a group medical plan. Depending on the employer, you may be responsible for paying a portion of the premium. Depending on the type of medical plan available it may cover diagnosis and treatment of illness or injury, preventive and routine care, vision services, and prescription drug coverage.

Types of medical plans include:

HMO or Health Maintenance Organization.

- Required to designate or “partner” with a Primary Care Physician (PCP), the doctor you select from the HMO physician directory. He or she becomes your main doctor.
- PCP is your “gatekeeper”, **all** medical services must be coordinated with PCP
- In order to see specialist, must have written referral from PCP
- At all times follow the rules and guidelines established by the HMO
- Least out-of-pocket cost, services at co-pay
- No claim forms to file
- Less freedom of choice, need to use HMO network at all times

PPO or Preferred Provider Organization.

- Flexible plan, have freedom of choice to select medical providers
- NO PCP required, allowed to see any physician at any time with coverage
- Receives higher benefit if uses PPO providers, i.e., for office visit, PPO provider charges small co-pay, non-PPO or out-of-network provider coverage at reduced or no benefit, i.e. 80% PPO vs. 70% non-PPO
- Many PPO plans will also be set up as an Indemnity Plan when out of network, see below

POS or Point of Service.

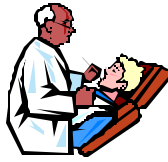
- Combines the principle of HMO and PPO
- Participants choose a PCP to help manage care
- PCP provides primary care and referrals to specialists and hospitals
- If you do not go through PCP, claims are paid at the out-of-network benefit level and your responsibility for costs related to the claim will be higher than if coordinated through your PCP.

Traditional Indemnity or Fee for Services Plans.

- Freedom to visit any medical provider
- No referrals or authorizations needed
- May be required to precertify for certain procedures
- Most will have a deductible, meaning that you pay out of pocket for services until you’ve paid an amount equal to the established deductible
- Once deductible has been met, you pay a percentage of the “usual and customary” charges for covered services, i.e., insurance pays 80%, you pay 20%
- Most plans have an annual out of pocket maximum, once met your coverage is at 100% of “usual and customary” charges
- Preventive and routine care are generally excluded

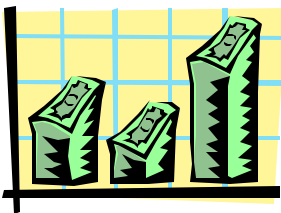
DENTAL INSURANCE– Group dental insurance plans provide for the coverage for the maintenance of your teeth. Similarly to medical plans, Dental Plans can be set up as DHMO, PPO, POS, or Indemnity Plans. Dental plans should cover:

- Preventive Maintenance
- Basic dentistry
- Major dentistry
- Orthodontic care



Q. Is dental insurance necessary?

R. Yes and no. Full coverage dental plans can be wonderful. However, with the increases that medical plans have been faced with, many companies might be reducing their dental benefits. I would suggest before enrolling, take a look at how good the benefit is. If you have to pay a premium for the insurance, meaning that you have a set amount of money deducted from your check each payroll, calculate how much that would be in a years time. For example, if you pay \$20 a month for insurance, that comes to \$240 a year!! How much would you pay if you didn't have insurance? If you went in for two cleanings, do you think it would equal \$240. In Saint Louis, probably not. Look into your employers Cafeteria Plan, that might be a better bet than dental insurance. See more info about Cafeteria Plans below.



401(K) AND 403(B) RETIREMENT PLANS

- Plans are named for the section of the Internal Revenue Code that allows employees of qualifying companies to set aside tax-deferred funds.
- 401(k) applies to profit companies
- 403(b) applies to non-profit companies
- Defined *contribution* agreement, this means that you are responsible for your own retirement.
- Things to decide when beginning:
 - How much can I contribute (IRS allows up to \$11,000 for 2002)
 - Where will I put the money (employers will offer many types of investment opportunities, decide for yourself what level of risk is acceptable to you)
- The younger you are when you begin contributing, the better off you will be when it comes time to retire
 - For example, if someone starts contributing \$200 a month at age 25, based on a marginal federal tax rate of 28%, that individual will save \$672 in taxes annually. Then, the value of that investment at age 65, based on an annual rate of return of 8% is \$702,856.
 - Let's compare. If I start contributing the same \$200 a month at age 30, the value of my money at age 65, based on the annual rate of return of 8% is \$461,835.
 - And say you could begin that same investment practice at age 21, you would have \$978,241 at age 65.

(Figures provided by Scudder investments)

- The only mistake you can make is not investing!
- Along with you contributions, your employer might make contributions into a retirement program for you. Typically employers provide certain dollar for dollar match programs.
- What is vesting?? You are vested in your retirement program money after an amount of time designated by your employer. Once you have reached that amount of service, the money that has been contributed into the retirement program is yours. If you terminate employment before vesting, you will lose the money your employer has invested for you.
- Employer money is FREE MONEY!!! Make sure you find out when and how to receive it!!!!

LIFE INSURANCE– Usually your employer will provide you with a set amount of benefit, a life insurance program. Sometimes it will be equal to your salary, sometimes more or less. You might also be eligible for additional life insurance that you can purchase. The Group Life Insurance that you will have is there to provide you loved ones with funds needed to ease the financial burden in the event of your death. There are different types of life insurance, most common are term and universal.



SECTION 125 PROGRAMS. (Have you ever heard of this??)

Section 125 is a section of IRS code.

CAFETERIA PLANS

- A cafeteria plan allows employees to redirect portions of their salaries to “purchase” selections from a "menu" of benefits including:
 - Dependent care assistance programs (allows reimbursement for daycare costs, summer camps, etc.) Sometimes called a Dependent Care Plan.
 - Non-covered medical expenses (any out of pocket medical or dental cost, co-payments, any payments towards a medical or dental deductible, eye glasses, hearing aids, chiropractic care, etc). Sometimes called a Flexible Spending Plan, or Medical Savings Plan.
- You can think of it like a cafeteria line and on the buffet is eyeglasses, daycare for you child, preventive dental care (and you don't have dental insurance), and chiropractic care to name a few.
- You tell the employer what your calendar-year cost is for those items.
- Your employer lets you “pay” for these things by taking money out of your paycheck on a pre-tax basis. However, you haven't actually paid for the items, you've just had the cost of them deducted from your check pre-tax
- You will pay again for the service or item, but then you can get reimbursed from the money you had withheld from your check
- You gain more value for your money because under IRS Section 125, this money deducted is then not subject to Federal income tax or Social Security taxes, allowing more disposable income for the employee. So you save on taxes, but still can get a full-reimbursement for your service or item

LONG-TERM DISABILITY

Disability insurance provides you with income in the event that you become injured or sick and are unable to work. If a long-term disability interrupts that employees earning ability, the economic impact can be severe. This group Long Term Disability insurance is designed to replace a substantial part of lost income in the event of total disability, generally set at 60% - 80%. This is an important benefit, even though you might think it's not. Unfortunately, we never know what life holds for us, and in case the worst happens, and you can't work, this insurance allows your employer to continue to pay you a portion of your salary.



TUITION BENEFITS

Most companies offer tuition reimbursement programs. Ask about that because if you're interested, add the amount of the benefit to your income. It can make a big difference on the monetary value of a job and whether or not you accept a position.

Questions to ask:

- Is there a dollar amount limit per year?
- If I'm taking graduate classes, am I taxed on the tuition?
- Does my pursuit of study need to directly relate to my job?
- Do I have to attend a specific school?



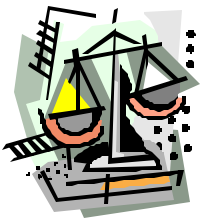


MY ADVICE TO YOU:

READ: Although it's a lot of information, skim through your benefits package thoroughly. You will be surprised at the little things that are offered that you might miss out on along the way, like chiropractic care, discounts on health club memberships, etc. It's your benefits office responsibility to provide you with the information you need, but, although the material can be quite dry, it is your responsibility to read and to know it.

ASK: So much of your benefits are regulated by the law, so by nature, it can be confusing. If you don't understand something, ask. It's better to ask than to miss out on an opportunity. And since the law governs so much of your benefits package, exceptions cannot be made, no matter how charming you may be.

WEBSTUFF: Everyone has a website these days. Research benefits on a company's web page. You'll learn a lot. That also might be a place you learn about some of the smaller benefit programs like, discounts with community businesses, Employee Assistance Programs (free counseling for employees), childcare services, adoption assistance programs, or Long Term Care Insurance.



LEGALLY BE AWARE:

- Your employer will give you a specified amount of time to enroll in your benefits after you've been hired for a job. You cannot enroll outside of your enrollment period.
- Most medical, dental, and cafeteria plans have an open enrollment period. This is the only time you can switch or enroll.
- Even after you quit your first job, if you had medical benefits, you can continue your medical plan under COBRA Law – allows you to continue your medical benefits for up to 18 months after termination if you pay the monthly premium
- You will be allowed to enroll your family members to your medical plan within your initial enrollment period. If you do not, the only time to enroll them would be at Open Enrollment, or if you just got married, had a child, or spouse lost his or her job, you can add your dependents within 31 days of the qualifying event.

RULE OF THUMB: If anything changes in your life, like birth, death, divorce, marriage, contact the benefits office. You may need to add or drop a dependent, or change a beneficiary or name.

CONSIDER:

How important is a benefits package?? Very! Benefits are a way that employers are going to entice you to come work for them. Benefits in essence are like additional salary. Let's say that the average company has a 25% fringe rate, what that means is that they pay an additional 25% of your salary for your benefits. If your salary was \$40,000, 25% of that is \$10,000. So, the worth of that position is actually \$50,000. If a job pays \$45,000, but no benefits, which job would be better?? Well, the one with benefits would have more value.