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The Benefits Package

Benefits are an important part of your **compensation package**. As you consider job offers, pay attention to the benefits offered by prospective employers. A good benefits package can add as much as 30 percent to your overall compensation. Here is information about some commonly offered benefits:

General Coverage

Find out if there are any monthly or per-pay-period costs for the overall benefits plan (which will make an immediate and tangible dent in your take-home pay), who is covered (does it only cover you or does it also cover other family members and future family members), when each component of the benefit actually begins (some will begin the first day of work, some after 30 days, and some after one year of employment), and whether any of the benefits are taxable (life insurance is an example of a benefit that you can end up paying taxes on at the end of the year). If the benefits are provided cafeteria-style (where you can pick and choose which you will enroll in), find out if you can add additional benefits at a later date and what restrictions would be involved.

Medical Insurance

Consider the type of plan (Preferred Provider Option, Health Maintenance Organization, Blue Cross/Blue Shield, etc.), what expenses are covered (HMOs will often pay for preventive care expenses that others will not, etc.), deductibles (annual deductibles, per office visit deductibles, etc.), co-pays (percentage the company pays versus the percentage you will pay), exclusions for pre-existing conditions, and whether or not the plan has open enrollment (including any medical exams or other evaluations that may be necessary for enrollment in the plan).

Dental Insurance

Consider whether preventive care (exams, cleaning, X-rays, etc.), surgical care (root canals, etc.), and orthodontic care (braces, etc.) are covered and to what extent (deductibles, co-pay, annual, and lifetime maximums).

Optical/Eye Care Insurance

A great benefit whether you currently need it or not. Evaluate what expenses are covered, what the deductibles are, and what the annual and lifetime maximums are. Many companies now offer an "up to" amount of coverage that can include exams, eyeglasses, contact lenses, and even disposable lenses.

Life Insurance

Although you are likely not planning your funeral arrangements yet, this benefit will become increasingly important as you add loved ones to your life. In the meantime, it may cover the basic expenses in the event of unexpected tragedy. Some companies will also provide you with the opportunity to purchase additional blocks of term insurance, although often at or above the going market rate. It is usually better to purchase additional insurance separately, but evaluate the costs--especially if the rates offered are stable for the duration of your employment.

Flexible Benefits & Section 125 Plans – sometimes called "cafeteria plans," these plans let you put aside money (via a deduction from each pay) before taxes to cover various types of costs such as payment of health and life insurance premiums, vision and dental care, or child- or dependent care costs. This can be a handy way of trimming your tax bill.

Accidental Death Insurance

As if it somehow matters how you die, some companies pay more if your death is of a more spectacular nature. If they offer it for free, take it. Don't buy additional amounts.

Business Travel Insurance

Another variation on the accident insurance theme. Companies sometimes provide insurance to cover accidental death or dismemberment while traveling on business. Again, if they offer it for free, take it.

Disability Insurance

One of those benefits that you will never ever care about until you really need it. Disability insurance is usually divided into short-term disability (which can sometimes include an allocation

for sick pay) and long-term disability (which usually kicks in after six months to a year). Note the percentage amount, how that percentage may change over time, and what that percentage is based on.

Vacation

Consider how many days are allowed in your first year, when they begin accumulating, when they may be used (can days be taken before they are earned?), how many days are allowed in future years, and the maximum number of days. Most companies provide two weeks (prorated from the hire date) during the first year and one additional day per year of service thereafter, with a maximum of four weeks vacation. Some companies, however, do not provide any vacation during the first year. Note also whether vacation days accumulate according to the calendar year or work year (based on your date of hire).

Holidays

There are six standard holidays that nearly every U.S. company covers (New Years Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day). In addition, most cover the day after Thanksgiving, and some cover additional days, such as Presidents' Day and Martin Luther King Day (and then there is the U.S. government, which is a member of the Holiday-Of-The-Month Club). Many companies will offer six or more "set" holidays plus one or more "floating" holidays that can be used at the employee's discretion. In this case, these floating holidays usually end up being treated much the same as vacation days. If the company offers floaters and you are starting midyear, note how many will be offered to you during the first year.

Sick/Personal Days

While most companies have moved away from having formal sick days for salaried staff (which encourages slacker employees to take them in spite of lack of actual illness, since they are already enumerated), some companies will also provide for a certain amount of personal days. Again, these can be thought of as pseudo-vacation days. But remember that when you take time off work to visit your sick Aunt Martha in Idaho, it will likely be applied against this time allocation.

401(k) Plans

Your company's 401(k) plan can help you begin building a tax-deferred retirement nest egg early (start now and you will really be able to enjoy your retirement). Consider the amount of company matching (if any), and the maximum amount of matching and employee contributions. Also check the amount of time it takes to vest the company matching amount and whether there is a partial vesting during the interim. If you work for a not-for-profit, the plan is called a 403-B

Pension Plans

The ultimate yawner benefit for 22-year-olds, these can and will make a difference to you later in life. Usually the company puts an amount into an account that silently accumulates for you over time. An excellent benefit that many companies (unfortunately) are cutting back on.

Profit Sharing

Profit sharing can be an outstanding benefit, assuming that the company is profitable and is expected to continue in the black. However, the amount of profit sharing provided is often at the discretion of executive management and may be stated as an "up to" amount or percentage. If you are unclear what that amount may be, ask what the company has paid, historically, for the last three years to individuals in a position similar to the one you are being offered. Forget any promises that it will likely be greater in the coming years. Even when you are dealing with historical figures, don't plan to spend the money until you have the check in hand. Anything can and will happen with the profit sharing wild card, even with the most conservative companies.

Stock Options/ESOPs

Once the domain of executive management, stock options have recently been filtering down into the rank-and-file of companies through ESOPs, or Employee Stock Ownership Plans. While different from true stock options (you usually have to buy the stock at regular intervals at the prevailing market price), it gives the advantage of buying company stock at a discount from market value. While the discount varies, it usually is in the 10 to 15% range, which means that you make an immediate 11 to 17% profit (since you are buying at a discount). The stock purchase is often free of any broker commissions or fees. Some companies will allow you to sell the stock commission-free through their investment banking firm. Most will also allow you to reinvest your dividends commission-free to buy more stock. It is an outstanding benefit and you should immediately sign up for the maximum allowable (usually 5 to 10% of your base salary). Unless you have little faith in your company's financial performance (in which case you should ask yourself why you are working there in the first place), let the money grow as your career and employer continue to grow.

Wellness Programs – Wellness Programs consist of activities and courses designed to encourage workers to adopt healthy lifestyles, and can help reduce absenteeism, increase productivity, and keep healthcare costs down. Typical offerings include smoking cessation courses, stress reduction courses, exercise classes, nutrition information, and information on common health problems such as high blood pressure.

Tuition Assistance or Reimbursement

An especially important perk if you plan to pursue an advanced degree in your evening and/or weekend hours. Consider what types of course work are covered, the tax impact of the benefit (the IRS usually will only consider the benefit tax-free if you are studying within your current field), how the benefit is paid (some companies pay 100% for an "A," 75% for a "B," etc.), and the yearly maximum.

Health Clubs

As part of the trend toward taking care of all of your worldly existential needs, some companies now offer free or reduced-rate memberships in health clubs. Some larger companies even offer on-site facilities so that you can work out in the morning, at lunch, or after work without having to leave the company location. It's a nice perk, depending on whether the facilities meet your personal needs.

Child/Dependent Care

As companies adjust to the workforce of this decade and beyond, they are examining the role of providing dependent care for their employees. This can include providing on-site child care facilities or allocating specified amounts for child care and elder care. Some companies, while not paying directly for these costs, will offer programs for allocating funds for these expenses from pretax funds. Although this benefit may not mean much to you now, probably one of the very best benefits to have is the ability to drop off your kid(s) next door to work in the morning, have lunch with them, and take them home with you in the evening--the parent of the new millenium.

Employee Assistance Programs

Some companies have a formal program designed to aid employees in need of assistance. While this can sometimes be for mainstream needs (such as financial planning and tax assistance), it can also include drug/alcohol counseling and other types of crisis support. Just one more way to let you know that you are not on your own when you are in need of help.

Overtime/Travel Premiums/Comp Time/Flex Time

While salaried employees are usually not paid overtime, some companies will compensate for time above and beyond an expected standard (usually 40 hours per week). This can take the form of overtime or bonus pay, a premium above and beyond standard pay for hours worked at out-of-town locations, and/or comp time (which converts extra hours worked into extra time off). Flex time allows you to vary your workday start and end times.

Paid Time Off (PTO) Bank – PTO banks group various paid time off options (e.g., vacation, holiday, sick leave, and personal days) into one bank from which you withdraw days. You are given an allotment of days for the year, which you allocate as you wish. In some instances, you may also purchase additional time from the bank, but the number of additional days you may purchase is usually capped. This benefit option is becoming increasingly less common.

Parking Reimbursement

This often overlooked perk can amount to a great deal over time, especially if you will be working in one of the high cost parking (and living) cities such as New York, Chicago, or Los Angeles. This \$50-100/month coverage can easily amount to \$1000-2000/year in salary equivalence.

Commuting Cost Reimbursement

While few companies will pay you for the commute to and from the office, some companies in high traffic/smog congestion areas will provide either company van service, a car pooling allowance, or commuter train/bus allocations to encourage their employees to use environmentally-friendly means of transportation.

Expense Reimbursement

Almost all companies will pay you for direct business-related costs that you incur. However, how that cost is calculated often differs, with you picking up the difference. For example, using your car for business travel (above and beyond your standard commute) might be covered at anywhere from six cents to thirty cents per mile. That ends up being quite a difference if you are racking up the miles. Also, items such as business entertainment may only be reimbursed up to 80%. So if your job requires incurring business expenses, know what will be covered and to what extent.

Telecommuting – You may work from home or at an alternative work site for part of the week, checking in with the main office via telephone and computer. Some employers provide the office equipment for home use.