

# How to choose the right employee benefits plan

By Jim Patrician

If you are a business owner, chances are you have had to face the challenge of losing a quality employee or struggled with attracting employees with the proper skill set. You know all too well that the success of your business almost always depends upon the quality of your workforce.



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Good employees demand competitive compensation. If you offer an employer-sponsored medical plan, you already know that your employee benefits plan constitutes a significant portion of the overall cost of an employee's total compensation package. It has also become one of the biggest expenditures for most employers.

To complicate matters, employee needs vary among industry. An employee benefits plan that might be very appealing to an IT professional may not be attractive to a construction superintendent or a sales representative for a commercial printer.

Just as the process of diagnosing a medical condition begins with a consultation with a medical professional, the process of choosing an employee benefits plan begins with a consultation with a qualified employee benefit specialist.

Benefit specialists (commonly referred to as brokers) provide the expertise that allow business owners to effectively select an employee benefits plan. So the question becomes, "How do you choose an employee benefit broker?"

There is no shortage of brokers in the industry. Chances are you are inundated with calls from brokers every year just prior to your benefit plan anniversary. Certainly, many of these calls are from quality firms, but your employees and the benefits plan that

protects them are important enough that you should ask a current trusted advisor for a referral to a quality benefit broker.

Your attorney, banker, accountant or financial advisor can be an excellent resource for these referrals. In fact, many of them pride themselves on creating alliances with quality firms in order to provide more services and resources for their clients.

But as a prudent business owner, you still need to properly evaluate the broker. Be sure that the broker is independent and has access to most if not all the insurance companies in your marketplace. The broker should act in your best interest, so be certain that he doesn't have a strong alliance with one market or try to place all business with a favored company instead of the one that is best for your employees.

The days of being all things to all people are over. The broker you choose should actually specialize in employee benefits full-time. Innovative products and new concepts are introduced constantly and your broker should be able to keep you up to speed on these trends so you are better prepared to implement them when they are right for your employees.

A broker should offer services that enhance your employee benefits plan. Compliance, communication and analytical tools are essential to managing your benefits plan. One example is a benefit survey that can help benchmark your plan against other companies of similar size and industry.

Your broker should assist in and coordinate periodic meetings with employees to educate them about the employee benefits plan. The broker must go beyond just providing an overview of the benefits. These meetings provide a unique opportunity for business owners to explain the resources that have been invested in the benefits plan and should suggest strategies and resources employees can use to maximize their experience with the plan. This type of communication is more effective with employees when it comes from a third party, not the business owner.

Once you are comfortable that you have selected a trusted advisor as a broker, he will help you determine what you want to accomplish by offering an employee benefits plan. During the process your broker will ask and you will answer a number of important questions.

Will you use the plan to recruit employees, retain employees or both? Will you position the plan to create a competitive advantage in your market? What type of employee is your

organization trying to attract? What percentage of compensation should be provided in the form of employee benefits vs. salary? How will the employee benefits plan help you define your corporate culture?

You will need to develop an employee benefits budget. At this point, it is important to create a hierarchy of needs with respect to the type of protection you will offer employees.

Medical coverage is expensive, but offers important protection against catastrophic financial burdens. Dental coverage is popular, but generally only provides limited annual protection. Long-term disability and long-term care are very affordable and provide important income protection, but employees do not perceive as much value from these plans. Short-term disability can provide liability protection for employers and 401(k) plans are affordable, but may require an employer contribution to be successful.

To strike the proper balance, your broker will suggest contribution strategies that will help meet your objectives. You may subsidize benefits for employees or offer certain benefits on a voluntary basis.

Since objectives, costs and employee needs change over time, periodic plan evaluations with your broker and meetings with your employees are crucial to the success of your plan. Minor adjustments along the way will keep your plan on track and prevent major benefit overhauls that are disruptive to your most important assets—your employees.



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