

# WISERWoman

A QUARTERLY NEWSLETTER FROM THE WOMEN'S INSTITUTE FOR A SECURE RETIREMENT

Specially Prepared for the Center for American Nurses

## Know What You Have: Employee Benefits

Despite reports that Americans are not prepared financially for retirement, many of us ignore some of the best opportunities for building retirement security — the benefits provided by our employers. At a recent WISER policy symposium in Washington, DC, employer specialists noted how difficult it is to coax employees to take full advantage of available benefits.

Many employers provide a variety of benefits — benefits that go beyond the two biggest — health care and retirement plans. Additional benefits may include: life insurance, disability insurance, long-term care insurance, and flexible spending accounts. In the changing world of do-it-yourself retirement, it's up to you to know what your employer provides, and take advantage of those opportunities to protect your future.

### *Take the First Step*

This article will provide a road map to some of those benefits. Remember, these benefits are part of your compensation package — that means they are worth something — they cost your employer and will cost you more if you do not take advantage. Ask for explanations from your employer or your human resources department. And, don't leave the responsibility for your future retirement security with someone else. Be your own advocate.

### *Retirement plans*

The centerpiece of your long-term financial security is your employer-provided retirement benefits. When you consider the long-term value of your employer's contributions and potential tax benefits it adds up to a benefit that's hard to beat.

The two basic types of retirement plans are: *defined benefit* and *defined contribution* plans. In general, your employer takes the responsibility for your defined benefit plan and you take responsibility for your defined contribution plan. Some employers offer both types to their employees. Make sure you know what kind of plan(s) your employer offers and understand how the plan(s) works. Don't worry about looking foolish by asking a lot of questions — you don't want to miss out because you didn't understand what to do to join-up or participate.

### **Find Out:**

- ★ **Does my employer offer a retirement plan?**
- ★ **What are the rules.**
  - ✧ Am I in the plan?

Note: Some employers don't allow part-time workers to participate and some require workers to work for a specific period of time before they can join the plan.

- ✧ How long do I have to work to receive a benefit?



Note: Time your departure from your job carefully. For example, if your benefit increases after ten years, it makes no sense to leave your job sooner. If you need 5 years to qualify for a pension, don't leave after 4<sup>1</sup>/<sub>2</sub>.

#### Find Out:

##### ★ Does my employer offer a savings plan?

##### ★ What are the rules?

- \* Am I enrolled in the plan?

Note: Don't assume you are part of the plan. Many workers are surprised to find out that they never completed the required paperwork to become enrolled.

- \* Does your employer provide a match to your contributions?
- \* What is the maximum amount that your employer contributes?

Note: Try to contribute enough to receive the maximum contribution. Don't pass up free money. Stay at your job long enough to qualify for the employer match.

### Health Insurance

Health insurance is important not only for your health, but also your financial stability. Most of us need protection from the rising cost of health care and possible catastrophic costs resulting from accidents or serious illness. Employees usually place a high value on health insurance. Unlike retirement, which is off in the future, health care costs are part of our lives today.

Often, the most affordable health coverage will come through a job. If you are laid off, terminated or leave your job, and do not have coverage, you can in many

cases extend your coverage for up to 36 months under a federal law called "COBRA", but you will need to pay the full costs plus an administrative fee.

#### Find Out:

##### ★ If my employer provides health insurance is there more than one option?

Investigate the choices and look for the most cost effective plan. Don't reject the HMO coverage without careful thought. Many HMOs provide good care with extra benefits like vision or dental care or more generous prescription drug benefits. These extra benefits can stretch your household budget further and make it easier to save money for the future.

### Health Savings Accounts (HSA)

HSAs are not health insurance; they are tax advantaged savings accounts. You, your employer or both of you can contribute to your HSA. You use the funds for medical expenses. Depending on how the HSA is set up, your contributions may provide a tax deductible way to save for your health care. To learn more: visit the IRS website <http://www.irs.gov/publications/p969/ar02.html>.

#### Find out:

##### ★ Does my employer provide an HSA? Will my employer contribute to my account?

##### ★ Do I meet the criteria to participate?

HSAs have very specific rules for participation. Be sure to know what the rules are.

### Life Insurance

Many employers provide life insurance to employees, and sometimes it is possible to buy more life insurance through your employer if you need more

## You Can Ask, But They May Not Tell

**Need help with investing your 401(k) savings?** Don't know a stock fund from a bond fund? Mystified about which funds have higher risk with a possible higher rate of return? Or what about funds with a lower risk and a commensurate lower rate of return? Don't know which fund you should be interested in? Rest assured, you're not alone.

But don't look to your mutual fund company for advice about your 401(k) — none of the funds are jumping at the chance. The reason: the gist of the new pension law says that those who provide advice will have more responsibility to their clients and potentially could be sued. Stay tuned.

than what your employer pays for. How much life insurance you need depends on who is depending on your income and what sources of income are available if something happens to you.

If you are covered at work learn how much coverage you have — often it is tied to your annual salary. Then, calculate how much you need to protect your family if you die. Many people buy enough insurance to pay off the mortgage on the house and to cover children's educational expenses.

**Find Out:**

- ★ **Does my employer provide life insurance? How much?**
- ★ **Should I purchase more? Can I buy more from my employer?**

**Disability Insurance**

Employer sick leave policies usually cover only short-term illnesses or injuries. Social Security Disability Insurance (SSDI) benefits begin after a waiting period of at least five months, and pay a benefit only to those who are unable to work at all. It can be difficult and take a long time to qualify for SSDI benefits. So, short and long-term disability policies are very important. Many employers provide short-term disability because it is relatively inexpensive. Long-term disability policies replace a portion of your income, usually until you are eligible for Social Security or Medicare. These policies provide critical protection if you become disabled.

Ask at work if you have disability insurance, both short and long-term. Make sure you understand how the policies work. If you have long-term disability insurance at work, but need a higher benefit amount, you may be able to buy it through your employer. If you don't have coverage, consider buying coverage on your own.

**Find Out:**

- ★ **Does my employer provide disability insurance? What does it cover? For how long?**
- ★ **Should I purchase more? Can I buy more from my employer?**

**Long-term Care Insurance**

Many people are surprised to learn that Medicare primarily covers acute care costs such as doctors and hospitals but not most long-term care costs. The Medicaid program will kick in and pay for your long-term care if you have spent down all of your personal resources. The benefit of having long-term care insurance is that you will have options. It gives you the opportunity to decide where and how you receive long-term care services by helping to pay for care in your home, an assisted living facility or a nursing home.

**Find Out**

- ★ **Does my employer offer long-term care insurance?**
- ★ **Should I purchase long-term care insurance on my own?**

Note: For more information on how to purchase long-term care insurance, see [www.wiserwomen.org](http://www.wiserwomen.org) in the Healthcare section.



**Cafeteria Plans or Flexible Spending Accounts**

These plans allow employees to contribute a portion of salary, before taxes, to accounts designated for health care expenses, including premiums and child

care expenses. Then employees are reimbursed from their accounts with tax free dollars for unreimbursed medical expenses and child care expenses. You must use the funds before the end of the plan year, or grace period, or else you forfeit unused dol-

lars. If you have access to these plans, you should use them, but plan carefully so that you do not contribute more than you can use in a year.

**Find Out:**

As the cost of administering these plans has been coming down, more employers are offering them as a benefit. If you don't have one at your job, ask your employer about setting one up. You can reduce your federal taxes and have more money left to fund your retirement account! ☺

**Note: If you don't have health coverage at work, call your state Insurance Department and ask if there is a state plan for uninsured people. Low-income individuals and children may be eligible for Medicaid and the State Children's Health Insurance Program. Call your state Medicaid office for information on eligibility for those programs.**