

the **BENEFITS of PLANNING**

Can You Translate Your Benefits Into Dollar Signs?

IF NOT, YOU MAY BE MISSING THE BIG PICTURE.

Every year, your employer spends thousands of dollars providing you with a slew of benefits ranging from disability insurance to retirement plan savings. What are they worth? Chances are you've got no idea.

With the cost of benefits continuing to soar, however, this is important information, critical for anyone wanting to gain control of their finances, change jobs, or prepare for retirement. "You need to look at it and make sure you are taking full advantage of what you've got," says Judith Lau, a Wilmington, Del., financial advisor. Even if your salary isn't going up, your total compensation package could be.

Add up the numbers and you may find that your benefits equal or exceed 40% of pre-tax salary. That makes it a key figure in any financial planning. Folks thinking of changing jobs should pay particular attention. A higher salary, for example, may not add up to healthier finances if your new employer contributes less towards your health care coverage or provides minuscule retirement plan matches.

To see the big picture, you have to translate such things as health care coverage, paid leave and retirement plans into dollars. The math, however, isn't always straightforward. Take a traditional pension plan producing \$3,000 a month in income for a retiree. Companies have to set aside and invest enough money to produce that \$3,000 every month, says Ron Roge, a Bohemia, N.Y., financial advisor. "People don't realize that there is probably \$500,000 to \$1 million socked away someplace to produce that kind of money."

Even the value of health coverage is difficult to calculate. "How much does a broken leg cost? How much does a heart attack cost?" asks Ken McDonnell, a research analyst with the Employee Benefit Research Institute, Washington. Employers can tell you what your group health coverage costs, but try to duplicate that policy as an individual and you'll pay far more.

So how do you make the numbers add up? Start with the Bureau of Labor Statistics. It says civilian benefits account for 28.3% of total compensation. That means someone earning \$35,000 a year—an annual figure

computed using average hourly BLS salary figures—would get roughly another \$14,000 a year in benefits. That's about equal to 40% of pretax salary.

Your benefits, however, are probably worth more than the BLS percentages indicate. The 28.3% figure is an average that includes all workers, including part-timers and those who get absolutely no benefits at all. You can apply these percentages to your salary and can get a ballpark figure for your own benefits. Just remember, percentages can be misleading. Some fixed-cost benefits like health insurance make up a larger percentage of income for lower-paid employees. "The lower paid your workforce, the higher your benefit percentage," says Susan Fegan, vice president of corporate benefits at Bertelsmann, New York.

What do those dollars buy? The biggest benefit expense is government-mandated programs such as Social Security. But health benefits alone account for a full 7% of total compensation—more than \$3,400 for someone earning \$35,000—while retirement and savings add up

to 3.6%—or nearly \$1,800.

With benefit costs soaring, companies increasingly want to make sure their employees know what's being spent on them. Some put 401(k) match information on weekly pay stubs; others issue annual retirement plan summaries. A growing number have started using comprehensive benefits statements that show a breakdown of benefits costs, identifying the share paid by both the employer and the employee.

"It's all the pieces added up," says Kim Sharp, vice president of retirement and HR communications at HCA Inc. The Nashville-based company began phasing in such benefits statements at many of its hospitals this spring. The typical reaction from employees, she says, is "Wow, I had no idea."



Five Tips For Getting Total Compensation To Add Up

- ▶ **Get the numbers.** Check your annual benefits statement, your weekly pay stub or call your benefits department.
- ▶ **Don't leave money on the table.** Take full advantage of all benefits, including things like the company retirement-plan match.
- ▶ **Comparison-shop health care options.** You may be able to save money without reducing the coverage you need.
- ▶ **Calculate replacement value,** particularly if you are nearing retirement or thinking of self-employment.
- ▶ **Think total compensation** when evaluating new job offers.