

Benefits Count

As you look for your first job, you're probably not thinking about becoming ill, retiring, or looking for tax breaks. However, you should consider benefits to be an important part of your compensation package. According to the most recent survey of new college graduates, the top benefits desired by new hires include medical insurance and such "core" financial benefits as salary increases, tuition reimbursement, and a 401 (k) company match. Benefits that deliver more immediate satisfaction, such as family-friendly benefits, more than two weeks of vacation, and flextime are increasingly important. A good benefits package can add as much as 30 percent to your overall compensation and may make a huge difference in your work/life quality! Here is information about some commonly offered benefits:

Health insurance

This is an important benefit for three financial reasons: 1. Even if you have to pay for all or part of the coverage, it's cheaper to get insurance through an employer at group rates than to purchase it on your own. 2. Health insurance is comparable to nontaxable income—providing health insurance could cost your employer upwards of \$4,000 per year per employee—and you don't pay tax on it. If you were to purchase health insurance, it might take more than \$5,000 per year out of your pocket—after taxes. 3. The third advantage, of course, is, if you get sick or have a surfing (or horseback riding or bungee-jumping) accident, your medical treatment is paid for (in part or in full, depending on your policy).

Annual salary increases

More money? Of course that's a good thing. In recent years, some employers have frozen salaries—not given any raises—or given minimal, 1.4 percent raises. According to Aon Hewitt's annual U.S. Salary Increase Survey, average salary increases over the past couple of years ranged up to about 4 percent. If you earn \$44,500, a 4 percent raise will increase your income by \$1,777.

Tuition Reimbursement

One way to get ahead in your career is to continue learning—keep up with the latest trends in your profession. In this case, your employer pays all or a portion of your tuition costs for classes related to the business of the company. In some cases, employers reimburse for nonbusiness-related classes and for supplies such as books.

401(k) plan

A 401(k) is a retirement plan that allows you to put a percentage of your gross (pre-tax) income into a trust fund or other qualified investment fund. In many cases, employers will match your contribution up to a certain percentage—this is "free" money that can add to your overall compensation package. Why is this important to you since retirement is still 30 or 40 years away? According to The Motley Fool, a multimedia financial-services company, someone saving \$5,000 a year beginning at age 25 will have \$787,176 at age 65 (assuming an 11 percent annual return on savings). Waiting until age 35 cuts your investment earnings in half, to a total of \$364,615. Wait until age 45 to start your retirement fund and you'll have only \$168,887—not much to live on in retirement. Typically, you can direct your contributions and the matching funds into investments offered through your employer. And your 401 (k) is portable—you can take it with you if you change jobs.

Flex spending account

Also known as flexible benefits and Section 125 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 insurance and life insurance premiums, and vision care, dental care, or child- or dependent-care costs. By using money held out before taxes, you'll spend pre-tax dollars on necessities and you'll show less earned income on your federal tax return—so you will pay a lower percentage of your income in taxes.

Family-friendly benefits

Do you have to have a family to collect these benefits? Absolutely not! Family-friendly benefits can mean a lot of things.

- Flextime allows you to vary your workday start and stop times, within limits.
- Paid time off (PTO) deposits your paid-time off (e.g., vacation, holiday, sick, and personal days) into one bank from which you withdraw days, which you allocate as you wish. This means you could wind up with more than two weeks of vacation.
- Telecommuting allows you to 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; in other cases, you cover the costs associated with telecommuting.

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