

Attracting and retaining great employees can be very challenging. While compensation is certainly an important consideration, your employee benefits package can be a powerful force in an employee's decision. In a survey conducted by the Society of Human Resources, 29% of employees cited their overall benefits package as a top reason to look for a new job. This whitepaper covers benefits to help your firm not only attract but retain top talent.

Health Insurance

With the ever-increasing cost of care, health insurance benefits tend to top the list for many employees. Unfortunately, health insurance can be an expensive benefit, but there are options to help a business manage costs.

While PPO plans tend to be the most popular form of health insurance, Consumer Driven Health Insurance Plans are gaining more traction because they use high deductibles with health savings accounts to place greater accountability on the employee for their own healthcare spending. These plans are helping to curb overall costs which is ultimately better for both the employer and employee.

A Professional Employer Organization, known as a PEO, combines the employees from various firms to achieve volume based discounts for benefits, including health insurance. This enables a business to offer health insurance plus other employee benefits that it may not otherwise be able to provide. The downside is that while the health insurance through the PEO may be cost-effective, the overall cost per employee of the PEO may be higher due to the other benefits being included in the PEO plan.

Do you belong to a trade association or membership organization such as a chamber of commerce? If so, you may find that they offer health insurance plans at lower rates so it may be worth the time to investigate those options.

Another strategy in containing healthcare costs is to share the cost of insurance with the employee, something that most employers do. An employer may consider paying a higher percentage for the employee than for the spouse or dependents. Some employers will restrict or impose a surcharge on family members who are eligible for coverage through a different entity.



Health Reimbursement Arrangements

Businesses with 50 or fewer employees can offer a Qualified Small Employer Health Reimbursement Arrangement where the employer reimburses employees for qualified medical expenses such as health insurance premiums. Reimbursements are almost always tax-free for employees and employers but are limited to \$5,250 of qualified medical expenses per year for employee-only coverage or \$10,600 per year for family coverage.

Health Savings Accounts

If an employee is covered by a high deductible health plan, they can take advantage of a Health Savings Account. Contributions to an HSA are pre-tax, up to certain limits. The balance in an HSA can be invested, grow tax-free, and be used to pay qualified medical expenses. If the balance in an HSA is not used, it can roll over to next year.

Medical Flexible Spending Accounts

A Flexible Spending Account enables an employee to set aside a portion of pre-tax earnings to pay for qualified medical expenses. The employee decides how much they would like to set aside during an open enrollment period, and then that amount is deducted from the employee's paycheck over a year. Employers fund the entire amount at the beginning of the period and then reimburse employees for qualified medical expenses as they occur. An FSA is a great way for employees to pay for medical costs with pre-tax versus post-tax income.



Short-Term and Long-Term Disability

Short-term and long-term disability insurance helps to replace lost income if an employee is unable to work due to illness or injury. Every policy is different, but the time period for short-term disability is typically in months whereas long-term disability is typically in years. Short-term disability usually provides greater coverage in the range of 60% to 75% of lost income up to certain limits, whereas long-term disability is typically a lower percentage in the 40% to 70% range.

The cost of disability insurance is relatively inexpensive, typically 1% of total compensation, and can help an employee maintain their income during an illness, maternity leave, or injury.

Wellness Benefits

A significant number of employers offer wellness benefits such as membership in a local gym, company-organized fitness challenges, 24-hour nurse and doctor lines, standing desks, and life coaching, just to name a few. These types of programs not only improve employee's health but reduce healthcare costs and lost productivity due to sickness.

Paid Leave

While the vast majority of companies provide full-time employees with paid vacation and sick leave, fewer also offer paid personal days. Some companies will combine paid personal days with paid sick days.

In general, the number of companies offering paid maternity leave has been growing year over year. Having a short-term disability plan in place is a cost-effective strategy to help cover the cost of an employee on maternity leave.

Retirement Plans

Most larger organizations offer some type of retirement plan, such as a traditional 401(k) plan. To encourage more businesses to launch retirement plans, the Economic Growth and Tax Relief Reconciliation Act of 2001 provides a tax credit for costs associated with starting a retirement plan, including a 401(k) plan, SIMPLE plan, or Simplified Employee Pension (SEP). The credit equals 50% of the first \$1,000 of qualified startup costs, including expenses to set up and administer the plan and educate employees about it.



Even if the employer is not planning on contributing to the plan, it's still a good benefit to have. There are many different types of plans, and our office would be happy to help identify what is appropriate for your goals and situation.

Work-Life Flexibility

COVID-19 has caused most companies to adopt telecommuting, a benefit that many companies will keep in place, in whole or in part, post-pandemic. This along with flexible hours can help an employee maintain a healthy work-life balance. From the employer's standpoint, these benefits may reduce the need for physical office space and potentially create coverage over more hours in the day.

For those who are in the office, having a break-room stocked with coffee, drinks and snacks can be a cost-effective perk.

Service Days

Providing one or more days for employees to volunteer is an excellent way to serve both the community and employees. Some companies allow employees to act independently, choosing when and where to serve, while others provide coordinated opportunities for groups of employees to serve together. Coordinated events have the added benefit of bonding among employees.

Student Loan Repayment

The Consolidated Appropriations Act, 2021 extended for five years the ability for employers to help repay employee student loans as a tax-free benefit to employees. Through 2025, employers can contribute up to \$5,250 per employee annually toward eligible education expenses, like tuition or student loan assistance, without raising the employee's gross taxable income. Considering that almost 45 million Americans have student debt, this could be a popular benefit among a company's employees.



Final Thoughts

Creating a benefits package that is both cost-effective and attractive to employees can be a complex and time-consuming process. For help understanding which options are right for your business, please contact our office and one of our experts would be happy to assist you.



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Cain Ellsworth:

Sheldon, IA Office
1008 Third Avenue
PO Box 449
Sheldon, IA 51201

Sioux Falls, SD Office
5130 E 57th Street
Sioux Falls, SD 57108



IA - (712) 324-4614
SD - (605) 610-4611



sdykstra@cainellsworth.com



www.cainellsworth.com

