

Employee Benefit Programs

Everyone Needs Benefits

A misconception that some people starting in business have is that they can set up benefits for themselves and not for employees. They can but the expense is not deductible which negates the purpose. Another misconception is that it cost me too much to include employees. In today's society every individual needs health insurance. You as the owner need health insurance and your employees need health insurance. If you do not have a group health insurance plan, then your employee needs to get more money in his gross pay to allow him to pay for the insurance himself. If you do have a plan, you will be able to pay a lower gross because you cover the insurance. Without a plan, your employee gets a gross check, must pay taxes, and then must pay the insurance from the remaining net. The employer, because the gross is higher, pays higher payroll taxes. With a plan, the company takes a direct deduction for the cost, it is not taxed to the employee, and there are no payroll taxes. In addition, a company that has a full range of benefit programs retains employees, which reduces turn over and training time. Plus, if you pay the insurance, you know your employee is covered. If you leave this to the employee, they may opt to use the health insurance money for

a different purpose. If they are hospitalized and have no insurance, they may have collection agency and credit problems. You may have a troubled employee working for you. I feel strongly that benefit programs equal stronger employees.

The Benefit Package

You may not be able to afford any benefits initially. However, as your business progresses adding benefits should be a high priority. The first should be health insurance. Life insurance and disability policies are next. You can get group policies through your business associations or as a member of a local chamber of commerce.

For younger employees there is a real question concerning future social security benefits. A retirement program is a real incentive. There are wide ranges of programs. I recommend starting out with a SIMPLE plan. This plan does not require an annual accounting or annual tax return like a 401K. You simply put the money into an IRA in your employee's name and they are responsible from that point on. This plan encourages employees to save because you agree to match a percentage of the amount they save. If your employee puts nothing in, you put nothing in. IRS Publication 560 covers Retirement Plans for Small Business. Go to www.irs.gov. Click on Forms and Pubs, then Lists of current forms, then type Publ 560.

For more resources visit www.rjclark.com.