Employee Benefit News

Vol. 19, No. 14
Nov. 01, 2005

- Pandemic concern increases
- Better than brand
- Shifting benefit needs
- New benefits/ New responsibilities

New Benefits …

New Responsibilities

By Ted Carlson, CEBS, CMC, FIMC

The value of employee benefits in the future will be based on an employee's ability to capitalize on the tax-advantaged programs offered by employers. An employee's right to benefits will shift from receipt of actual benefits to the ability to first participate and second, withdraw their accumulated balances. This is a change from the past when employees simply needed to be classified as full-time to receive retirement and medical benefits.

Employers are transitioning to plans that require employees to actively participate in design and investment decisions.

The value of defined contribution retirement benefits will be related to the success of the employee's investment decisions and how much they have contributed. While employer matches will continue, employees will be required to make the initial contribution to receive a match. Another decision employees will face is whether to withdraw balances to satisfy current consumption needs or allow funds to grow tax-free.

Employees will no longer receive benefits on auto-pilot.

Instead, they will have to balance investment objectives with the need to fund medical benefits. Under consumer-driven health care approaches, employees will be required to fund greater and greater portions of their medical costs. Health savings accounts will require employees to balance contribution strategies between medical and retirement plans. While both offer tax advantaged savings and investment opportunities, they differ significantly in their investment time horizons. Further complicating this decision matrix, once funds are committed to either alternative, they cannot be transferred to the other.

About the Author

Theodore R. Carlson is a Certified Employee Benefit Specialist (CEBS), a Fellow of the ISCEBS and has over 3 decades of experience designing, implementing and administering employee benefit plans. Visit www.CarlsonsConsulting.com

He has taught Health Care Economics and the Design and Administration of Employee Benefit Plans at the University of Houston and served as President of the International Society of CEBS. He also served on the CEBS curriculum committee for the IFEBP and Wharton School.

There will be changes in the provider community.

Retirement plan investment managers will aggressively compete to control the growing pool of individual retirement accounts.

These managers will continue the evolution from individually owned stocks and bonds to mutual funds and then index funds. Developing new products, they will give employees new and additional investment alternatives to evaluate. Asset allocation models will evolve that divide retirement assets into tax-deferred accounts, tax-deferred medical and previously taxed assets.

Are these changes a bad thing? No, what we're seeing is just a natural evolution of a capitalistic ownership-based society where individual employees have new and unique ways to accumulate retirement savings and pay for medical care. It's a time when increased individual responsibility creates the opportunity to accumulate more than the guy next door. The good news is that employees no longer will pay the price for corporate mismanagement ... only their own.