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Stewardship Emphasis

Be observant so as to not miss the opportunity right in front of you, but also look beyond what is just convenient to get what is needed.

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Making Employer Benefits Fit Your Needs

While small and self-employed business owners are becoming a significant factor in today's economy, the vast majority of working people still draw a paycheck from an employer. One of the advantages of working for an employer, especially with larger companies, is access to "fringe benefits" that you would otherwise have to go out on your own to find. These employer benefits can allow you to provide your family with protection, financial security, and tax benefits often at a lower cost than you could negotiate for yourself. We discussed at length employer health care benefits in the first issue of our recent series on health care options, so in this issue we will look at ways to use other employer benefits to help you maximize your financial resources.

Life Insurance

A commonly offered employer benefits is life insurance, but the available coverage and what you have to pay for it varies greatly from one employer to another. Most often a group life insurance plan is made available, which has the advantage of its participants usually not having answer health questions or take medical exams in order to qualify. It is a great way for individuals who otherwise might be too high a risk, to get protection for their families. Quite often, the premiums for these policies are also lower than what you might pay for your own personal policy. On the other hand, there are also reasons to consider obtaining life insurance outside of an employer plan to cover yourself whether or not you remain with that or any other employer. The impact of not having personal life insurance can be seen if you look for coverage at an older age, when insurance premiums will tend to be much higher.

Disability Insurance

While offered by many employers, disability insurance is not as common an employer benefit as life insurance. Many employers will separate disability coverage into short term and long term plans, and often the employer may pick up the entire premium on one and require the employee to pay a portion of the other. Disability insurance is one of those benefits that is underappreciated and often declined by employees, but when you consider the importance of protecting your income, its value cannot be minimized. You can obtain disability insurance on your own if you don't have access through the job or to supplement that employer's coverage, but the cost per dollar of income benefit is almost certain to be higher than the group rates most employers can provide.

Reimbursement Accounts

Both health reimbursement accounts and dependent care reimbursement accounts for employees with children can help to reduce taxable income. With these accounts you have to declare at the beginning of the plan year the amount you want withheld from your pay based on your expected expenses in those areas. Then after the qualified expenses have been incurred, you are reimbursed those funds and gain tax savings in the process because the withholding is a pre-tax transaction. With the cost of health care and child care, these can amount to significant tax savings.

Retirement Plans

Defined contribution plans where the employee funds some or all of their retirement benefit through payroll deduction have now become the norm as opposed to the defined benefit pension plan of years ago. With the ability to reduce your taxable income, and in some cases receive matching employer funds, it's a great way to save for retirement and it's convenient. Whenever possible, it is a good idea to contribute at least up to the amount of matching employer contributions. Beyond that, you may want to assess doing some additional retirement saving outside of your employer plan to give yourself additional investment options and flexibility that are often not available in an employer plan.

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