

BENEFITS OF A DEFINED CONTRIBUTION PLAN

Solving the Dilemma

Implementing small group benefits requires high participation from employees, especially if employers want these benefits on a guaranteed-issue basis so that everyone is treated fairly from an underwriting perspective. Each employee may have a unique need for a particular benefit. One person may need dental insurance, while another may be short on life insurance, and only those you wear glasses may need a vision plan.

So, what can an employer do to make everyone happy and not break the bank at the same time? They usually end up picking 1-2 benefits that they think the majority of employees may want, and they usually have to end up paying for most or all of the cost to achieve the required participation levels to implement each plan chosen, while all other plans get left by the wayside. The problem is that this approach doesn't usually maximize satisfaction amongst all employees, and company dollars are usually wasted on benefits that some employees never really wanted, needed, used, or appreciated.

A better approach is the Defined Contribution Platform where employees get to pick what they want from a bundle of benefits all on a guaranteed-issue basis. Additionally, budget-conscious small employers only have to commit to a small fixed dollar amount without the normal concerns of having to meet participation requirements on every plan taken. This approach allows small employers to compete with large employers in terms of the number of benefits offered by completing their own wheel of benefits at little to no additional cost than what they were probably already spending on 1-2 existing benefits.

Benefits for Employers

- **Consistent Cost:** The Defined Benefit Plan allows for a specific dollar amount, rather than a certain benefit, so annual rate increases are not a budgetary threat every renewal.
- **More Value for Dollars Spent:** Employees choose the benefits they need, and pay for anything above the employer's contribution on payroll deduction, so employers are not paying for unneeded or unappreciated benefits.
- **Fewer Headaches:** Having a Defined Contribution Plan eliminates the responsibility of trying to choose a benefits package that makes everyone happy.
- **Participation Eliminated:** Using a Defined Contribution Plan eliminates the need to have a certain number of employees enrolled in each of the company's benefit plans.
- **Employee Retention:** Monthly Defined Contribution Plan amounts are far less costly than hiring and training new employees that leave for a job with better benefits elsewhere.

Benefits for Employees

- **Satisfied Employees:** Employees get to pick a benefit they want instead of settling with whatever the employer selected for them.
- **Multiple Options:** Employees get a number of options from which to choose.
- **Guaranteed-Issue:** Every benefit is guaranteed-issue, so no one gets left out due to pre-existing medical issues.
- **Incentive Dollars:** Employees can count on a fixed dollar amount being available in their benefit bank.

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