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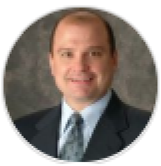
5 Questions Millennials And Recent Grads Should Ask Their Employers



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FULL BIO

Millennials have been more comfortable with mobility and job changes than any prior generation. But with that comfort comes the responsibility of understanding employee benefits and considering the role of those benefits in your overall compensation package. Here are five important questions that recent grads can raise during the job interview process.

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1. When does my eligibility start for my 401(k) or other retirement plan?

You might be surprised to learn that eligibility dates for retirement plans, such as 401(k) plans, can be as long as a year (or longer depending on your job start date). Because it is important to start building your retirement savings as soon as possible, it may make sense to set aside some money during this waiting period. Depending on your situation, you may be able to contribute to a tax-deductible IRA and/or a Roth IRA. You have to meet certain IRS qualifications for a tax-deductible IRA, and there are strict income limits for Roth IRA eligibility (although most recent grads usually meet the income qualifications). If the restrictions on IRAs don't appeal to you, funding a savings account or a brokerage account are also options.

2. Is there a Roth Provision in the 401(k) plan?

Many 401(k) plans still do not offer what is known as a "Roth Provision." This allows for your contributions to be made on an after-tax basis (meaning you do not get a tax-deduction up front), but your money grows tax-free. This can be valuable for young people, who can benefit from compound growth during their many years before retirement. So ask about the inclusion of a Roth provision in the 401(k) plan. If none exists, explain to your human resource contact that it may not cost the company anything to add this attractive benefit to their plan.

3. What is the Company match and vesting schedule in the 401(k) plan?

An employer's 401(k) plan may appear to contain a generous matching contribution, but be sure to take a closer look. Matching contributions in 401(k) plans are subject to a vesting schedule. If you leave your employer, you may leave behind some, most, or all of the match. There are basically three types of vesting schedules: "immediate vesting," which means that all the matching contribution is immediately yours; “cliff vesting,” which means that for up-to-three years your share of the matching contribution is zero, and then all of it is yours; and “graded vesting,” which allows a percentage of your matching contribution to accrue over a period of six years, staged in 20% increments after the first year. The worst option, obviously, is not to be offered any matching contribution; do not hesitate to raise this concern during the interview process and consider it as you weigh competing offers.

4. How much of a contribution does your employer make to your health insurance and HSA account?

According to Jack Rushing of Meltzer Group Benefits, each employer has its own contribution methodology regarding the amount it chooses to contribute toward employee health insurance costs. That amount varies based on factors such as size, industry, location, and plan offerings among other factors. Rushing suggests asking how much your potential employer will contribute toward the annual cost of health, dental, and vision insurance. In addition, if the employer offers a high deductible health plan, be sure to ask how much the employer is contributing toward the Health Reimbursement Arrangement (HRA) or Health Savings Account (HSA). Other ancillary benefits, such as life and disability insurance, are also important and should be factored into your calculations.

5. Is a student loan repayment program available?

Student loan repayment programs are a relatively new kind of employee benefit, and there is no uniform set of rules. Generally, your employer can either agree to pay a specific amount toward your student loan debt or reimburse you for a specific amount of debt you paid in a given year. Like 401(k) plan eligibility, you will probably need to be on your employer’s payroll for a period of time before you can participate in their student loan repayment program. You may also have to “show some skin in the game” by making regular payments on your student loans. Additionally, some plans have restrictions on the types of student loans they will cover.

Employee benefits can add significant value to your overall compensation package, so don’t hesitate to ask about them during the interview process. While there are several other benefits considerations, be sure to discuss and understand at least these five questions before accepting your new position.