

# Toolkit #3: A Simple Guide to Employee Benefits

It's worth knowing the benefits that your employer provides. They help you plan for old age and unexpected events (like becoming ill or injured), and can save you a bit of money on day-to-day expenses too.

Not everyone needs the same employee benefits. At different times of life, and in different family situations, different things are important. So it's worth thinking about whether the benefits you have are the right ones for you.

Have a chat with HR (or your MD or Office Manager if you're in a smaller company) if you don't know what you've currently got, or would like to ask for changes to your benefits. And if the jargon gets you confused, here's a rundown of some of the most common ones, in plain English.

## Benefits that provide for old age

**1 in 5 people die in the UK before reaching state pension age** - Source: DWP

**Pension:** Your pension means that some of your income will be set aside for your retirement. There are several types. Most pensions these days are 'defined contribution' pensions. In this type of pension, you and your employer each put a set amount of money into your pension account each year. The value of your pension when you retire depends on what you've put in. Once you retire, you then have a pot of cash which you can use to buy yourself an annual income (like an annuity). The main reason for getting your pension through work is that your employer will often contribute too.

The second type of pension is a 'defined benefit pension', and it's becoming much less common in private sector companies. In this type of pension, the amount you get when you retire is worked out using a formula, which typically looks at things like your final salary and how long you've worked there.

It's also worth knowing that, from 2012, large employers will have to start automatically enrolling most of their employees in a pension scheme. They'll also have to pay a minimum contribution for most employees. Smaller employers will start having to do the same over the following few years. You can find out more at [www.nestpensions.org.uk](http://www.nestpensions.org.uk)



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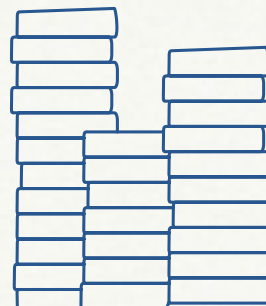
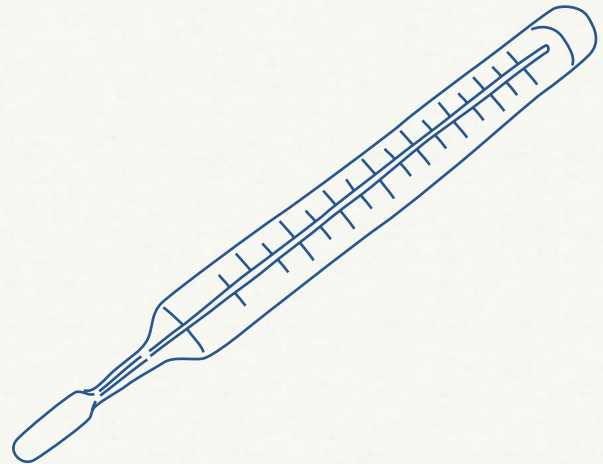
## Benefits that provide for illness or injury:

**1 in 5 Brits will suffer long term illness or injury during their working lives** - Source: Unum

**Sick Pay:** Most employees are entitled to £81.60 a week after their first 4 days off sick. It's called Statutory Sick Pay, and covers you for your first 6 months off because of illness or injury. You may find that your employer offers you more sick pay than this (it's often called Occupational Sick Pay - OSP), or covers you for a longer period. If your contract doesn't tell you, HR will be able to. It's worth finding out how much you'd be paid, and how long for, because it'll help you decide which other sorts of cover you might need.

**Income Protection (IP):** Income Protection pays you a percentage of your salary each month (typically 60-80%) as a regular income, if you can't work due to a long-term illness or injury. Getting Income Protection through your employer (it's called Group Income Protection) will often mean that will often mean that those medical conditions you've had prior to the policy are covered. It's also often a lower cost for your employer than taking out a similar policy yourself because the chance of someone claiming is spread across all those covered.

Income Protection policies can be set up in different ways by your employer. Usually, they're set up so that payments start once Statutory Sick Pay or Occupational Sick Pay end. Most Income Protection policies start after 6 months off work. The payments continue until either you go back to work, or you reach the retirement age given in the policy. Some policies have a 'limited term' which means they only pay out up to a set time – say 2, 3 or 5 years off work, rather than to retirement age.

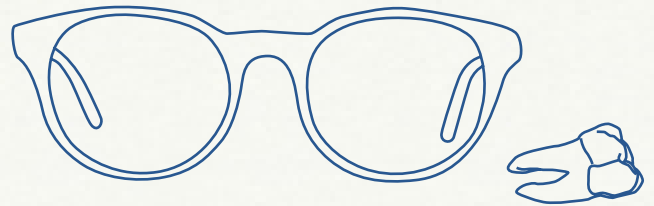


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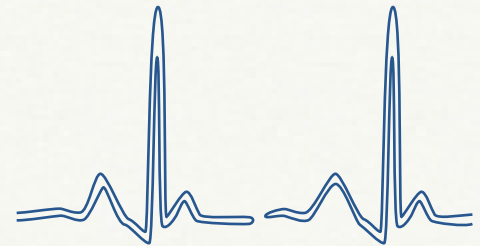
**Private Medical Insurance (PMI):** Private Medical Insurance pays for the cost of private treatment for medical problems. It doesn't cover every medical condition, so it's important to check your policy details to see what's covered. Your company will also decide which pre-existing conditions are covered. PMI pays for the costs of treatment: it doesn't help supplement your income while you're off work. It's also a taxable benefit.



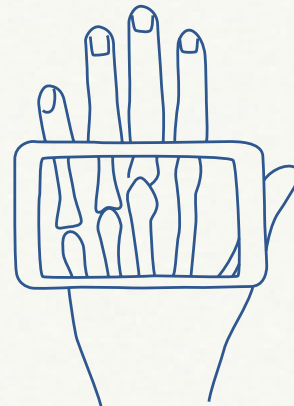
**Dental Insurance and Optician Costs:** These are a bit like PMI, but more specific (one's only for dental problems, the other only for visual ones). And like PMI, they'll pay for the cost of private treatment, but not for other expenses incurred by time off work.



**Critical Illness Insurance (CII):** Critical Illness Insurance means you'll get a tax-free lump sum if you're diagnosed with one of a number of specific medical conditions (the insurance company will have a list of exactly which medical conditions your policy will pay out for). To get the payout, you need to have one of the conditions on the list, and you usually have to survive for a minimum period of time once you're diagnosed (usually between 14 and 28 days).



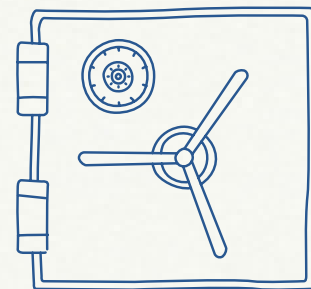
**Health Screening:** Health screening provides a regular health check. This usually involves a physical examination to identify any current conditions you're not aware of, but will also involve questions to help work out which diseases you may be at risk of, and how you can improve your health by changing your lifestyle.



## Benefits that provide for death:

**x% of Brits will die during their working lives** - Source: TBC

**Life Insurance:** Life Insurance (also called Death in Service) pays a tax-free lump sum if you die, to provide support for the people who depend on you financially (like your partner or children). It's often calculated as a certain number of times your salary, so if you earned £25,000 and had a '4 times salary' policy, your dependants would get £100,000.



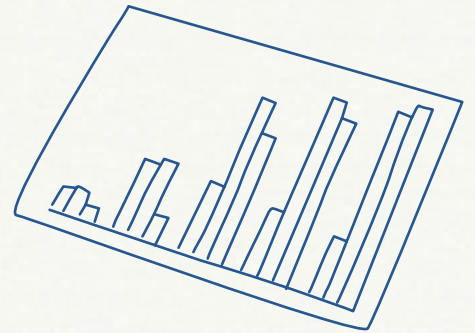
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## Other money-saving benefits

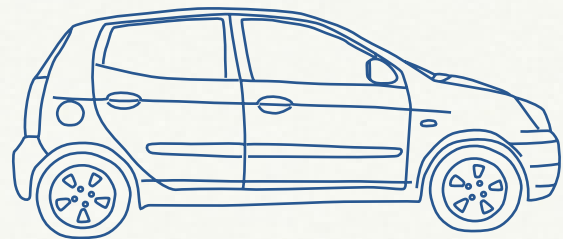
**Childcare Vouchers:** Childcare vouchers are taken out of your salary before tax and National Insurance through something called 'salary sacrifice'. That means that where you could have, for example, ~£700 in your pay cheque over the year, you can choose to get ~£1,000 of vouchers instead (though the exact amounts will depend on how much tax you pay). These vouchers can be used to pay for nursery, preschool, a nanny or a childminder up until a child's 15th birthday.



**Share Schemes:** There are lots of different types of share schemes. They usually involve giving you free shares in the company, or matching any shares that you buy in the company with the same number of free ones. Schemes can be limited to certain levels of employee, or require a certain number of years of service.



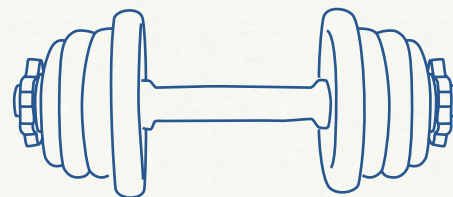
**Car Allowance:** A car allowance means that you get an extra payment to allow you to buy a car for your work. Some employers will also give you a mileage allowance, which means you get a certain amount for each mile driven on company business. This will replace the old company car schemes, which are gradually being phased out.



**Interest Free Travel Loan:** Some employers will offer an interest free loan of up to £5,000 to allow you to buy an annual travel card or season ticket (they're usually cheaper than buying daily, weekly or monthly tickets).



**Gym Membership:** Some employers will give you a free gym membership; others will offer you a discounted rate at a local gym or gym chain. Gym membership is a taxable benefit, so you will pay a bit towards it.



If you'd like to know more about any of these benefits, you'll find detailed and impartial advice over on [www.which.co.uk](http://www.which.co.uk) or [www.moneysavingexpert.com](http://www.moneysavingexpert.com)