Salary and Benefits Guide
Essential Tools

Before you go into an interview, you should have an idea of what your target gross salary should be and also what benefits are important to you. To help steer you in the right direction, we begin by introducing you to one of the most fundamental pieces of career advice: The salary you accept today will affect your earning potential tomorrow.

Points to Remember:

- Research typical salaries for your level of experience
- Have a working knowledge of what benefits are important to you
- Try to hold off salary negotiations until the end of the interview and wait for the employer to come up with a number or range
- Don't specify a single salary number
- Don't negotiate salary and benefits over the phone or through e-mail
- Always get your offer in writing
- Know how to close and follow up salary negotiations
- Don't accept an offer on the spot and give yourself time to evaluate the offer

Salary and Benefit Discussions

Research Salary

You can find salary information at numerous sites on the Internet, but keep in mind the importance of knowing your salary range given your level of experience.

Benefits

Don't limit yourself to money. In place of a salary increase, you may wish to negotiate other benefits that are more important to you, such as flexibility in your schedule. Decide what you really want from your employer and include it in your negotiations. Within this handout is a worksheet that lists a variety of benefit options and allows you to rate them by level or personal importance. There is also a benefits definition page that explains many of the terms included in benefit packages.

Wait Until the End

If you engage in salary discussions prior to finding out what a position requires and before you've established your value with the employer, it will be more difficult to negotiate a better position for yourself. This is true even when a salary is non-negotiable.

What if this is not possible? Then try to neutralize the issue by either starting the following: "If you don't mind, I would prefer giving you a specific answer after I've had a chance to learn more about the position, its responsibilities and your organization."

Questions to keep in mind for salary and benefit negotiations:

- When do the benefits begin?
- How does your facility structure its pay system, personnel policies, and promotion as well as dispense rewards?
- Is performance important for compensation increases and promotions or is seniority the key factor?
- What is the salary range for this position? (*Note: Don't state a specific salary – discuss in terms of ranges.)
- Does the benefit policy include dental and vision?
- Are spouses and dependents covered through my benefits
- When do vacation days start accumulating? Do overtime hours count toward extra time off?
- How many sick and personal days are offered?
- Do you offer a loan forgiveness program?
- Do you support employees pursuing higher education?
- If so do you offer tuition assistance and flexible scheduling?

Get the Offer in Writing

Once you have reached a verbal agreement outlining your compensation, it's important to get your offer in some form of a written agreement. This agreement should include the following:

- Duties and responsibilities
- Expected performance
- Evaluations
- Compensation

State that you would like a copy of the agreement both for your own files and one to be placed in your file.

In the event that you decline an offer

Send a letter with a brief explanation of your decision to exhibit your appreciation for the interview. Again, displaying professionalism and courtesy will help in developing a lasting impression.

Salary/Benefit Definitions

The following definitions are exerts from Suze Orman's book, *The Road to Wealth: A Comprehensive Guide to Your Money*.

What is a 401(k) Plan?
A 401(k) is a voluntary retirement plan that companies may offer to their workers. Employees set aside a percentage of their wages before taxes, up to a certain maximum, and invest those funds within the retirement plan. The percentage you can contribute varies from company to company, and the federally mandated yearly maximum may increase over the years. An employer often contributes to its employees' 401(k) by matching the employee's contributions up to a certain percentage. The contributions and the interest and gains that accrue are no taxed until the funds are withdrawn. There are restrictions on when and how 401(k) funds can be withdrawn.

How does a 401(k) plan work?
You decided how much of your paycheck (up to maximum allowed) you will contribute to your 401(k) plan. That amount is deducted from your paycheck before taxes are taken out and is deposited automatically into the plan. Normally, you have a choice of several possible mutual funds and other investment vehicles with a variety of levels of potential risk and return. You will be given information about the investment opportunities when you sign up for the 401(k). Many corporations do not allow you to participate in their 401(k) plans until you have worked there for at least one year.

What is a 403(b)?
Employees of nonprofit organizations, for example, some hospitals, universities, and charitable organizations, generally have 403(b) plans available to them.

What's the difference between a 401(k) and a 403(b)?
From the perspective as an investor, they work almost identically. (Please see above). The main difference is that in some 403(b)s, you cannot change the amount of money that you put in every month. You must decide once, at the beginning of the year.

What is a profit sharing retirement plan?
This is a retirement plan where a company uses its profits to fund a qualified retirement plan for its employees. Unfortunately, in this kind of plan an employer does not have to contribute to the plan, even when the profits are to share. On the other hand, a company may well decide to contribute to your plan even if it has not made a profit that year. Yes, you heard it right – in a profit-sharing plan, the employer has the discretion to contribute or not, regardless of profitability. An employer can contribute absolutely nothing; and an employer feeling generous is limited in how much he or she can contribute. The contribution formula is based on compensation and as of the year 2001 cannot be more than 15 percent of your pay, up to a maximum of $170,000 of income. So even if you make $200,000 a year, the maximum your employer could contribute to your profit-sharing plan (for the year 2001) would be $25,000 – 15 percent of $170,000. Please note that in the year 2002 the maximum contribution rises to $40,000.

What is a defined-benefit pension plan?

A defined-benefit pension plan is a qualified retirement plan that promises to pay a specific amount to an employee who retires after a certain number of years. The benefit might be an exact dollar amount, for example $4,000 per month. More common, the benefit might be determined by formula that takes into account factors such as salary and length of employment with the company. For example, you might receive a monthly payment of 1 percent of your average salary during the last five years of employment for every year of service with your employer.

A defined-benefit pension plan is funded by the employer that creates it, not by the employees. The money that is held within a defined-benefit plan is not allocated to individual accounts; it is kept in one big account with all the money for all the employees. Money from this plan is usually not available for withdrawal until you reach your retirement age, at which time you can receive it as a lump-sum payment, if your plans allow it, or as a lifetime annuity.

Also, though you have been promised a defined benefit when you retire, if you leave that job or retire before the set retirement date, benefits will be redefined. The bottom line is that the company is responsible for funding the plan, and it is responsible for giving the full benefit that has been defined. By law, it cannot fall short of that goal.

What is a stock bonus plan?

This qualified retirement plan works very much like a profit-sharing plan. The only difference is that the employer makes its contributions in the form of company stock instead of cash.

Stock Option Plan

Give employees of a particular company the opportunity (or option) to purchase a particular amount of the company's stock for a fixed price within a specified period. Acting on this opportunity is known as exercising the option, and the fixed price is known as the exercise price.

Stock Purchase Plan

Typically, with a stock purchase plan, employees can designate an amount of money to be withheld from their regular paychecks and used to buy stock in the company, sometimes at rates discounted from the market price. The money then grows (or shrinks!) tax-deferred until the employee sells the stock, usually after an extended period.

Vested vs. Nonvested

Your stock is considered vested if, according to the agreement you made with your employer, you retain the full value of the stock no matter what happens. "No matter what" include you quitting your job or getting fired. It also means that you have the right, if you wish, to transfer this stock to anyone you want. Any agreement other than this means that you have been given a nonvested stock. Your stock may become vested over time.