Post COVID-19 Employee Benefits: What to Look for In Your Compensation Package

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FOR A LARGE AMOUNT of the world's population, the COVID-19 pandemic has continued to have a significant impact on our day-to-day lives. We are just starting to understand the economic, societal and medical impacts the coronavirus crisis created in 2020.

In the past 20 years, 9/11, the Great Recession and now COVID-19 changed the norms of how we live and behave both in the short-term and long-term. Although many companies have begun to go back to work, there will be permanent changes not only in how we work but also the benefits we receive through our employers.

Salary is usually the focus when it comes to your compensation but that is not the entire employee compensation picture. According to the Bureau of Labor Statistics, in December 2019 total employee compensation in the U.S. averaged $34.72 per hour worked. Employee benefits accounted for about 30 percent of the total compensation, averaging $10.37 per hour.

The type of employee benefit and the ability to customize those benefits should be a priority when looking at career opportunities.

Workplace Flexibility

The ability to work flexible hours from essentially anywhere with WiFi has been very important in an environment where schools have been closed for months and society has been quarantined. Remote work had increased threefold from 1996 to 2016, according to the Society for Human Resource Management (SHRM), and you have recently seen some large tech companies like Twitter let its employees work from home indefinitely.

A recent Gallup poll found that 54 percent of office workers say they'd leave their job for one that offers flexible work time. And according to a recent IBM study, more than 75 percent of respondents indicated they'd like to continue to work remotely at least occasionally, while more than half wanted remote working to be their primary way of working.

"The flexibility to work remotely has, of course, been a major point of discussion among NexGen members," said Jesse Lineberry, CFP®, account executive with New Planner Recruiting, which specializes in placing students or professionals within their first five years of experience with financial planning firms nationwide. "I think what we've seen in recent months is proof of concept."

Employees are also looking for increased paid time-off (PTO) options in addition to volunteer time-off (VTO). Higher PTO days to start for new employees, the ability to roll days over each year, flexible holidays and "unlimited" PTO are a 21st century time-off program. VTO allows employees to get paid days off to volunteer for a cause or non-profit of their choice and is separate from the PTO bucket. According to a 2018 SHRM report, one in four companies have a VTO policy.

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Financial planning firms will continue to need to offer innovative solutions to employees to allow complete remote work opportunities, flexible working hours and opportunities to have flex days in the office. A cultural shift of greater work-life balance and personal well-being in connection with a high level of adoption of work from home during quarantine will shift the workplace landscape as we know it.

Student Loan Repayment Plans (SLRPs)

During the COVID-19 crisis, the Coronavirus Aid, Relief and Economic Security (CARES) Act allowed certain types of federal loans to be placed into administrative forbearance, which allowed borrowers to stop making monthly payments and accrue no interest. This helped to highlight the burden that some individuals face when it comes to their debt. The CARES Act also allowed an employer to contribute up to $5,250 annually toward an employee's student loans. The amount contributed would be excluded from the employee's income.
The College Board reported in 2019 that college graduates have approximately $35,000 in loans on average when they graduate. The Congressional Budget Office estimates that $1.27 trillion in new federal student loans will be added between 2018 and 2028.

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SLRPs allow employers to make monthly contributions directly to an employee's student loans, which helps to shave years and interest off the life of the loan. Most firms offer a certain dollar amount each month like $50 or $100 and then have a certain lifetime maximum amount over a designated period, i.e. $10,000 over five years or a $6,000 lifetime maximum.

Professional Development

Employees want a defined career track and a budget to further their knowledge and practical experience. Employees will typically feel more engaged when they believe their employer has a vested interest in their growth.

Outlining potential career paths for employees can help with morale and retention. Oftentimes as employees sharpen their skills and take on more responsibilities, they begin to either look up (promotions within the company) or they look out (outside opportunities). A defined career path with job duties, compensation or a time frame sets the expectations early for career progression.

A budget to help obtain the CFP® certification and ongoing CE requirements is a standard for many firms. But employees want the ability to attend various conferences across the country to not only network with their peers but learn from nationally recognized experts. After the CFP® certification, many people want to go on to get a master's in financial planning, a tax specialty like the CPA (certified public accountant) or the EA (enrolled agent) or work to become an expert in student loan advisory services.

Understanding Your Own Benefits

Offering employee reimbursements and allowances is how smart companies are starting to engage and delight employees, while positively impacting business goals and outcomes. They provide well-being and freedom of choice to apply those dollars toward what an employee loves as an individual. An example is a plan that allows employees the flexibility to choose reimbursements for gym memberships, yoga studios, spin classes or a wellness retreat.

When you're offered a new job or are trying to compare your current benefits to the market, you need to make sure you look at the entire benefits package and weigh what will affect your life most. To understand your current total package competitiveness, you should compare your benefits against similar organizations in your financial planning "tribe." "The Twelve Tribes of Financial Planning" episode on the *You're a Financial Planner…Now What?* podcast has a great breakdown of the major differences in approach between various firms and covers some of the compensation packages.

Another great resource to understand career paths and their different compensation is reading CFP Board's *Guide to Financial Planning Career Paths.* This, according to CFP Board, "Offers guidance on best practices for establishing career paths that facilitate recruitment, onboarding, training, career development and retention of financial planners and advisers."

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Recruiting firms like New Planner Recruiting can be a fantastic resource to have a better understanding of your compensation and how that compares to the industry. Jesse encourages candidates "to use a cost of living calculator to make sure they have proper context," in the event they are moving to a larger city. "In metropolitan areas that have a strong culture of financial planning excellence, competition seems to have pushed salaries upward at a faster rate than the rest of the country."

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A Glimpse into Compensation Types: Commission and Fee

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COMPENSATION MODELS are oftentimes a source of mystery for new entrants into the financial planning profession. But this article will help you demystify the one of the compensation models. This piece focuses on commission and fee.

By far one of the most common compensation models in the financial planning profession, commission and fee, derives compensation from a combination of fee-based services and commissions for the sale of products or transactional commissions.

"There are valid pros and cons to the commission and fee approaches."

The rationale behind offering services on both a commission and fee basis is that a CFP® professional has more tools at their disposal and more options for a client to pay them. For example, a professional may charge a flat planning fee for the development of the financial plan and in the process several issues may be identified that could be fixed by the use of fee or commissionable services and products, such as portfolio management, the purchase of life insurance and others.

By providing the "one-stop shop," the professional is in a position to increase the likelihood of a client's follow-through with the recommendations that are part of their financial plan, and the professional can be compensated by these follow-on services in the form of additional fees or commissions.

The Fee Offset

A popular model under the commission and fee system is the "fee offset." Acknowledging in advance that clients will likely incur additional services and products as part of the financial planning process, the professional sets a fee for service and either offsets in advance or reimburses the client by the amount of commissions received in the process of the financial planning engagement. The client therefore pays a fixed fee and doesn't incur, or can reduce, the additional costs due to the expenses that arise as part of the recommendations that accompany the financial plan.

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Pros and Cons

The common critique of the commission and fee model is that it opens the door to "double-dipping," or the offering of financial planning as a gateway to then selling clients products. However, there are valid pros and cons to the commission and fee approaches. A client who pays a planning fee and then pays commissions for the purchase of products could potentially pay more, but the planning fee might be reduced or eliminated altogether in anticipation of the commissions or fees to be earned on recommendations.

There is also a good case to be made that the work of investment management, brokerage or insurance sales are separate services that professionals deserve to be compensated for, and that sometimes clients are better off paying commissions in a pay-as-you-go manner.

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