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CFW: Take advantage of Lab's Benefits programs

Benefits may be a big reason people come to work at ORNL, but that doesn't always mean the various available programs, from 401K savings plans to flexible spending accounts, are easy to comprehend.

ORNL Benefits Manager Mark Wagner and Brian Mullins, manager of member financial services for the ORNL Federal Credit Union, presented information about benefits and financial planning to a standing-room-only crowd gathered for a Committee for Women forum, held January 30 at the Joint Institute for Computational Sciences.

Brian Mullins first discussed a basic strategy for financial planning. He offered the following guidelines:

- Contribute at least what your employer matches to your 401K savings plan.
- Be on track to have your home mortgage paid off by your target retirement date.
- Maximize the allowable contribution to a Roth IRA, a savings program in which contributions are non-deductible but withdrawals are tax-free when a person turns 59 ½ .
- Determine if you have enough saved for retirement through the following formula: total income – 401K contribution – house payment – any other payments that cease with retirement – pension income. Multiply that total by .05 (traditional multiplier) or .03 (more conservative) to determine the amount you need to carry you through retirement.

Mark Wagner provided an overview of benefits. Some interesting points:

- Long-term care benefit: You may never need it, he said, but if you do require long-term care, the benefit protects your assets and pays for what is now on average the $80,000-per-year cost of staying in a dependent care facility. About 20 percent of employees at ORNL are taking advantage of this benefit.
- Flexible spending accounts: On the medical side, the big advantage is that employees may spend the full amount of their commitment for the year at any time during the year, whether it has been paid into the account or not.

  The accounts can be used for day care as well, with a rule-of-thumb savings of $250 in taxes for $5,000 paid into the program. Mark advised, however, that this number is based on an individual's tax bracket and that employees should compare this benefit with the childcare dependent tax credit, which they can take at tax time each year.
- Retirement investment: Because of the uncertainties in Social Security, early-career employees should plan to save 100 percent of their needed income, post-retirement. Mid- and late-career employees require 80-90 percent savings.

At ORNL, just over 1000 people are fully participating in the 401K matching program, which, Mark added semi-tongue-in-cheek, he would make mandatory if possible. "It's just throwing away free money," he said.

Additionally, 86 percent of ORNL employees are choosing their own investments rather than depending on the services of a fund manager. "That's opposite of what the studies have shown," he said, which is that 80 percent of investors don't have the acumen to manage their own accounts.—*Larisa Brass*