

Lesson 5-4

EMPLOYEE BENEFITS

Objective:

Calculate

How much does your employer really pay you or for you?

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- Unemployment insurance
- Match your Social Security and Medicare taxes
- Health Insurance (some)
- Retirement (some)
- Lots more...ex: education/training

Example 1

Alan works for a printing company. It has been a little over four years since he was hired. He now makes \$54,080 per year. When he was hired, he was told that he had five days of paid vacation time. For each year that he worked at the company, he would gain another two days of paid vacation time to a maximum of 20 days.

a. How many paid vacation days does he now get at the end of four years of employment?

Create a table:

# of Years Worked	# of vacation days

b. How much will he make during the time he is on vacation this year?

Step 1: Find his daily pay

$$\text{Daily pay} = \frac{\text{Annual salary}}{(5 \times 52)}$$

Step 2: Find his vacation pay

$$\text{Vacation pay} = \text{Daily pay} \times \# \text{ of days}$$

Example 1 – You try it!

Tom works for a bank. It has been a little over 3 years since he was hired. He now makes \$61,100 per year. When he was hired, he was told that he had four days of paid vacation time. For each year that he worked at the company, he would gain another three days of paid vacation time to a maximum of 20 days. How many paid vacation days does he now get at the end of three years of employment and how much will he make during the time he is on vacation this year

# of Years Worked	# of vacation days

Example 2

Frieda's employer offers her health insurance. Frieda must contribute 12% of the cost, and her employer will cover the rest. Frieda gets paid on a biweekly basis, and she notices that \$88.50 is taken out of each paycheck for her portion of the contribution to the health care coverage. How much does Frieda's employer contribute for her insurance each year?
Step 1: Determine how much she pays per year

$$\text{Annual Employee Payment} = \text{payment} \times \# \text{ of payments}$$

Step 2: Determine the total cost per year

$$\text{Total cost} = \frac{\text{annual employee payment}}{\text{employee \% (converted)}}$$

Step 3: Determine the employers cost per year

$$\text{Employer's cost} = \text{Total Cost} \times (1 - \text{employee \% (converted)})$$

Example 2 – You try it!

Marco's employer offers health care coverage. Marco pays \$175 out of his monthly paycheck for his share of the total cost. Marco's contribution is 25% of the total cost. What is the employer's cost of Marco's coverage?

Example 3

Marina works at Washington Performing Arts Center. Her employer offers her a pension. Marina is planning on retiring at the end of this year after 25 years of employment. Marina would receive this amount each year until her death. Marina's employer uses a formula to calculate the pension. A retiring employee will receive 1.5% of their average salary for the last five years of employment for every year worked. Her salaries for the last five years are \$88,900, \$92,200, \$96,000, \$98,000, and \$102,000. Calculate Marina's pension. Pension formula is below.

$$\text{Pension Formula} = \frac{A \times B \times D}{C}$$

A = % received

B = Sum of Salary from Designated Years

C = Number Designated Years

D = Years worked

A=

B=

C=

D=

Example 3 – You try it!

DeBrown Corporation offers employees a retirement plan based upon the following formula. The retiree will get 2% of the average of the final three year salaries times the number of years employed by the company. An employee's last three years of salaries are 73,000, 75,000, and 77,000, and the employee worked at DeBrown for 32 years. What is the employee's yearly pension?

A=

B=

C=

D=

Assignment 5-4

Read Pages: 314 to 317

Do Page 318: #2b, 3b, 3d, 4b, 6, 7a, 8, 9