

SAVINGS PLANS: Part 1

Benefits plans a handy HR tool for small, medium-sized enterprises

# COMPETITIVE EDGE



Senior human resources director Fannie Jacques of Montreal-based medical device maker Smith & Nephew Canada says providing the right benefit package is not only a human resources issue, "It is a business planning issue." She says competitive benefits along with compensation programs that reward employees for performance and innovation, and HR policies that encourage work-life balance, are factors that help Smith & Nephew attract and retain talent. PHOTO: CHRISTINNE MUSCHI

With unemployment rates at historical lows and millions of baby boomers on the cusp of retirement, the demand for human capital is fiercer than ever before. Small and medium-size enterprises are being challenged to provide benefit packages en par with those offered by Canada's largest corporations – and retirement planning options are essential.

Fannie Jacques, senior human resources director at medical device maker Smith & Nephew Canada, says, "Providing the right benefit package is critical. It's not only a human resources issue – it is a business planning issue. Companies that succeed in this environment are those taking the time to reflect on this question: What does it take to attract and retain talented people? People expect to be paid well, but it's a given – they also expect competitive benefits."

As part of a small organization that contributes to its international parent company's global competitiveness, Ms. Jacques says, "In terms of talent, product and process, we aim to be a leader in the industry, and our employees are key to that effort. We ensure they're well taken care of, with all of the components that help to lower stress levels and balance life and work."

One of the great dilemmas that companies face, says Ms. Jacques, is responding to a range of employees. "Generation X, Generation Y, boomers and veterans all have different needs. Meeting those needs may be very complex, but critical. Especially among high-knowledge workers, expectations are high."

One of the opportunities available to publicly traded companies is stock options for employees, which Ms. Jacques says provide value on a number of important levels. "Owning part of a company that's doing well provides a sense of engagement and helps employees feel that they are true partners in the organization's success. We want our people to be proud to work for our company, and to play a role in the future of this company. We provide competitive rewards that are rooted in our values – we reward for performance and innovation."

While benefits such as flex time and family care days are appealing to employees, retirement planning and savings plans are crucial.

Peter Henry, president of

Proteus Performance Management, says there are a number of plan designs appropriate for small to medium-sized organizations, including defined contribution pension plans (DCPP), deferred profit sharing plans, group registered retirement savings plans and non-registered savings plans. Combinations of these retirement arrangements can be customized in accordance with an organization's philosophy and approach.

One option for employers is to provide a DCPP and group RRSP, which might be combined with a non-registered savings plan. "The employer contributions could be directed to the defined contribution plan along with the employee's 'matching' contribution. Typically, if you have a DCPP where the employer contributes five per cent and the employee contributes five per cent, the employee still has an additional amount they can contribute, and that can be directed into the group RRSP."

Today's employee has more retirement planning awareness than ever before, says Mr. Henry, and an innovative selection of plans helps employers motivate and support members of their organization. "They want to be able to retain those individuals, and they also want to be able to attract new employees. It also strengthens the relationship between the organization and employees. Having a retirement arrangement of this scope gives organizations a competitive edge."

Along with the financial and tax benefits provided by employer-sponsored retirement and savings plans, employees also then have access to financial management, planning tools and resources that would otherwise be available to them only at a much higher cost. "Employees have immediate access to resources that can help them understand what's necessary to plan for retirement plan and access consolidated reporting. They're provided with excellent tools to help determine their risk tolerance and ideal asset allocation within the investment structure that's being offered."

Contributing and investing regularly – and avoiding the mad scramble of RRSP season – is both a stress reliever and a way to mitigate investment risk through dollar cost averaging.

Having a retirement plan

in place, and guidance with important financial planning decisions, relieves a great deal of potential stress, which supports employee health and productivity.

"Our greatest assets are

human, and our success is team-based," says Ms. Jacques. "Every two years, we survey our people on what they want and need. There are so many tools now that allow employers to do this at low or no

cost. Similar to researching your market, your return on investment is highest when you investigate the needs of the people you want to attract and retain, and tailor your benefits accordingly." ■

## Deferred Profit Sharing Plans

Deferred profit sharing plans (DPSPs) provide employers with an effective means of increasing employee engagement by sharing company profits.

Contributions can be reduced in less profitable years, and the DPSP structure provides tax advantages to both employer and employee. For many companies, the plans offer a way of sheltering bonuses from the tax bite that otherwise leaves the employee with just a fraction of the amount the employer wishes to provide.

Contributions to a DPSP are regulated by various formulas, as determined by individual employers. Similar to RRSPs, income earned on investments within the plan is not subject to tax until withdrawal. Funds within the plan can be transferred to an RRSP, RRIF or annuity.

Another benefit of DPSPs is that contributions affect RRSP contribution limits the following year, allowing for maximum contributions in the current year.

In addition, employer contributions to the plan are not reported as income on the employee's T4 and are not subject to EI and CPP deductions (unlike employer RRSP contributions), reducing payroll taxes.

**STANDARD LIFE**

Life goes on with or without a plan.

But way too often, your employees just don't have one. That's why we've developed the Plan for life program. No matter what stage they're at in their lives, it engages and motivates employees to think and plan ahead. Plan for life from Standard Life can help them achieve financial peace of mind. Want to know more? Talk to your benefits advisor or visit [www.standardlife.ca/pl](http://www.standardlife.ca/pl).

**For the financial realities of life.**

Retirement

Investments

Insurance

The Standard Life Assurance Company of Canada  
Standard Life Assurance Limited