**Case #16**

Megan is president of an accounting firm that has 10 employees. The only employee benefit provided by the firm is a paid 2-week vacation for employees with one or more years of service. The firm’s profits have substantially increased, and Megan would like to provide some additional benefits to the employees. Megan needs advice concerning the types of benefits to provide. Assume you are an

employee benefits consultant. Based on the following considerations, answer the following questions:

1. Megan would like to provide health insurance benefits to the employees. Describe briefly the major types of managed care plans that she might consider.

b. Assume that Megan is considering both a preferred provider organization (PPO) and a health maintenance organization plan (HMO). Explain the major differences between these two plans to Megan.

c. Are there any other group health insurance benefits that Megan might consider? Explain your answer.

d. Megan is concerned that rising healthcare costs may result in an increased financial burden to the firm. Describe a group healthcare plan that Megan might consider to deal with the problem of rising healthcare costs.

**Case #17**

Richard, age 40, is the owner of Auto Repair, Inc. In addition to Richard, the company has five employees. Richard wants to establish a retirement plan for his employees. He is considering two plans: a Section 401(k) plan and a SEPIRA. Assume you are a financial planner and Richard asks for your advice. Answer the following questions.

a. Explain to Richard the advantages and disadvantages of each plan.

b. Assume that Auto Repair establishes a 401(k) plan. Employees can elect a salary deferral of up to 6 percent of compensation but not to exceed $18,000 (2015 limit for participants under age 50). The company makes a matching contribution of 50 cents for each dollar contributed. Pete, age 25, is a mechanic who has decided to defer only 3 percent of his wages because of substantial personal expenses. What advice would you give to Pete?

c. Sue, age 28, is the company’s office manager and earns $35,000. She has worked for the company for 3 years. Can Richard exclude her from participating in the 401(k) plan to hold down retirement contributions? Explain your answer.