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# MAXIMIZING THE VALUE OF YOUR TOTAL BENEFITS PACKAGE

For Microsoft Employees  
2021 VERSION



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Financial Knowledge Network (FKN), founded in 1989, is a nationwide provider of on-site and web-based employee financial education courses. FKN continually reviews and updates our material to stay current during changing laws and markets. Participants will gain the information, knowledge, and skills to make educated financial decisions.

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In addition to a college degree, many of the instructors also maintain a CFP® (Certified Financial Planner) credential or are currently enrolled in the CFP® Professional Education Program. Our certified instructors are required to meet annual continuing education requirements in the financial planning field.

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# Course Description

Participants who attend this course will develop a general understanding of the benefit programs and associated resources provided by Microsoft. Participants will be able to maximize their use of employer provided benefits.

## Audience

Recommended for all employees: to review, refresh and take advantage of the wide variety of employer provided benefits.

## Learning Outcomes

- Identify and understand the full array of benefits provided by your employer
- Review the specifics of your company 401(k) plan and how you can utilize the plan to prepare for retirement
- Compare and contrast the different types of healthcare plans
- Review important healthcare plan selection guidelines to determine the most suitable plan for your household
- Evaluate the benefits covered under your company's dental and vision plan
- List events that qualify as family status changes to employer
- Distinguish between your employer's short-term and long-term disability plans
- Describe key features of your company's survivor benefits, including basic and supplemental life insurance and AD&D insurance

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# Overview

Open enrollment is an opportunity for employees to make changes to the various employer-sponsored plans (just one time a year<sup>1</sup>) so that their benefits are in alignment with their ever-changing lives.

Many people re-enroll in plans without reviewing their current situation or reexamining the options to see if there is a plan that is more suitable. Others forget they must enroll annually in some plans and are later surprised to learn that they are without certain benefits.

This course will help you understand and better utilize your total benefits package at Microsoft. Visit [benefits.me.microsoft.com](https://benefits.me.microsoft.com) to access all your benefit options.

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<sup>1</sup> Open enrollment for Microsoft is November 1st - November 30th.

## ✓ EXERCISE

Check off (✓) the following benefits that Microsoft provides to its employees.

	Benefits	Yes	No
1.	Medical Care		
2.	Dental Coverage		
3.	Vision Care		
4.	Mental Health Care		
5.	Dependent Care FSA		
6.	401(k) Plan		
7.	Employee Assistance Program (EAP)		
8.	Employee Stock Purchase Plan		
9.	Life Insurance		
10.	Health Care FSA		
11.	Legal Services		
12.	Tuition Reimbursements		
13.	Student Loan Refinancing		
14.	Accidental Death and Dismemberment Insurance		
15.	Substance Abuse Counseling		

Answers can be found on page 33.

# Health and Welfare

Choosing providers is an extremely personal decision dependent on many factors, including individual wellness needs, financial and marital status, and geography.

Microsoft offers a flexible array of health and welfare options, including dental and vision plans, to cover employees and their families across a broad range of lifestyles and requirements.

## Medical

### Rising Costs – Greater Responsibility

The cost of medical insurance has been rising rapidly to meet the ever-increasing costs for health care. Employers are continuing to offer quality and comprehensive coverage for their employees. However, after years of absorbing most of the costs and the increases, some employers are now finding it necessary to pass some of the increases along to the employees.

Now more than ever, it is necessary for employees to understand, compare, and select a health care plan that is suitable for their personal and family medical needs.

Everyone needs to help stem the rising health care costs by becoming an informed consumer. Assess costs, features, and options carefully.

### Your Medical Options Include

- Health Savings Plan with a Health Savings Account
- Health Maintenance Organization (HMO)<sup>2</sup>
- Health Connect Plan for employees who live in King and Snohomish Counties

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<sup>2</sup> Not available in all locations.



# The Health Savings Plan (Premera Blue Cross)

The Health Savings Plan is the most flexible of the health plans offered. It lets you choose any healthcare provider you want across the nation through the Premera Blue Cross Network. This is a good option if you already have a doctor and want to keep them. There are no restrictions as to who you can see for care. Keep in mind costs are higher if your provider is outside of the Premera Network.

For California additional providers include Crossover Health and Kaiser Permanente. For Washington, other providers include: Living Well Health Care Center (Redmond Campus), Allegro Pediatrics, and Kaiser Permanente.

This plan is a high deductible health plan. That means you have to pay a certain amount (the deductible) before the insurance starts paying a portion of your medical expenses. The deductible ranges from \$1,500 to \$3,750, depending on your coverage tier.

Once the deductible is met, you pay 10% of the cost on in-network care, up to the coinsurance maximum, which ranges from \$1,000 to \$2,500. Once the out-of-pocket maximum is reached, the insurance pays 100%.

Some services, like preventive care check-ups and childbirth classes are free.

	Annual Deductible	Coinsurance 10%	Out of Pocket Maximum
<b>Yourself</b>	\$1,500	\$1,000	\$2,500
<b>Yourself + 1</b>	\$3,000	\$2,000	\$5,000
<b>Yourself + 2 or More</b>	\$3,750	\$2,500	\$6,250

*To help pay for those out-of-pocket expenses, the Health Savings Plan comes with a Health Savings Account.*

## Health Savings Account

A Health Savings Account (HSA) is a special tax-advantaged savings account that lets you save for and pay for qualified health care expenses. Microsoft's Health Savings Account is administered by UMB, the plan's banking partner. An HSA is only available if you enroll in the Health Savings Plan. An HSA has many advantages, including allowing you to use tax-free dollars to pay for your out-of-pocket medical expenses:

- Contributions are tax-free
- Earnings grow tax-free
- Withdrawals for qualified expenses are tax free
- Unused dollars roll forward for use in future years
- Your HSA belongs to you and is portable and non-forfeitable

HSA funds can be withdrawn tax free for qualified medical expenses for yourself or your dependents. Qualified withdrawals for dependent health care expenses can be made even if your dependent(s) are not covered by your plan.

## HSA Contributions

Microsoft makes annual contributions to your HSA.

### Corporate (Stock Level 40-49 and 59 and above)

Coverage Level	Microsoft Contribution
Employee Only	\$1,000
Employee + One	\$2,000
Employee + Two or More	\$2,500

### Corporate (Stock Level 30-39 and 50-58)

Coverage Level	Microsoft Contribution
Employee Only	\$1,500
Employee + One	\$3,000
Employee + Two or More	\$3,750

### Full-Time Retail

Coverage Level	Microsoft Contribution
Employee Only	\$850
Employee + One	\$1,700
Employee + Two or More	\$2,185

### Part-Time Retail

Coverage Level	Microsoft Contribution
Employee Only	\$850
Employee + One	\$850
Employee + Two or More	\$850

Additionally, you can contribute your own tax free dollars. Total contributions to the account cannot exceed the IRS-mandated annual limits for 2021:

- Self-Only Coverage ~ \$3,600
- Family Coverage ~ \$7,200
- Employees 55 and older can contribute an additional \$1,000

## HSA Guidelines

An HSA is governed by IRS sections 223(d)(2) and section 213(d) and therefore must conform to specific guidelines in order to qualify<sup>3</sup>. Those guidelines are as follows:

- Contributions cannot be made to an HSA if the employee is eligible to be claimed as a dependent on someone else's tax return
- Contributions cannot be made to an HSA if the employee has disqualifying coverage under another health plan
  - Examples of disqualifying coverage include: Medicare, Tri-Care, or a health reimbursement arrangement
  - In addition, contributions cannot be made to an HSA if you or your spouse has funds available in a health care Flexible Spending Account (FSA) that can be used for general health expenses
- If the allowable maximum is exceeded, excess contributions must be removed before the tax-filing deadline
- Excess contributions not removed by the tax-filing deadline are subject to an additional 6% excise tax
- At any point during the year, you can modify your contributions, with increased flexibility to time your payroll deductions within the year

## Using the Account

- The money in an HSA can be withdrawn tax free to pay for qualified medical expenses<sup>4</sup>
- If the amount withdrawn is used for something other than qualified medical expenses, it will be subject to income tax and an additional 20% penalty<sup>5</sup>
- Upon reaching age 65, qualified withdrawals from your HSA can be used to pay Medicare premiums, (Part A, B, and D), as well as the past and present unreimbursed medical expenses for you and your dependents. At age 65 and beyond, funds can also be used for any purpose without being subject to penalty (income taxes would still apply)

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<sup>3</sup> See IRS Publication 969 for details.

<sup>4</sup> See IRS Publication 502 for details.

<sup>5</sup> Individuals are responsible for maintaining records of the medical expenses paid through the HSA. In event of an IRS audit, documentation may need to be provided to support that the HSA was used for qualified expenses.

# Health Maintenance Organization<sup>6</sup>

With a Health Maintenance Organization (HMO) plan, care is received through a single network of providers. This helps keep costs down and makes your healthcare costs more predictable and affordable.

In Washington and California, care is provided by Kaiser Permanente. Emergency care is covered by non-HMO providers anywhere in the world.

With this choice there are no deductibles, just a 10% co-pay. That means you pay 10% of your medical costs up to your out-of-pocket maximum, and your insurance pays the rest. Once your out-of-pocket maximum is reached for the year, your insurance pays 100%.

The out-of-pocket maximum is capped at \$1,500-\$2,500 per covered individual. If you have three or more covered individuals, your family out-of-pocket maximum is \$4,500-\$6,250.

# Health Connect Plan

This plan is for employees who live in King and Snohomish Counties. The plan is designed to provide a more personalized experience with a select network of providers from the Premera Network. It also comes with predictable copays for many services.

Employees are encouraged to build a relationship with a primary care physician but can still see specialists without a referral from the PCP. Patients can also access the extended Premera Network of providers but at a higher cost. There is no coverage for using out of network providers except in an emergency.

There are small co-pays with no deductible and 90% coverage for using the Extended Network, after the deductible is met. The Health Connect Plan now includes 50% coverage for out of network provides, after meeting the deductible. The out of pocket maximum is \$2,000 per employee or \$6,000 per family.

There is also maternity bundle with a single \$500 copay for routine maternity care, including professional prenatal and delivery care, regardless of delivery method. There is also a new \$1,000 doula allowance.

For help choosing a provider in the Puget Sound area, Embold Health Provider Guide, is a service designed to help you find high-performing providers in the area.

For more details about the plan, please see [mshealthconnectplan.com](https://mshealthconnectplan.com).

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<sup>6</sup> This option is not available for all regional and all retail employees.

# Vision Care

## **UNDER HEALTH SAVINGS PLAN**

Calendar year: One basic eye exam covered at 100% for the employee and dependents.

### **Vision Hardware**

Glasses (including frames and lenses) or contacts are covered at 100% up to the maximum benefit of \$350 per member per calendar year (can be shared between multiple pairs); option no longer available under this plan if LASIK benefit is used (lifetime limitation).

OR

LASIK: 90% of allowable charges, up to a \$1,000 lifetime benefit limit per participant for covered procedures with TruVision network providers; option not available if vision hardware benefit is used.

## **UNDER HMO (KAISER )**

### **Vision Hardware**

Glasses (including frames and lenses) or contacts are covered at 100% up to the maximum benefit of \$350 per member per calendar year.

LASIK has a \$1,000 benefit limit for covered procedures for TruVision network providers. Option not available if vision hardware benefit is used.

LASIK is not covered in California but discounts are available.

# Plan Selection Guidelines

To determine how much coverage is adequate for an individual situation, review all personal and family medical needs. The following questions provide a guideline of information to gather to discern the most appropriate plan.

For the last year determine:

- How much out-of-pocket money was spent on personal/family medical care?
- What was the total of all medical treatments submitted for insurance?
- How many visits were made to doctors? (i.e. for those with co-pays, dollars can add up with many visits)
- How many hospital stays and emergency rooms visits have there been? (Check to see if any policies have annual limits)
- How many prescriptions were filled?

# Microsoft Wellness Program

In the course of our busy lives, it can be hard to access the high quality care you and your family need. Staying healthy also means eating right, exercising, and getting enough downtime. Microsoft Wellness Programs are designed to make it easier for you and your family to stay healthy.

## Redmond Campus

*The Living Well Health Center in Building 21 and the Living Well Eye Care center at The Commons are available to Microsoft employees and their families. Services include<sup>7</sup>:*

- Primary and Preventive Health Care
- Full-service pharmacy offering 30- and 90-day prescriptions and over-the-counter medication
- Radiology, lab tests, immunization, and travel medicine
- Chiropractic and physical therapy
- Acupuncture and medical massage
- Unlimited wellness coaching sessions
- 12 nutrition counseling sessions per year (with qualifying condition)
- Vision care at Living Well Eye Care at The Commons
- Ergonomics
- On-site counseling through Microsoft CARES Employee Assistance Program
- CPR and First Aid Training Courses

Online: <http://LWHC>

Phone: (425) 216-0550

In-person: Building 21

## Silicon Valley Campus

*The Crossover Health Clinic has locations throughout the Silicon Valley area including several near Microsoft Offices and is available to Microsoft employees and their families. Services include<sup>8</sup>:*

- Primary and Preventive Health Care
- Optometry
- Chiropractic care, physical therapy, medical massage and acupuncture
- Lab tests, immunizations, and travel medicine
- Wellness coaching (exercise, nutrition, and stress management coaching) and dietician
- Behavioral health (professional and confidential counseling)

Visit the Crossover website to find a location near you and schedule an appointment:

**<http://www.gocrossoverhealth.com/>**

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<sup>7</sup> List is from "Get the Most out of Life with Your Microsoft Benefits," WA

<sup>8</sup> List is from "Get the Most out of Life with Your Microsoft Benefits," CA

The following Wellness services are open to all Microsoft employees:

**Perks+**

Perks+ replaces Stay Fit and offers a more inclusive and broader range to fit your life/career stages. Perks+ is a reimbursement program.

■ **Perks+ - Option for all FTEs (Corporate, Retail) and Interns**

Perks+ offers a broad range of services and items for which you can submit reimbursement. Microsoft will reimburse you up to \$1,200 (Retail \$400, Interns \$300) per year for physical, mental and emotional, and financial wellbeing related expenses. New hires and employees newly eligible for Perks+, receive \$1,200 (Retail \$400) if first hired/eligible between January 1 – June 30, \$600 (Retail \$200), if first hired/eligible between July 1 – September 30, or \$300 if first hired/eligible between October 1 – December 31. You are taxed only on the amount for which you receive reimbursement from Microsoft. Wellness related expenses includes services such as meditation, massage, weight loss program fees, caregiver support, financial advising and debt management, student loan payments, pet care, hobbies as well as fitness equipment, classes and gear.

Eligible/Hired	1/1 - 6/30	7/1 - 9/30	10/1 - 12/31
Corporate	\$1,200	\$600	\$300
Retail	\$400	\$200	N/A
Intern	\$300	N/A	N/A

OR

■ **PRO Club – Second option for WA Corporate FTEs and WA Interns**

Paid membership to the PRO Club, an exclusive club with three locations in the Puget Sound region and a variety of programs and exercise options. You are taxed on the monthly value of the membership which becomes imputed income.



Other programs to help employees get and stay healthy:

- **24-Hour Nurse Line (800) 676-1411**

Dial a single phone number to connect with a nurse to answer your medical questions, get a second opinion, and even get care.

- **Maven**

If you are planning for a child, you can expect some extra support from Maven. This new digital health platform helps you and your partner navigate pregnancy, postpartum, adoption, and surrogacy, as well as return-to-work coaching after your parental leave. With Maven, you will also have 24/7 access to care advocate to guide and coach you along with your adoption, surrogacy, or maternal journey.

- **Microsoft CARES Employee Assistance Program**

Find tools to help you relieve stress, including 12 free confidential in-person counseling sessions (for you or your dependents), per issue, per year (up to a maximum of 24 sessions). Crisis assessment and referral line available 24x7. Access it at [www.microsoftcares.com](http://www.microsoftcares.com), username: MSCARES.

- **Be Well, Microsoft's New Global Well-Being Program**

Be Well offers a variety of choices so you can decide what works best for your well-being journey. From physical activity to stress management to saving for retirement, Be Well has you covered, with activities, programs, and resources to help you care for your body, nurture your mind, and invest in your future. Learn more at [aka.ms/BeWell](https://aka.ms/BeWell).

- **Diabetes Management and Diabetes Prevention Programs (Offered through Livongo)**

For anyone managing diabetes, or for individuals at risk for pre-diabetes and other obesity-related chronic diseases, we provide support programs to help you track, manage, and improve your condition. Learn more on the benefits site.

- **Annual Onsite Health Events**

Includes mammograms, seasonal flu shot (vouchers available as well), and biometric screenings.

# Dental Health

Good oral health has an influence on overall health.

Employer-provided dental plans are one of the most utilized benefits. However, there are some people that are unaware of these benefits and/or do not fully utilize the services. These individuals are putting more at risk than just their smile.

Oral diseases that go unchecked can be very costly. For example, gum disease is a common cause for pre-term births and can be diminished with a low cost, low-tech treatment. The cost of delivering a pre-term baby is substantially greater in more ways than just financially.

## Dental Plan Options

Full time Microsoft employees have the choice between two dental plans, the Dental Plus Plan and the Dental Basic Plan. Part time employees are eligible for the Dental Basic Plan only.

Preventive care like teeth cleaning and exams are covered 100% with no deductible under both plans. Other services (detailed below) come with a \$25 deductible for individuals or \$75 for family plans. For out-of-network providers, the plan pays up to the allowable amount for covered services provided.

Type of Care	Dental Plus Plan	Dental Basic Plan
Preventive care* (e.g., regular cleanings, exams)	100%	100%
After deductible (\$25 individual, \$75 family):		
Basic care* (e.g., fillings, extractions, root canals)	85%	50%
Major care* (e.g., crowns, dentures, implants)	50%	50%
Maximum benefit per year	\$2,500	\$1,500
Orthodontica	50% (with a separate maximum lifetime benefit of \$2,500 per person after one time \$50 deductible)	Not covered

\* For out of network providers, the plan pays up to the allowable amount for the covered services provided.

# Flexible Spending Accounts (FSAs)

## General

Flexible Spending Accounts allow employees to set aside pre-tax dollars to pay for healthcare and dependent care expenses. Through payroll deductions, money is set aside in your FSA account for your use during the plan year.

Try and estimate as accurately as possible how much money you want to contribute to your FSA. Per IRS rules, only \$550 of any unused funds roll forward to next year for health related FSAs. Use it or lose it!

The expenses are for eligible services provided to the:

- Employee
- Spouse
- Dependent(s)

## Flexible Spending Account

Account type	Expenses covered	Maximum per year contribution 2021
General Health Care FSA	Medical expenses, see IRS Publication 502	\$2,750
Dental and Vision FSA	Dental and vision only	\$2,750
Dependent Care FSA	Child and elder care	\$5,000

If you contribute to a Dental and Vision FSA or Health FSA in 2020, you can carry over up to \$500 in unused funds into 2021. The carryover amount is in addition to your 2021 annual contribution. This carryover does not apply to Dependent Care FSAs.

You must re-enroll in the FSA each year. Please note that the contribution limit for the health related FSAs are per person so each spouse can contribute up to the limit. The Dependent care FSA limit is per family.

## ✓ EXERCISE

*Vern a Microsoft employee, decides to enroll only in the health care FSA.*

1. **What is the maximum he can fund into his account?**
  - A. \$3,000
  - B. \$2,750
  - C. \$5,000
2. **Which of the following are ineligible health care expenses?**
  - A. Contact lens solution
  - B. Over-the-counter cough medicine
  - C. Pre-natal vitamins
  - D. Teeth whitening kit
3. **What is the last day Vern may submit his expense for reimbursement?**
  - A. December 31
  - B. January 30
  - C. February 15
  - D. March 31
  - E. April 15
4. **If Vern forgets to submit his expenses by the claim deadline, what is the grace period available to him?**
  - A. None
  - B. Two weeks
  - C. One month
  - D. Sixty days
5. **What should Vern do if his medical expenses for the year exceed the amount he has put into the account?**
6. **If Vern's medical expenses for the year are less than he has contributed to the plan, what should he do?**
7. **Vern and his wife, Nina, are trying to understand the tax ramifications of the health care FSA. Which of the following statements is incorrect?**
  - A. Money is set aside on a pre-tax basis
  - B. Reimbursement checks are not taxed
  - C. FSAs are governed by federal law
  - D. Reimbursed expenses can be claimed as a tax deduction on your tax return

**Exercise continues on next page.**

*Vern and Nina have two children ages 7 and 9. Nina works part-time until the children return from school but her employer does not offer FSAs. Nina convinces Vern to fund the Dependent Care FSA as well.*

**8. What amount could Vern fund into his dependent care FSA (assume joint filing)?**

- A. \$2,500
- B. \$4,000
- C. \$5,000

**9. If Nina had a Dependent Care FSA at work, what is the combined contribution between Vern and Nina's Dependent Care FSAs that the IRS would allow per year?**

- A. \$2,500
- B. \$5,000
- C. \$8,000
- D. \$10,000

**10. If Vern realizes, based on his current Dependent Care expenses, he has funded too much into his dependent care FSA, what can he do?**

- A. Use some of the money on medical expenses
- B. Find an approved expenditure to use the money on behalf of his children
- C. Change the amount being funded into the account

*Nina's mother, Lola, lives with Nina, Vern and their two kids. She is not able to get around much and needs practical nursing care while Nina and Vern are at work. They claim her as a dependent on their income tax return.*

**11. What amount of the Dependent Care FSA funds can be used towards nursing care for Lola?**

- A. 0%
- B. 50%
- C. 100%

**12. What amount of the medical FSA can be used towards Lola's medical expenses?**

- A. 0%
- B. 50%
- C. 100%

*During open enrollment, Vern is on a business trip and then takes a vacation.*

**13. If Vern does not re-enroll in the FSAs what will happen to his accounts for the following year?**

- A. They will fund for the same amount as the current year
- B. They will fund at an amount slightly greater than the current year based on the rate of inflation
- C. They will fund at 50% of the current year
- D. They will cease the fund entirely

*Answers can be found on page 33.*

# Change in Family Status

During the open enrollment period each year, employees have the opportunity to make changes to current plans including medical, dental, vision, and FSAs. Unless there is a change in family status, changes to plans are not allowed at any other time during the year.

According to the IRS, events that qualify as family status changes include:

- Marriage, divorce, legal separation, or annulment
- Birth, adoption, or legal guardianship of a child
- Death of a spouse, domestic partner, or dependent child
- Change in spouse's employment status affecting his/her benefit eligibility with another employer
- Significant change in health coverage attributable to the spouse's employment
- Change of residence or work site that affects benefit plan options
- Leave of absence

# Income Protection Benefits

Just as health insurance plans offer protection against the risk of disease and illness, other insurance plans provide employees protection against the risk of disability and the risk of premature death.

For many, employer-sponsored insurance coverage is sufficient. However, everyone is encouraged to review his or her individual needs to determine the amount of insurance necessary for complete protection.

Insurance industry statistics show that employees have a greater chance of becoming disabled than of dying during their working years.

## Short-Term Disability

Short-Term Disability provides up to 25 weeks of disability leave for a non-work related illness or injury. Employees who meet the eligibility requirements, may receive up to 100% of their weekly earnings for 7 weeks and then 75% for 18 weeks. Enrollment is automatic. No action is necessary on your part.

## Long-Term Disability (LTD)

If an employee is unable to work for an extended period of time due to prolonged illness or injury, long-term disability insurance replaces a portion of his or her income. Many experts contend that long-term disability coverage is as important as life insurance, and that its protection is necessary for long-term financial security.

Microsoft provides insurance that will pay you 60% of your gross income (maximum \$15,000 per month).

# Survivor Benefits

Survivor benefits are offered to help employees ensure the ongoing financial security of beneficiaries in the event of death or severe injury.

The following table shows which plans require an employee contribution:

Employee Basic Life Insurance Benefits	NO
Employee Optional Life Insurance Benefits	YES
Employee Accidental Death and Dismemberment Insurance Benefits	YES
Dependent Optional Life Insurance Benefits	YES

## Basic Life Insurance

Life insurance provides funds to a designated beneficiary or beneficiaries in the event of an insured's death. Microsoft provides company-paid employee life insurance in the amount of twice your annual base pay.

For an additional fee employees can extend their life insurance up to ten times annual base pay, up to a maximum of \$2.5 million.

A few key points about your employer-sponsored life insurance include:

- Proceeds paid to the beneficiary are not taxed as income
- A will, trust, or other estate planning document does not override the beneficiary designated by the employee on the insurance plan
- The amount of coverage may not reflect an individual's need. Consider supplemental policies if underinsured
- It is important to update beneficiary designations after a life status change

## Dependent Optional Life Insurance

Microsoft offers employees the opportunity to purchase life insurance for a spouse/domestic partner, and children.

- Dependent child (under age 26) Supplemental Life insurance is available in amounts of \$5,000, \$10,000, or \$15,000.

For a Spouse or Domestic Partner, life insurance coverage is available from \$5,000 to \$750,000.

## How Much Life Insurance is Enough?

Life insurance should be purchased if surviving loved ones would suffer financially. Consider purchasing life insurance if your estate would require immediate liquidity to pay for final expenses or to relieve the estate of debt and taxes.

An industry rule of thumb is to purchase life insurance in the amount that is five to seven times annual gross income. However, what is right for one person may be different for someone else.

In order to obtain a more accurate amount of insurance that is appropriate, first write down the assets owned, the liabilities on which money is owed, and the amount of money spent monthly.

Figure insurance needs for each spouse presuming the loss of the other spouse's income, benefits, and contributions to the household.

Purchase enough life insurance to cover large expenses (i.e. mortgage, college tuition, retirement, etc.).

## Accidental Death & Dismemberment (AD&D) Insurance

Accidental Death and Dismemberment (AD&D) insurance protects you on and off the job, 24 hours a day, anywhere in the world. The plan pays benefits in the event of an accident-related death or injury that causes the loss of limbs or certain senses. AD&D coverage is available between one and ten times base pay, up to a maximum of 1.5 million.

## Group Legal Plan

For a payroll deduction of \$19.90 per month, you can gain access to legal protection and services. Services include real estate transactions, wills and trusts, domestic partnership agreements, identity theft, minor traffic offenses, gender identifier change, tax services, and other both expected and unexpected occurrences. Covered employees do not pay attorney fees for most services.

## ✓ EXERCISE

1. **Barbara is a new hire and is enrolling in all the different plans. If she does not choose life insurance coverage she will not have any employer provided insurance.**  
TRUE                      FALSE
2. **Lauren has decided to increase her life insurance coverage during open enrollment from 4x her pay to 7x her pay. She will have to provide evidence of insurability.**  
TRUE                      FALSE
3. **Erika received a 12% pay increase in 2020. Her life insurance coverage will automatically increase in 2021 to reflect her increase in base pay.**  
TRUE                      FALSE
4. **Supplemental life insurance is available for purchase to employees, their spouses/same sex domestic partners, and their children.**  
TRUE                      FALSE

*Answers can be found on page 33.*



# Family Leave

Microsoft provides up to 12 weeks of paid time away from work for new parents to care for new born, newly adopted child, or newly placed foster child. Birth mothers receive an additional 8 weeks of fully paid time off giving them up to 20 weeks in total. Microsoft also offers resources for moms and dads on how to plan and manage a parental leave.

Microsoft understands that splitting time between work and home can be difficult especially when a loved one has a serious health condition. With caregiver leave, you can take up to 4 weeks of fully paid time off. You may also take up to an additional 8 weeks of unpaid leave for a total of 12 weeks of leave per year.

## Even More Family Benefits

Microsoft cares about work/life balance and you also have access to these additional benefits:

### Time Away

Microsoft offers a variety of options to support you and your family when you need time away from work, including vacation, sick leave, holidays, leave for disability, bereavement, jury duty, military service, and others.

### Family Support

Microsoft provides back-up care for children, adults, and elders, up to 150 hours per year; dependent care Flexible Spending Accounts; adoption assistance; discounted child care; parenting classes and more.

### Microsoft CARES EAP

The Microsoft CARES Employee Assistance Program is here to support you with a variety of programs, from providing a contractor referral to locating summer camps or permanent child or elder care. Learn more at [www.microsoftcares.com](http://www.microsoftcares.com), username: MSCARES.

### Employee Giving

Donate cash, stock, or products to your favorite nonprofit agency, and Microsoft will match them dollar for dollar up to \$15,000 per year. Volunteer your time in the community, and Microsoft will donate \$25 per hour to the eligible organizations you serve. You've already been given a \$50 new hire credit you can direct to your favorite nonprofit or school—redeem it at [aka.ms/give](http://aka.ms/give).

### Discounts

Enjoy substantial savings on Microsoft products through our company store and significant discounts with the Microsoft PRIME mobile membership on shopping, dining, travel, entertainment, and even car loans and mortgages.

### College Coach Program

Get help navigating your children's college admissions and financing process. You'll have access to workshops, resources, and one-on-one counseling sessions to help you and your children navigate and plan for their college education.

### Tuition Assistance

Microsoft provides financial assistance for tuition expenses related to Microsoft. The maximum reimbursement amount per calendar year is \$5,250 for undergraduate coursework and \$10,000 for graduate coursework. In addition, you have access to qualified academic counselors to help you develop a personalized plan to identify the school and program offerings that are best for your career goals.

### Get Connected

Microsoft's employee resource groups provide a community that can help you navigate Microsoft and make the most of your experience. There are also many employee networks based on several different topics and social groups for common interests and hobbies.

# Retirement

Most everyone wants to retire. For many, retirement is no longer equated with a particular age. Instead, retirement is associated with the achievement of financial independence and the ability to choose whether to work or not.

Today, funding retirement is more and more the responsibility of the individual. To facilitate the employee's need to invest money for retirement, many employers offer tax-advantaged programs such as the 401(k) plan.

# Microsoft 401(k) Plan Highlights

## Eligibility

Generally, all employees on Microsoft payroll who are at least 18 years of age are eligible to enroll in the Plan. Employees are immediately eligible to enroll. Payroll deductions will start within two pay periods after enrolling.

## Payroll Deferral Contributions

Can contribute 1% to 50% of eligible compensation on a per pay period basis, subject to annual IRS dollar limits (\$19,500 for 2021) through payroll deductions. Contributions can be characterized as pre-tax, Roth, and/or After Tax. Non-Roth After Tax contributions are limited to \$28,750 and cannot exceed 65% of eligible compensation. Contribution percentages can be changed at any time, and will generally occur within one to two payroll periods.

Individuals who are age 50 or older and contribute the maximum federal limit or Plan maximum limit, can make an additional contribution to their 401(k) plan up to \$6,500 in 2021, not to exceed 65% of eligible pay.

## Company Matching Contributions

Microsoft will make a pre-tax matching contribution of 50 cents for every dollar (up to \$9,750).

## Vesting

Employees are immediately fully vested in any of their deferral contributions as well as company matching contributions and any investment earnings from either.

## Loans

Participants may borrow from their Microsoft 401(k) Plan. The minimum loan amount is \$1,000 and must not exceed the lesser of \$50,000 or 50% of the vested balance of the account. A \$100 loan establishment fee will apply to each loan. The money is paid back into the participant's own account, plus interest, through after-tax payroll deductions.

## Withdrawals

Withdrawals from the 401(k) Plan are generally permitted when an employee terminates employment, retires, becomes permanently disabled, or has a severe financial hardship as defined by the Plan. Microsoft also allows withdrawals from the Plan once an employee has reached age 59 ½ even if that individual is still an employee.

## Roth Conversions

In plan conversions to the Roth account are allowed at any time of all funds, except for outstanding loan balances.

## Enrollment & Account Management

To enroll, receive up-to-date Plan information, make account changes, take out a loan or withdraw, call the Fidelity Retirement Benefits at (888) 810-MSFT (6738) or connect online with a dedicated Microsoft team at Fidelity at <https://nb.fidelity.com/public/nb/default/home>.

# Microsoft 401(k) Investment Choices

Cash, Bond, & Balanced Funds	
Money Market Fund	BlackRock Short-Term Investment Account
Bond Funds	<ul style="list-style-type: none"> <li>▪ Vanguard Short-Term Bond Index Fund Inst. Plus Class</li> <li>▪ PIMCO Total Return Account</li> </ul>
Stock Funds	
Large Value Fund	Vanguard Russell 1000 Value Index Trust
Large Blend Fund	Vanguard Institutional S&P 500 Index Trust
Large-Cap Growth Fund	<ul style="list-style-type: none"> <li>▪ Fidelity Contrafund® Commingled Pool</li> <li>▪ Fidelity Growth Company Commingled Pool</li> <li>▪ Vanguard Russell 1000 Growth Index Trust</li> </ul>
Mid-Cap Growth Fund	Artisan Mid-Cap Account
Small-Cap Value Fund	DFA Small/Mid-Cap Value Account
Small-Cap Growth Fund	Vanguard Russell 2000 Growth Index Trust
Global/International Funds	<ul style="list-style-type: none"> <li>▪ Russell International Value Account</li> <li>▪ Russell International Growth Account</li> </ul>
Speciality Fund	<ul style="list-style-type: none"> <li>▪ Fidelity BrokerageLink®</li> </ul>
Asset Allocation Funds	
Diversified Inflation Response Fund	<ul style="list-style-type: none"> <li>▪ PIMCO Inflation Response Multi-Asset Fund</li> <li>▪ PIMCO All Asset All Authority Fund</li> </ul>
BlackRock LifePath® Index Retirement Fund N	<ul style="list-style-type: none"> <li>▪ LifePath® Index Retirement Fund N</li> <li>▪ LifePath® Index 2025 Retirement Fund N</li> <li>▪ LifePath® Index 2030 Retirement Fund N</li> <li>▪ LifePath® Index 2035 Retirement Fund N</li> <li>▪ LifePath® Index 2040 Retirement Fund N</li> <li>▪ LifePath® Index 2045 Retirement Fund N</li> <li>▪ LifePath® Index 2050 Retirement Fund N</li> <li>▪ LifePath® Index 2055 Retirement Fund N</li> <li>▪ LifePath® Index 2060 Retirement Fund N</li> <li>▪ LifePath® Index 2065 Retirement Fund N</li> </ul>

## ✓ EXERCISE

1. Susan is 60 and started making Roth contributions for her 401(k) Plan four years ago. Is she eligible for tax-free distributions of the earnings on her Roth contributions?  
YES                      NO
2. Employees can only make either Traditional pre-tax contributions or Roth contributions to a 401(k) Plan—not both.  
TRUE                      FALSE
3. Elwin is 37 and his gross salary is \$94,000 per year. If he makes the maximum Roth contribution to his 401(k) Plan, what will his taxable salary be?
  - A. \$47,500
  - B. \$75,000
  - C. \$94,000
4. Chris is in the 25% tax bracket and saves \$13,000 a year as Traditional pre-tax contributions to their 401(k). If they switch to making Roth contributions instead, what is the impact on their annual tax liability?
  - A. They will pay \$3,250 less in taxes
  - B. There is no change to their annual tax liability
  - C. They will pay \$3,250 more in taxes
5. As a follow-up to the previous question, if Chris makes Roth contributions instead, what is the impact to their bi-weekly take-home pay?
  - A. Each check will decrease by \$125
  - B. Their check will remain the same
  - C. Each check will increase \$125
6. Tambor is 64 and has chosen to make Roth contributions since joining Microsoft six years ago. His 401(k) Roth account has a balance of \$1,000,000. Of this balance, \$600,000 is from rollovers and payroll contributions and \$400,000 is from earnings. He also has a Traditional 401(k) account that has contributions from Microsoft only. If he takes a \$50,000 qualified distribution from his Roth 401(k) this year, how much of it will be subject to taxation?
  - A. \$30,000
  - B. \$20,000
  - C. \$0
  - D. \$50,000

Answers can be found on page 33.

Log into the NetBenefits® website at [www.netbenefits.com/microsoft](http://www.netbenefits.com/microsoft) to find a variety of online tools and resources that can help you get the most out of your Microsoft 401(k) Plan. Here are just a few examples:

**Planning and Guidance Center** from the Tools tab, click on Planning

**Annual Financial Check up:** See how your financial wellness stacks up. Access through [www.netbenefits.com/financialwellness](http://www.netbenefits.com/financialwellness)

# The Microsoft ESPP

The Microsoft Employee Stock Purchase Plan (ESPP) allows you to buy shares of Microsoft common stock at a 10% discount through after-tax payroll deductions. If you wish to participate in this voluntary plan, you must enroll and designate a contribution percentage.

## Eligibility

All employees of Microsoft and its subsidiaries or affiliated entities are eligible to participate in the ESPP provided your hire date is prior to the beginning of the ESPP offering period (defined later) and you are customarily employed for more than five months of the year.

## Offering Periods

Shares of Microsoft common stock are offered for purchase through a series of offering periods. An offering period is the period of time over which payroll deductions are accumulated in order to purchase stock within an employee stock plan. Offering periods at Microsoft run 3 months in length as follows:

- January 1–March 31
- April 1–June 30
- July 1–September 30
- October 1–December 31

Once you become a participant in the ESPP, you are continuously enrolled. This means you don't need to re-enroll for each subsequent offering period.

## Contributions

Microsoft employees can elect to set aside between 1% and 15% of their compensation to purchase stock. Eligible compensation is defined as performance-based salary, which includes regular and overtime salary, vacation and sick pay, performance-based review bonuses, and commissions.

Payroll deductions are calculated as a percentage of pre-tax income, but are deducted after-taxes. No interest is earned on contributions.

## Example

Payroll deduction rate for the 3-month offering period	15%
Base pay per pay period (assuming semimonthly pay periods)	\$4,000
ESPP payroll deduction per pay period (deducted from after-tax pay)	\$600
Total ESPP payroll deductions for the 3-month offering period (based on semimonthly pay periods)	\$3,600
Ending price for the 3-month offering period	\$200.00
Purchase price for the 3-month offering period (10% discount)	\$180.00
Number of shares purchased ( $\$3,600$ total ESPP deductions divided by $\$180/\text{share} = 20$ shares)	20 Shares

**A basic outline of the tax implications for the sale of shares acquired through an Employee Stock Purchase Plan can be found in the Appendix.**

You may enroll or change contribution rate for upcoming ESPP offering by using Fidelity NetBenefits at <http://netbenefits.fidelity.com>.

## \$25,000 Stock Plan Purchase Limit

Section 423 of the Internal Revenue Code governs employee stock plans and limits an individual participant from purchasing more than \$25,000 worth of common stock in any one calendar year. This \$25,000 limit is determined on the basis of the fair market value of the company's stock on the first date of an offering period. Keep in mind that the maximum actual contribution amount you can set aside is less than \$25,000 due to the discount received when purchasing stock through an employee stock plan.

Because the Microsoft ESPP purchase price is based on the last day of the offering period, Microsoft is unable to determine the exact amount of money you can contribute before reaching the limit. Therefore, a cap is not placed within the payroll system to limit contributions to a certain amount.

If you exceed the limit, you will receive a refund of the ESPP contributions after the maximum number of shares has been purchased. The excess funds cannot be carried forward to the following calendar year and must be refunded. Any refund will be paid within two pay periods after the end of the offering period.

You should monitor year-to-date ESPP contributions. To avoid a large ESPP refund, you may choose to suspend ESPP participation by means of Fidelity NetBenefits. Suspension will allow you to purchase ESPP shares by using the money already contributed while stopping payroll deductions for the remainder of the current offering period. For additional information regarding suspending contributions, see the section entitled *Suspending or Withdrawing Enrollment*.

# Purchasing the Stock<sup>9</sup>

- Your accumulated payroll deduction amounts are used to purchase company stock.
- The stock purchase price is 90% of the fair market value (FMV) on the last business day of the offering period.
- FMV is generally the closing price of the common stock as reported on NASDAQ.

## Other Ways to Help You Prepare for Your Future

### Student Loan Refinancing

Save money and simplify payments by consolidating and refinancing federal and private student loans with SoFi or First Tech Federal Credit Union.

### Financial Education

The Microsoft Employee Financial Education Program with Financial Knowledge helps you make informed decisions about your benefits and outside investments. Visit <https://fkn.financialknowledge.net/?idp=MSFT> to register and view recorded classes (as of 1/28/20) including:

- Buying a Home
- Investing 101
- Smart Strategies for the Microsoft 401(k) Plan
- Understanding Microsoft Stock Awards & the Tax Implications
- Understanding the Microsoft ESPP & the Tax Implications

### Be Well, Microsoft's Global Well-Being Program

Be Well offers a variety of choices so you can decide what works best for your well-being journey. From physical activity to stress management to saving for retirement, Be Well has you covered, with activities, programs, and resources to help you care for your body, nurture your mind, and invest in your future. Learn more at [aka.ms/BeWell](https://aka.ms/BeWell).

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<sup>9</sup> You are able to purchase fractional shares via the ESPP program. There is no refund after purchase for these partial shares.



# Suggested Action Items

*The following are suggestions only. Whether you wish to take action should be based on your own individual situation and circumstances.*

1. Outline your goals for wellness, wealth building, income protection and work-life balance
2. Review all coverage and fringe benefits available to you, then work on your household budget (if needed) in order to make room for the resources dedicated toward your benefit choices
3. Use the Plan Selection Guidelines outlined in this course to guide you in choosing the right level of medical coverage for you and your family
4. If you have already determined what you can afford to dedicate toward your benefits, prioritize your choices based on the benefits or areas of coverage most important to your financial well-being
5. Use the worksheet and resources in the Appendix to help you determine how much of your after-tax funds are needed to fund your benefit choices
6. Confirm and update beneficiaries on all accounts and plans

# Appendix

Use the worksheet below to help you determine how much of your after-tax funds are needed to fund your benefit choices.

Benefit	Payroll Deduction Per Pay Period	Amount per year	Per Pay Change Take-Home \$	\$ Added by Microsoft
<b>TOTAL NET COST*</b>				

\* This number will be the basis for changes that may be needed to your Household/Personal Budget in order to make room for the after-tax cost of your benefit elections. Consider reviewing your monthly discretionary expenses as a start.

You can use a deduction estimator, such as the one listed below from [bankrate.com](http://www.bankrate.com) to help you in estimating the effect of pre-tax and after-tax deductions on your overall take-home pay:

<http://www.bankrate.com/calculators/tax-planning/payroll-tax-deductions-calculator.aspx>

## ✓ EXERCISE

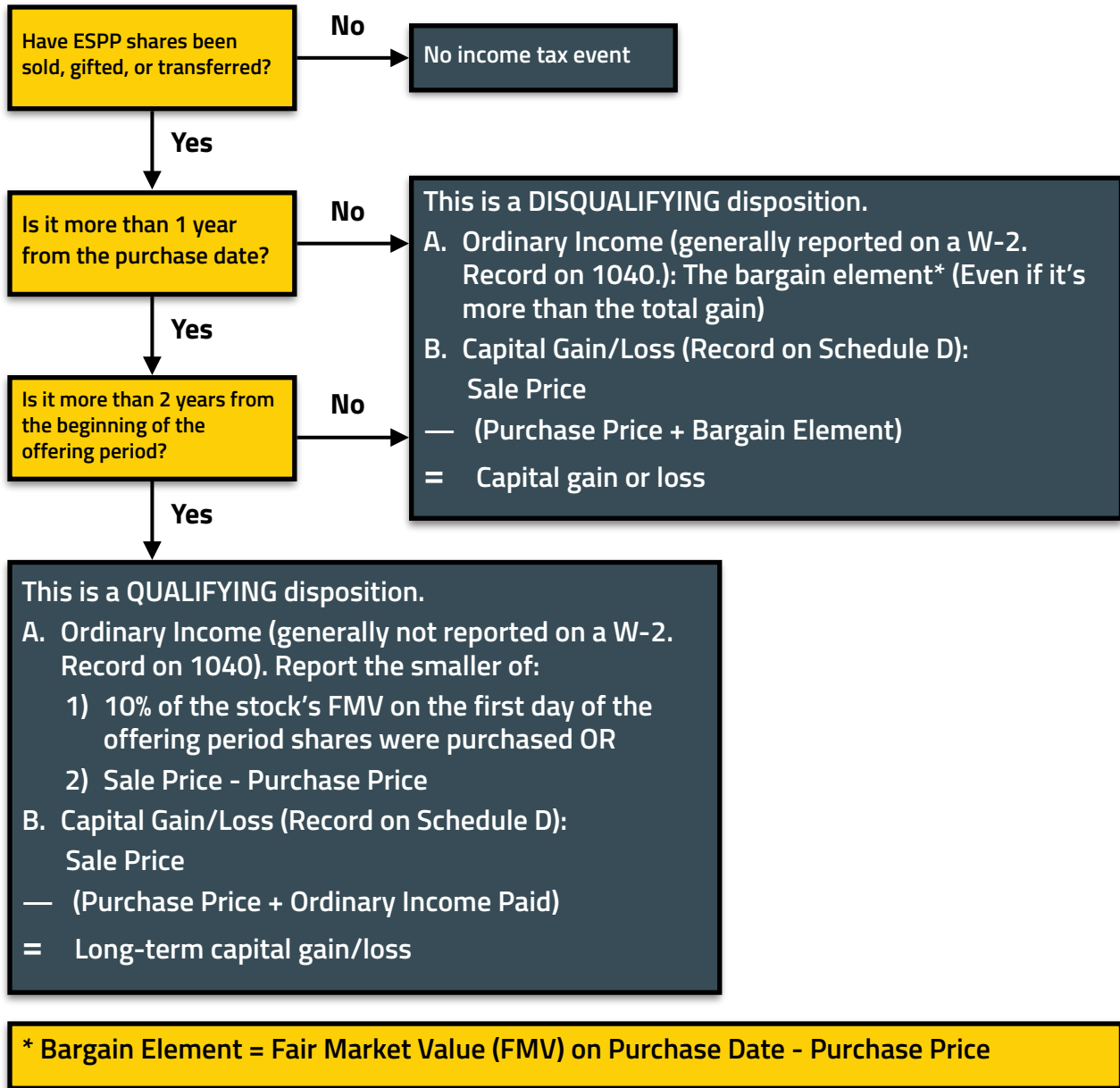
Complete the worksheet below to determine your life insurance needs.

	Funds Needed	Amount	Example
A	Funeral, Burial, Legal and other Final Expenses		\$10,000
B	Estate Taxes		
C	Mortgage Payoff (optional)		\$200,000
D	Car Loan(s) Payoff		\$15,000
E	Other Outstanding Debts Payoff		\$5,000
F	College Tuition		\$200,000
G	Retirement Funds		
H	Wedding Funds		
I	Readjustment Expenses (i.e. childcare, housekeeping, meal preparation, career training, etc.)		
J	Special Family Needs		
K	Vacation Fund		
L	Other		
<b>M</b>	<b>SUBTOTAL (Total A through L)</b>		<b>\$430,000</b>

Survivor's Ongoing Living Expense Needs			
N	Current Household Expenses		\$75,000
O	Target Percentage		67%
P	Survivors' Annual Expenses (N x O)		\$50,250
Q	Social Security Benefits		
R	Pension Benefits		
S	Spouse's Take-Home Pay		\$40,000
T	Annual Need [P - (Q + R + S)]		\$10,250
U	Number of Years Needed		46
<b>V</b>	<b>SUBTOTAL (T x U)</b>		<b>\$471,500</b>
W	Total Amount Needed (M + V)		\$901,500
X	Current Insurance Coverage Amount		\$250,000
Y	Income Producing Assets		\$150,000
<b>Z</b>	<b>ADDITIONAL LIFE INSURANCE NEEDED [W - (X + Y)]</b>		<b>\$501,500</b>

# Tax Implications of the Microsoft ESPP

If shares are purchased under an employee stock plan, no income is reported as a result of the purchase. Instead, ordinary income and capital gain/loss are reported when the stock is disposed. Please consult a tax adviser before disposing of employee stock plan shares. The tax treatment will generally depend on the IRS holding period requirements in the chart below.



# Organizations & Websites

<b>American Association of Individual Investors</b> <a href="http://www.aaii.com">www.aaii.com</a> (800) 428-2244	<i>A not-for-profit corporation formed to assist individuals to become effective managers of their own assets through education and research.</i>
<b>Employee Benefit Research Institute (EBRI)</b> <a href="http://www.ebri.org">www.ebri.org</a>	<i>A non-profit, non-partisan organization committed exclusively to data dissemination, policy research, and education on economic security and employee benefits.</i>
<b>Fidelity Investments</b> <a href="http://netbenefits.fidelity.com">netbenefits.fidelity.com</a>	<i>The website features a Retirement Income Calculator and Portfolio Review among many other tools to help you stay on-track for retirement planning.</i>
<b>Kiplinger Finance</b> <a href="http://www.kiplinger.com">www.kiplinger.com</a>	<i>Offers stock quotes, mutual fund rankings, financial frequently asked questions, and interactive resources.</i>
<b>Microsoft HRweb</b> <a href="http://benefits.me.microsoft.com">benefits.me.microsoft.com</a>	<i>The complete guide to understanding your benefits as a Microsoft employee. The website can be used to track your balances, information on policies, and plan guides.</i>
<b>Money</b> <a href="http://time.com/money/">http://time.com/money/</a>	<i>Features text from Money Magazine, guides to mutual funds, company reports, etc.</i>
<b>Morningstar</b> <a href="http://www.morningstar.com">www.morningstar.com</a> (312) 696-6000	<i>Provides research and data analysis on performance history, portfolio holdings, operations and more for stock and bond mutual funds. Publishes a newsletter entitled Morningstar Fund Investor.</i>
<b>Investment Management Education Alliance</b> <a href="https://imealliance.com/">https://imealliance.com/</a> (816) 454-9422	<i>The Alliance is a not-for-profit organization that collects and distributes information on mutual funds that have little or no sales commissions.</i>
<b>National Association of Investing Corporation (NAIC)</b> <a href="http://www.betterinvesting.org">www.betterinvesting.org</a>	<i>Offers mutual fund education tools to evaluate fund choices.</i>

# Answers to Workbook Exercises

## Page 2

All answers should be checked off YES.

## Page 15-16

1. B
2. D
3. D
4. A
5. Pay his bills as usual; no reimbursement available. However, he might want to consider raising his contribution amount next year.
6. Find a way to spend the money by year-end. For example, purchase medical supplies, get new contacts or glasses, and/or have preventive appointments with the dentist or doctor. In addition, he should consider lowering his contributions for the following year.
7. D, if you pay expenses on a pre-tax basis through your flexible spending accounts, you may not claim the same expenses as a tax deduction too.
8. A
9. B
10. B
11. C
12. C
13. D

## Page 19

1. FALSE
2. TRUE
3. TRUE
4. TRUE

## Page 24

1. NO
2. FALSE
3. C
4. C
5. A
6. C

**For formatting reasons, this page intentionally left blank.**

09.22.21

SEND US FEEDBACK!

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[www.financialknowledge.com](http://www.financialknowledge.com)