

As Open Enrollment Approaches, Do a Benefit Checkup

With the pressures we face on the job, very few of us think about reviewing every benefit we get from our employers – unless something goes haywire.

The last recession made everyone think about their self-directed retirement plans because the market took such a serious drop. Health care premiums are going up all the time, and that always causes worry. But before you adjust or change your benefit selection, take a moment to research what you'll do when your company's open enrollment period begins.

Open enrollment is a one-month period – usually in the fall - where companies let their employees sign up for various health and retirement savings benefits as well as smaller benefit options that may be unique to a company. You're going to be stuck with these choices for a whole year – why not take a little extra time to understand your potential choices?

Employee benefits are a very important component of an individual's financial plan. That's why it makes sense to talk about your benefit choices with a financial planner or your human resources professional to see how such choices at work fit into your overall financial strategy.

Some critical issues you should check before you choose your benefits for the coming year:

Use open enrollment as a chance to check your 401(k) holdings: Most companies allow more than one chance per year to adjust the holdings in your 401(k) retirement accounts, but fall is a good time to see if your holdings still fit your age, your risk tolerance and the kind of retirement you want. It's worthwhile to get some advice on this matter. And of course, if you're not a member of a 401(k) – it's hard to find a good reason not to join, particularly if your company matches your contribution.

Review your health plan choices: During open enrollment, make sure you think about all the health issues you've experienced throughout the year. It could be a diagnosis of a chronic disease, the birth of a child, or the need to place a new spouse or partner on your coverage - open enrollment is the only time of the year where you can make those changes. If you're under the age of 35 with no significant health problems, opt for a lower-premium plan that requires higher co-pays or deductibles. Also, many plans limit lifetime benefits to \$1 million, but if a cheaper plan has a low cap (of \$100,000, for instance), you really need to ask yourself how much risk you're willing to take on. Also, don't forget dental coverage – tooth care can be very expensive.

Don't forget prescription coverage: You need to look at your prescription needs and find the best insurance choice to cover them. While you may have a co-pay of \$5 to \$10 for generics, can you afford a brand-name drug that may carry a co-pay of \$50 or more if you need it? Make sure you understand the tier system within your pharmaceutical plan and pick the right one for you.

Understand the FSA/HSA maze: A Flexible Spending Account (FSA) is an account employer's offer so workers can deposit funds to pay their out-of-pocket health and dependent care costs on a pre-tax basis. However, workers need to make a good estimate on the funds they'll use by yearend because excess funds can't be carried over. Health Savings Accounts (HSAs) allow workers to save pre-tax dollars for health care costs without the "use it or lose it" restrictions of FSAs.

These dollars often can be directed into different investment accounts and used on a tax-favored basis in retirement. HSAs must be paired with high-deductible health insurance that carries a \$1,000 individual/\$2000 family deductible.

Weigh the freebies: Depending on the size of your organization, you might get a break on gym or vacation packages or discounts and freebies at certain retailers. Also, keep an eye on matching contributions to charities – it will allow you to give more at a fraction of the cost.

Check on education benefits: Tuition for college or professional seminars is extremely valuable because it can help you advance in your career. If your company offers to pay for coursework of any kind – even courses taken strictly for fun – don't ignore that benefit.

For more information on health benefits, check out www.PlanforYourHealth.com, an educational campaign sponsored by the Financial Planning Association® and Aetna.

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