

Making the Most Of Benefits Picks --- The right choices during open enrollment can help you save money and build wealth

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FULL TEXT

Workers are often told to get a job with good benefits, but they rarely think about why.

At many companies each fall, employees receive a thick booklet in the mail, or their inboxes, listing myriad options for financial, health, and other benefits. Many skip over the more complicated ones in favor of simple, quick choices.

Going quickly, however, is a mistake. Choosing the right benefits during open-enrollment season can help save money and build wealth. It can also give individuals and families broader support with their health. Benefits like medical coverage are particularly crucial as the pandemic continues.

There are other big reasons to be purposeful this year. In a tight labor market, employers have been ramping up benefits, offering more options. At the same time, as inflation starts to hit people's budgets, consumers are growing more cost-sensitive about monthly paycheck deductions and whether the associated benefits are really worth it.

As many employees make their decisions this month, here's advice from benefits professionals and financial experts on how to choose benefits to boost your bottom line.

Do a cost comparison

For medical insurance, many providers will link to an expense calculator to help members choose the right plan, said Dan Keady, chief financial planning strategist at TIAA. If you started a new medication or expect to make more primary care visits in the next year, use the calculator to see if a lower deductible plan makes sense.

Employees with partners and spouses who work at another company should compare benefits to see which are best for their household, said Maameamba Arthur-Price, an employee-benefits consultant and founder of MA Enterprise Group.

If your spouse's open-enrollment period doesn't coincide with yours, she said, sign up for one, then use the other as an opportunity to cost-compare.

Additionally, compare the price of your company's benefit with what you're paying and getting elsewhere. For example, more employer-benefit packages are incorporating pet insurance, according to the Society for Human Resource Management, and it might be cheaper than your current policy.

Pull your benefits into your budget

Employees could miss out on important savings if they take a "one-click" approach to open enrollment.

Elayna Tell, a 33-year-old operations manager based in Baltimore, recently sat through a benefits seminar at her company, a nonprofit organization she joined in April. After noticing her electric bill and food prices ticking up -- along with the premiums for the medical and dental insurance plans she intended to choose -- she decided to budget her elections carefully.

"It's really hard to see how much money is being taken out by your employer and how that really works in the long term for your benefits," Ms. Tell said. Though her employer's open-enrollment deadline is Nov. 12, Ms. Tell said she is leaning toward the company's "80/20" medical insurance plan -- in which providers pay 80% of healthcare costs,

leaving the employee to pay 20% after the deductible has been met – because she expects more medical treatment next year.

To choose the benefits that will yield the most financial returns, Mr. Keady said, consider reviewing your employer's options alongside your own budget. That way, you might create some slack around line items that are creating the most pressure.

For example, if you review the past few months of your expenditures and notice that the cost of child care has crept up, you might check to see if your employer offers a dependent-care flexible spending account, or FSA. This would effectively save you money by allowing you to pay that bill with pretax dollars, he said.

Watch your healthcare FSA contributions

A few things are new this year for those using healthcare flexible spending accounts. The IRS has informed employers that for 2022, workers can carry over the full amount of their FSA savings from this year. Check to see if your employer opted into this change.

The federal government made changes to assist FSA participants during the pandemic, such as expanding coverage to include certain over-the-counter drugs and items such as Covid-19 at-home test kits.

New financial and mental-wellness benefits

In addition to pet insurance, other types of benefits are slowly becoming standard among companies that want to compete for talent, such as financial-wellness programs, said Johnny Taylor, president and CEO of SHRM.

According to SHRM's benefits survey conducted last year, 85% of responding organizations offer specific mental-health coverage, and 25% reported expanding those benefits.

Ms. Arthur-Price said one of her clients just upped its offering of fully covered mental-health visits to five a year from three.

Find opportunities for long-term savings

Employers offer health savings accounts, or HSAs, to workers in high-deductible health plans to help pay for medical expenses.

HSAs allow employees to set aside pretax dollars to pay for services and prescriptions out-of-pocket. The government has raised the cap for 2022 contributions slightly – \$3,650 for individual coverage, and \$7,300 for family coverage. These accounts have many tax incentives that make them a potent strategy for long-term savings, said Bud Boland, a certified financial planner at Atlanta-based Brightworth.

One way to use this benefit: HSA money can be invested and grow tax-free. If you keep meticulous receipts for your medical expenses, you can withdraw funds from the account tax-free during retirement and reimburse yourself. "Let it grow for years and years, and use it for health expenses down the road in retirement," Mr. Boland said.

Electing sufficient disability coverage is important, he said. For long-term disability plans in which the employee pays the premium with after-tax dollars, benefits paid out are tax-free.

Invest your benefits savings

Employees could use open enrollment to bump up their contribution to their 401(k) account or check whether their company has changed its match policy.

"If the company is matching you, take every bit of dollar," Ms. Arthur-Price said. "Don't ever leave money on the table."

Credit: By J.J. McCorvey

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