Open Enrollment:
Boost Your Financial Well-Being

Your life isn't static. Your decisions about your employee benefits shouldn't be either.

This year, as the annual open enrollment season for your employee benefits program gets underway, bypass the urge to simply check last year's boxes. Instead, take a quick personal inventory of how your life has changed over the past year—or may change soon. Perhaps you've received a promotion or had a change in your marital status. Maybe you're anticipating a new child, moving into a new house, or getting ready to make college tuition payments. Take these changes into account as you review the benefits your employer offers, how you are using them, and whether any you may have skipped over in the past might make more sense for you now given your new circumstances.

Your employer likely offers a wide range of benefits that can help improve your financial health, including some that may not be readily available outside the workplace. Typically, these benefits were chosen only after careful research and consideration. Often, they feature attractive institutional pricing. In some cases, your employer may cover all or some of their costs. And where you are required to help pay for benefits, your employer may facilitate payment via convenient payroll deduction.

Even in those instances where your employer pays in full for a particular benefit, consider whether the standard offering is sufficient for your needs. If it is not, consider taking advantage of additional voluntary coverage available from your employer, or purchasing additional benefits on your own. Voluntary benefits allow you to customize your benefits package to your needs and help ensure that you spend your "benefits buck" in the most efficient way possible.

Five Things to Think About During Open Enrollment

- ✔ **General health.** Use tools to estimate your ordinary estimated out-of-pocket costs for the upcoming year.
- ✔ **Health event.** Consider how to fund out-of-pocket costs resulting from an accident, critical illness, or hospital stay.
- ✔ **Disability event.** Have a plan for your safety net, including caregivers and liquid savings, in the event you couldn't work temporarily due to a disability.
- ✔ **Premature death.** Estimate how much your family would need to stay on track if something happened to you.
- ✔ **Long-term financial goals.** Focus on managing day-to-day finances so that you can also save adequately for the future.

Your Personal Financial Check-Up: Getting Started

Begin your personal financial check-up by asking yourself these four questions:

1) How would I pay for expenses not covered by health insurance if I had a major health event?

Selecting the medical insurance plan that is optimal for your situation is usually first and foremost in mind during open enrollment. To assist with this important decision, many employers provide a tool that includes data on your actual medical expenses from the previous year. Using this data, the tool models what your out-of-pocket expenses would have been under each of the current offerings. Such tools often allow you to model your estimated medical expenses for the next year.

However, medical insurance is often not enough to keep employees in good financial health. Millions of Americans report problems paying medical bills, including about six in 10 who were covered by medical insurance at the time of treatment.[1] Research indicates that two-thirds of all bankruptcies are tied to medical issues, relating either to high costs for care or time out of work.[2]

Over half (52%) of individuals say they do not have enough savings to cover three months' expenses if income were lost.

To help employees manage these risks, many employers offer various types of insurance that can supplement traditional medical and disability insurance benefits, including critical illness insurance, accident insurance and hospital indemnity insurance. Often offered as voluntary benefits, these insurance products can provide additional cash to help cover eligible medical and non-medical out-of-pocket expenses or to offset a portion of lost wages.

Here again, the risks are greater than many people imagine. One in three Americans will develop cancer during their lifetime.[3] And U.S. emergency rooms log nearly 40 million injury-related visits per year, equal to one visit for every eight Americans.[4]

2) How many months would my short-term savings last if I couldn't work due to a disability?

If your answer is less than three months, you're not alone. Fifty-two percent of Americans say they do not have enough savings to cover three months of expenses if they were to lose their regular income.[5] Should that happen, they may need to take on new debt or withdraw money from their 401(k) retirement savings plan, either of which could cause long-term financial damage.

While it is common to believe that disability "will never happen to me," the odds are actually worse than many people think. For example, a 20-year-old worker has a one-in-four chance of suffering a short- or long-term disability before they retire, a risk that only 23% of employees recognize.[6] Top causes of disability are less extraordinary than you might think, too. They include musculoskeletal issues, cancer, injuries, cardiovascular problems, mental disorders, and pregnancy.[7]

One in three Americans will develop cancer during their lifetime. Emergency rooms logged nearly 40 million injury-related visits in one year.

Disability insurance can help protect against the financial risks associated with disability, and it pays to think carefully about how much coverage you might need. Even if your employer provides a certain level of disability insurance, you may want to buy more depending upon your circumstances. Employees who are the sole breadwinner in their household, for example, or who have little savings, may find that extra coverage makes sense for them.

Keep in mind that income from disability insurance is generally taxable when the employer pays the premium. That means you may need additional coverage to get the after-tax amount you need. On the other hand, if you are paying the premiums, any income derived from disability insurance is tax-free.

3) What is the value of all I do—and how much financial support would my loved ones need if something happened to me?

Life insurance is a safety net that can help families stay on track toward reaching their financial goals. If you die prematurely, life insurance can help your family replace the income you would have earned had you not passed away. But life insurance isn't just about covering the loss of your salary. It's also about making sure your family continues to have access to a range of services you may have helped to provide while you were alive, such as caregiving, cooking, housecleaning, and providing transportation for family members.

Many employees underestimate how much life insurance they need. Forty percent believe an amount equal to three times their salary, or less, is enough—well below the industry recommendation of seven to 10 times salary.[8] When deciding how much coverage you need, consider the value of all you do, especially if you have young children, and keep in mind the rapidly rising cost of college and child care.

Your employer may offer educational tools, including calculators, to help you decide what level of life insurance coverage is right for your household. If your employer offers spousal coverage, consider whether that makes sense for your family, too.

4) Beyond "open enrollment" benefits, what other workplace offerings should I consider that might help me save for long-term goals?

Fifty percent of U.S. households are at risk of not having enough money to maintain their standard of living in retirement.[9] Open enrollment season may be a good time for a financial check-up to determine what steps you can take today to improve your financial health so that you stay on track to meet your retirement goals. To help with these challenges, many employers now offer their employees financial wellness programs featuring an array of educational and planning tools.

One common offering—budgeting tools—can help you align your spending with your earnings and better understand how much money you can allocate to major expenses, like housing, while still saving for long-term goals. Another—access to financial coaching or a financial advisor—can be a great source of personalized financial education or advice.

And if your employer offers the chance to create an emergency savings account linked to your workplace retirement plan, you can use this relatively new benefit to begin building, or adding to, your emergency nest egg.

Because student loan debt has become a significant financial burden for many Americans, a growing number of employers also have begun to offer resources that help employees evaluate their student loan consolidation and repayment options. Some employers will even contribute toward employees' student loan debt payments.[10]

These offerings may help you better manage your day-to-day finances so that you can adequately save for retirement. If you aren't contributing much to your workplace retirement plan, consider bumping up your contribution at least enough to get the full employer matching contribution. If your employer matches your contributions up to the first 6% of salary, for example, be sure to contribute at least 6% of each paycheck to your plan. Also, check to see whether your 401(k) statement provides an estimate of your expected retirement income based on your current account balance; that data can be helpful in assessing progress toward your goals. If you are uncertain about how best to save and invest for retirement, take advantage of any online financial planning tools that might be available at work.

In planning for your future health care needs, check to see whether your employer offers a high-deductible health plan. If it does, you may be able to contribute to a health savings account (HSA), which offers a trio of tax benefits. Contributions to an HSA are tax-deductible, earnings are tax-free, and withdrawals are non-taxable if made for qualified healthcare expenses. Also, money in an HSA can be rolled over from year to year, even in retirement.

Conclusion

Like most Americans, you probably face financial challenges from time to time. But it's also likely that your employer offers a wide array of resources that can help you with those challenges—help you manage your day-to-day expenses, protect against key financial risks, and work toward achieving your long-term goals. During this year's open enrollment season, take time to explore all of the benefits your employer offers, think about how they may fit into your life, and make sure you're getting full value from everything that's available to you.

Unions and professional associations may be able to help

With a growing number of Americans earning a living as independent workers, not everyone has access to traditional workplace benefits. If this describes you, consider that any unions or professional associations you participate in might be able to provide some help. These organizations often offer access to insurance, savings, and other financial products that can make it easier and more affordable to improve your financial health.

Endnotes

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