

Congratulations, you've landed a new job!

On the first day of your new job, you are handed a very large packet of paperwork and asked to choose your employee benefits. Where do you start? The most common categories of employee benefits are health care, life and disability protection, and retirement savings.

Health Care

Traditional health insurance coverage is typically offered by a third party benefits provider. Through your employer, you will be offered a choice of health insurance plans, which all vary in their coverage and cost. You pay your premiums with pre-tax dollars, and generally, your employer absorbs a portion of the premium costs. The two most common types of plans provided are the following:

Preferred Provider Organization (PPO)

A PPO is the most flexible type of health plan, offering a broad network of doctors and hospitals that you can choose from. If you prefer, you have the flexibility to choose a doctor or hospital outside of the network, but there may be additional costs.

PPOs are often offered as either high deductible or low deductible plans. If you are offered a choice, carefully consider the costs versus the benefits based on your unique health and family situation, or ask your wealth advisor to help you weigh your options.

Health Maintenance Organization (HMO)

An HMO is often the most cost effective option; however, it's the least flexible. This type of plan dictates that the primary care physician of your choice — limited to a physician in the provider's network — will coordinate, delegate, or direct all health care services. For example, if you needed to see a specialist of any kind, your primary care physician would need to refer you to the specialist; the exception being an emergency. Services provided by health care professionals without first receiving a referral will not typically be covered by the insurance provider.

In addition to health insurance coverage, you may be offered the opportunity to participate in other health-related programs, such as a Health Savings Account, Flexible Spending Account, dental, or vision insurance.

Health Savings Account ("HSA")

An HSA is often partnered with a high deductible PPO plan and is a way for employees to offset the high deductible. In 2024, employees can make pre-tax contributions up to \$3,850 as an individual or \$7,750 for a family into the HSA every year, and this account can be used to pay for eligible medical expenses. If you are over 55, you can contribute an additional \$1,000 into the HSA. In some instances, employers may also contribute to their employee's account.¹

Your HSA balance can be used for eligible medical expenses at any time, regardless of where you may be employed (or retired). Since this account can be invested for growth, is funded with pre-tax dollars, and can be used tax-free throughout your lifetime, many of our clients utilize these types of accounts as additional tax advantaged investment accounts that can be used to cover eligible medical expenses, when needed, over their lifetime.

Flexible Spending Account (FSA)

Similar to an HSA, an FSA allows pre-tax contributions into the account to be used for eligible medical expenses. In 2023, the maximum contribution amount is \$3,050.² Unlike an HSA, an FSA cannot accumulate a balance over time. Think of an FSA as "use it or lose it"; all annual contributions must be spent on eligible medical expenses every year. In most cases, an FSA is selected in lieu of an HSA, however some companies may offer a "limited FSA" for dental and vision expenses.

Dental

Most employer dental plans cover 100% of routine check-ups and a percentage of the costs associated with major dental work, up to a specific amount. The balance not covered by the insurance will need to be paid by the patient; which might be a good reason to consider an HSA or FSA.

Vision

Most vision plans cover a portion of routine eye exams and corrective eye wear (glasses and/or contacts). Generally, there will be a network of eye care professionals to choose from. This may be another good instance to use your HSA or FSA to cover any costs not covered by the insurance plan.

Life and Disability

The life insurance offered by your employer is group insurance, designed to guarantee that all employees, regardless of health, can be insured. Based on your health and family situation, you may want to speak with your wealth advisor to determine the most appropriate amount of coverage and whether group coverage or an individual policy makes the best sense for you.

Disability insurance will allow you to continue to collect a portion of your salary when you become unable to work due to an illness or accident. Generally, it is prudent to purchase both long-term and short-term disability to help protect your valuable income.

Retirement Savings

The most common type of retirement plan offered by companies today is the 401(k) plan. If you work for a nonprofit organization, school, or government organization, you might be offered a 403(b) or 457 plan instead. In a 401(k), you can contribute up to \$23,000 per year, or \$30,500 if you're age 50 or older, in 2024 on a tax-advantaged basis, and your employer may match a portion of your savings.³

In many instances, the employer will match a portion of the employee's contributions. These employer contributions could be subject to various vesting schedules. A vesting schedule determines the percentage of the employer's contribution that you are entitled to if you leave the company. Each plan provider offers various investment options, allowing the participant to elect how their funds should be invested. The funds in the account will continue to grow tax- deferred until retirement.

Some plans offer the ability to contribute both pre-tax and post-tax (Roth 401(K)) dollars to the plan. In trying to determine what, if any, amount should be contributed to the after-tax portion of the plan, consult with your Mesirow wealth advisor.

Annual Decision-Making

Every year, around the same time, you will have the opportunity to revisit your employee benefit choices during your employer's open enrollment period.

Your Mesirow wealth advisor helps clients make these types of decisions all the time. Please don't hesitate to contact your wealth advisor to help you select the employee benefits that will provide the most value for you and your family.

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1. <https://www.mesirow.com/sites/default/files/PDFs/Wealth/2024-Contribution-Limits.pdf>

2. <https://www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/2023-fsa-contribution-cap-and-other-colas.aspx>

3. <https://www.fidelity.com/learning-center/smart-money/401k-contribution-limits>

4. <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-ira-contribution-limits>

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