

Make the Most of Company Benefits

When the time comes to sign up for next year's company benefits, it is important that you take the time to review all your options and maximize your alternatives. While this is usually no easy task, be sure to read these over and ask the pertinent questions.

Don't assume you know all the details of your health-insurance package

It is extremely important that you fully understand your health-insurance plan and your plan choices. What is your deductible? What is your out-of-pocket maximum? Do you have a co-pay and how much is it? What types of services (preventative/routine) are covered? Be sure to examine your prescription drug coverage while you are at it. Does your company provide dental and vision benefits as well? All of this information and much more can be obtained from your company's human resources department. The HR representatives are also there to help you with questions that arise while browsing through your benefits booklet.

Don't leave any "free" retirement match money on the table

Having a good retirement plan is usually considered the second most important benefit. By allowing your savings to grow tax-deferred for many years, this can pay off huge at retirement. An ideal retirement plan will offer a company match, great investment choices in a number of different asset classes, low expenses, and a strong advice program to help you make the best choices. If your employer will match all or part of your contribution, it is imperative that you take advantage of it, if at all possible. Why would you want to leave free money on the table? If your budget is tight right now, at least contribute some percentage of your salary. Each year, increase your contribution by at least 1% until you're setting aside the maximum allowed.

If you are lucky enough to also have a pension plan in addition to your 401(k) or other retirement-savings plan, learn exactly how the company will calculate your benefits. It's usually based on a formula that factors in years of service and average pay when you retire.

Consider disability insurance

Being out of work for an extended period of time can have a devastating financial impact on your family. The good news is that many employers offer disability insurance. And if you buy this insurance through your employer, you'll usually pay less than if you purchased it on your own. The bad news is that only a small percentage of employees sign up for long-term disability coverage. You may think nothing will ever happen to you, but you'd be surprised how often people need to take advantage of this benefit. Short-term disability typically covers benefits for one year or less. Many times your employer will automatically cover any short-term disability. Long-term coverage typically replaces 50% to 70% of your former salary, and is not an automatic benefit for every employee.

Don't leave your family unprotected without life insurance

Not everyone needs life insurance. If you're single and have no dependents, you might be able to skip this benefit. But if you have a spouse and/or children, you'll need to consider how much insurance is enough. Term-life insurance is by far the most common form of company-offered life insurance. This type of policy pays the beneficiary a predetermined amount of money. Term-life insurance just covers the basics—it doesn't offer the ability to build up cash savings the way whole-life policies do. If you don't currently have a policy outside of the one offered through your employer, investigate how much the premiums would cost you.

Other benefits to investigate

If you're lucky, other options might be offered by your employer. These include flexible-spending accounts, stock options, stock-purchase plans, employee stock-ownership plans, and more. Choose wisely.