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New Year Resolutions

The New Year has begun. Resolutions were made and a few may have already been broken. Employers and employees are breathing a sigh of relief because they don't have to think about benefits for another year. But the truth is, the beginning of a new year is a great time to think about benefits.

Lots of employers have their benefit enrollment meetings and election deadlines at the end of the year. This is just when employees are busy with the holidays, school functions and vacations. They simply don't have a lot of time to really study their options. And, while it is true that participants cannot make changes to some benefit elections now, they may be able to purchase additional voluntary products, make changes to their 401(k) elections, and take time to learn more about their employee benefits.

Employers don't have to wait until next year to get moving on the benefit front either. In fact, it's a great time to "pump up" their current offerings and educate employees on the benefits they already have.

This article is about the benefit options and opportunities that employers and employees have and why they shouldn't wait to tweak benefits that might save cash right now.

Cafeteria Plans

✔ **Cafeteria plans, or flexible spending accounts (FSAs), can be set up at any time during the year.** An employer should have a premium-only plan if employees pay all or a portion of their insurance costs. This allows employees to save between 25 and 40 percent on the dollars they spend for most insurance products.

✔ **What if an employer already has a premium-only plan?** Generally a plan can be amended at any time to add such FSAs as health care reimbursement and/or dependent care assistance accounts.

✔ **If an employer already has a cafeteria plan with FSAs, a new benefit could be added to the existing plan—such as adoption assistance.** An employer could even contemplate increasing the annual limits associated with the company's plan. A little messy mid-year—and probably not advisable—but thinking about it now will help when the next plan year rolls around.

✔ **Another employee "perk" would be to add the IRS grace period to an employer's FSA plan.** This means that employees will have an extra $2\frac{1}{2}$ months to spend any funds they may have left over in the cafeteria plan at the end of the year.

Here's an example. At the end of the cafeteria plan year, a participant may not have incurred enough expenses to spend all the money set aside. Without the grace period those funds would be forfeited to the plan at the end of the year. By instituting the grace period, there is an additional $2\frac{1}{2}$ months in which to incur expenses and spend the FSA money. Although the grace period can't be retroactive, it will be in place for the beginning of the subsequent year.

✔ **Giving away employer flex credits might be something for an employer to consider.** This is similar to a health reimbursement arrangement (HRA), but any unused credits forfeit back to the employer at the end of the plan year. First, it gets employees interested in the plan and they see how easy it is to participate and save money. Also, many will have additional expenses throughout the rest of the year. This makes them think about participating in the plan the following year.

The flex credit doesn't have to be a huge commitment for an employer, just a little "seed" money to get the plan jump-started.

Insurance Coverage

Perhaps an employer has been thinking about offering a high-deductible insurance product but just didn't get around to scoping out all the options. Now is a great time to leisurely and diligently scrutinize the options available. Should he wait until the beginning of the next year? *Sure.* Should he implement mid-year? *That's always a possibility.* Why wait another year for the employer and employees to start saving on premiums?

Health Savings Accounts

Employees might want to set up a health savings account (HSA) along with their qualifying high-deductible health care plans. The full amount of the IRS annual limitation can still be contributed into an HSA even if it is opened during the calendar year.

Health Reimbursement Arrangements

Maybe an employer did move to a high-deductible health plan this year. Employees were a little startled and there was some grumbling. It's never too late to give them a little help with those extra out-of-pocket expenses. Set up an HRA to reimburse employees for their co-payments and health care expenses that go toward their deductible.

Parking and Transit Plans

✔ **An employer should take the time to survey employees on their needs in this department.** A plan can be set up mid-year and start saving taxes right away.

✔ **There's also a new bicycle commuter benefit.** An employer can make available up to $20 per month to employees who bike to work. Participants may use the funds to help purchase a new bike or make repairs.

Employee Education

✔ **Conduct a "check out your paycheck" session.** Now is the time for employees to really look at their paycheck stubs. Are all their elections being deducted as they anticipated? Did someone sign up for a benefit in error? For instance, do they have a payroll deduction for dependent care assistance, but don't have children? A mistake was made somewhere either on their election form or with the input into the payroll system. Better to get it corrected now and not wait until it's too late.

✔ **A short explanation of each deduction seen on their paycheck stub will also ward off misunderstandings.** It doesn't have to be an in-depth explanation, just a short clarification and a resource for more detailed information.

✔ **Remind employees of any leftover balances in their FSA plans.** Follow up with information on the last date on which to incur an expense, turn in a claim and receive reimbursement.

✔ **Make sure participants know how to reprint their enrollment form.** Yes, they did just enroll, and they were supposed to print the information and keep it in a safe place. But gosh—someone used it for their grocery list!

✔ **Next, question employees about their 401(k) elections.** Did they make no election, or is their election very low? Reiterate any employer matching contributions and the importance of saving for the future.

✔ **Remind employees to review and update their beneficiary designation to the 401(k) plan.** Where are their funds invested? Maybe they should consult with an investment advisor. Participants can now take the time for this, and they can generally make changes to their retirement plan at designated times throughout the year.

✔ **One last tip for employers: Please do your employees a favor and put together a list of contacts and/or web sites for all their benefits.** The information was given to them at enrollment time, but they might have to look in several different places to get the information. Where are the summary plan descriptions available? Put that on the list, too.

Unfortunately, most employers can't provide one portal for all their information and benefits. One simple list can let employees know where and how to get their benefit information. A lot of times, employees simply don't do anything because they don't know where to start.

Too Much "Stuff"

Sound like a lot of stuff for the beginning of the year? Take it slow. Suggest that your employer-clients schedule one or two subjects a month to investigate and dig into. By the time next year rolls around, employers and employees will be ahead of the game and more informed about all their benefits.

Of course, some things cannot be readily changed after the beginning of a new plan year. Like elections to the cafeteria plan. A participant would need a valid change in status to make changes to that benefit. But, as you can see, that isn't true for all benefits.

So do your employer-clients a favor and remind them that now is one of the best times to make a benefits New Year resolution.

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