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# The Top Six Mistakes People Make During Open Enrollment

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I recently found a way to save a client over $100,000 over his career by reviewing his employee benefits. We did this by cutting out unnecessary benefits that didn't serve him. These added up to a couple hundred dollars per month in cost.

As I write this in late October, open enrollment is just around the corner. It's a good time to take stock of your situation because November is when you make some big decisions with which you are stuck for the rest of the year. Here are some of the biggest mistakes I see people make when making with their benefits.

1) **Not contributing enough to get the full match in the 401(k)**. This is a big one, because this is free money. People will sometimes ask me if they should invest with me or get the match. I tell them I may be good at investing, but I can't guarantee them a no-risk 50% or 100% return on their money. Make sure that you're taking advantage of the company match. You can find the match by reading the "Summary Plan Description" which has all the details of the plan.
2) **Electing too many supplemental health care options**. These are things like cancer insurance, critical illness plans etc. This is a case by case basis so make sure you read the fine print before doing anything. A lot of these plans are expensive, in the range of $50 - $200/month. And the benefits you might receive can be lacking. One of the plans I reviewed would pay $30,000 if someone got cancer, and the cost was $35/month. I told the client they might be better off getting more term life insurance or to consider Supplemental Disability Insurance that would replace part of your income if you couldn't work due to a covered disability and help preserve your long-term financial security.
3) **Confusing Accidental Death and Dismemberment insurance with life insurance**. AD&D is super cheap, and many companies will offer large policies for very low monthly premiums. AD&D may be appropriate in certain circumstances, however, it's important to understand what you're buying. Many times policies have potential loopholes which allow the insurance company to not pay a benefit. If your company offers it for free it's fine, but generally it may not be worth it to spend dollars on something that potentially has a low likelihood of paying a benefit.
4) **Not benchmarking the cost of the Group Life Insurance**. This is another big one that I see a lot of people waste money on. With Group Life Insurance, the healthy members of a group will often subsidize the unhealthy members by paying higher premiums. If you're healthy, you should benchmark the cost of your group policy versus a private policy. It's possible you may find it's cheaper to do it on your own. Other benefits of owning your own private life insurance policy include that it's portable in case you leave your job, you can convert it to a permanent life insurance policy, and many policies offer the option to purchase a disability waiver of premium.
5) **Not taking advantage of a Health Savings Account (HSA)**. An HSA is a unique type of account and/or one of the most tax-advantaged accounts that you set up with a qualified trustee, which lets you set aside money on a pre-tax basis to pay for qualified medical expenses. What's unique about it is it's triple tax-advantaged. This means the contribution is tax-deductible, the interest grows tax-free, and you can pull money out tax-free to pay for qualified healthcare expenses. A lot of people confuse an HSA with an FSA. The difference is that with an HSA, any unused money will rollover to the next year. And, once you have a $2000 balance, you can invest the funds into a diversified portfolio so it can grow. Keep in mind that to qualify for an HSA you must be covered by a high deductible health plan, have no other health coverage except what is permitted (certain types of FSAs or HRAs can disqualify you), not be enrolled in Medicare, and not be claimed as a dependent on someone else's tax return.
6) **Not reviewing your long-term savings goals**. How are you doing on track for your financial freedom? A lot of people have trouble envisioning how much money they'll need 20 to 30 years from now. A good rule of thumb is that you should be saving between 10 – 20% of your gross income to increase your success for being financially independent by your mid-60's. Make sure to develop a financial plan that will tell you if you're on track or not.

I'm happy to offer a complimentary phone call to help you make sure you don't waste any money in your benefits selections. Feel free to call or email and we can set up a time.