

The Benefits Buffet

BY PICKING WISELY WORKERS CAN SAVE MONEY AND KEEP THEIR BUDGET HEALTHY

FLEXIBLE SPENDING ACCOUNTS

Employees can set aside a portion of their paycheck — before taxes are deducted — to reimburse themselves for medical bills their insurance doesn't cover.

A worker who earns a \$60,000 paycheck would effectively get a 38.65 percent discount on medical bills they have to pay anyway because their stash would duck state and federal income taxes and payroll taxes. That's \$386.50 saved in tax breaks for every \$1,000 set aside. Higher-income workers save even more.

DEPENDENT CARE PLANS

It's the same concept as the flexible spending account, except that it can be used to pay for child care or taking care of a dependent parent. With a \$5,000 cap, our \$60,000 worker could foist more than \$1,930 of their tab onto the government.

By Mark Schwanhauser
Mercury News

Here's an ugly prediction about your finances in 2004: Your pay will remain flat, but your health-care bills will rise. Somehow, you must squeeze several hundred dollars from your budget just to break even.

The solution, however, might be as close at hand as the very same employee benefits package that's causing this headache in the first place. With smart planning, you can plug that budget gap — and cement the foundation for your overall financial plan — by picking your benefits more carefully during the annual enrollment window this fall.

Many workers underestimate the breadth of their benefits. The fact is, benefit plans commonly provide financial building blocks such as medical, disability and life insurance, tax-saving spending accounts, retirement savings plans, stock investments and more. Smart workers won't overlook those benefits this year.

"These things really are interrelated if you want to have them working right," said Glenn Pape, a Human Capital partner with Ernst & Young. "It's like an engine that has to be tuned."

Too often, workers simply let their choices ride from one year to the next, experts say. That can be a costly mistake, especially in 2004, when a growing number of companies will force workers to shoulder higher deductibles, higher co-payments to visit a doctor or buy drugs, and higher monthly insurance premiums.

With employees at large Bay Area companies already paying \$1,015 for their share of the medical premium — nearly double the cost in 1998 — middle-income families will see their monthly medical costs rise \$80 or more a month, predicted Jeff Klonoff, a health-care consultant with Hewitt Associates.

That means cash-strapped workers increasingly must make tough choices — and settle for a fraying safety net.

Tim Biddle, a benefits consultant for Segal, saw this play out this year when his then

21-year-old son Josh got his first job with an employer that offered a range of benefits at discounted group rates but picked up none of his tab. Josh signed up for vision insurance because he wears glasses, and dental coverage because he figured he would need to have his teeth cleaned. But he passed up medical and disability coverage because he's young and healthy.

He made a common mistake, financial planners say. Although dental and optometric bills are predictable budget-pinchers, he left himself vulnerable to devastating bills if he had to rush to the emergency room with a broken foot or was disabled in a car accident and unable to work.

The bill for a "root canal hurts, but it doesn't change your life," said Stanford T. Young, president Financial Clarity in Mountain View. "Wiping out your savings changes your life. You have to insure against those catastrophic things."

SHIFTING THE BURDEN

Many companies are increasing their employees' share of health-care premiums, which are rising rapidly.

Average employee contribution for employee coverage

YEAR	EMPLOYEE SHARE	AVERAGE COST S.F. EMPLOYEE	AVERAGE COST U.S. EMPLOYEE
2003	19%	\$1,015	\$1,196
2002	17%	787	927
2001	16%	656	768
2000	17%	656	740
1999	17%	598	677
1998	17%	548	627

Footnote: This represents large employers with 5,000+ employees
Hewitt Health Care Cost Analysis