

Change Your Coverage Electives Before Open Enrollment Ends on April 15



Last Tuesday Fred drove in to the driveway just in time to see his son Bart ride his new skateboard into the mailbox. Now Fred is wondering if he should change his coverage options through the Bright Wood Health and Wellness Plan to take into account a healthy and active five-year-old and his equally fearless two-year-old sister.

Fortunately for Fred his timing is good. The company's Open Enrollment period kicks off March 15 and runs through April 15. It is the one time a year when associates can add, change, or delete electives in Bright Wood's cafeteria plan (other than special situations).

Fred knows that he needs to understand his options in order to make the best decision for his family. Fred is a thorough fellow so he settles on a three-pronged approach: First he reads through the Bright Wood Health and Wellness booklet to get an overview (available from Personnel or online at Shasta Administrative Services' web site www.shastatpa.com); next Fred visits Personnel to learn exactly how much will be deducted from each paycheck with both the Basic and Plus medical and dental categories; and third, Fred attends the Benefits Fair on Thursday, April 8 to visit with the experts and ask any remaining questions while getting help filling out the paperwork.

Fred assumes at the outset that all he has to do is decide between the Basic and Plus medical and dental categories. Once he starts reading the Health and Wellness booklet, however, he realizes there are other ways he can save money. For example, by opting for the Cafeteria Health Plan Premium Spending Account (125 Plan) Fred can increase his take home pay because his insurance premiums will be deducted from his paycheck before taxes (otherwise these are taken out afterwards).

He may also reduce his tax bill by contributing to a Flexible Spending Account. Bright Wood's plan offers both Health Care and Dependent Care FSAs. Fred shied away from FSAs in the past because they are a "Use It or Lose It" benefit, meaning he has to spend the money during that plan year or it is forfeited. His other concerns were the amount of paperwork involved, missing out on tax credits, and reducing his social security benefits when he retires.

Now he is thinking he might fund a Health Care FSA with just enough to cover his family's deductible, plus the cost of new glasses for his wife (who is not covered by another health plan). By selecting Auto-Submission, Fred gives Shasta the go-ahead to mail him a check from his FSA funds each time they process a claim with qualifying health care related expenses. If Fred sticks to his plan, all he will have to do is fill out one reimbursement form for

his wife's glasses and her dental bills. All the other extra paperwork will be taken care of by Shasta.

Since Fred's wife has gone back to work full time, his family is also eligible for a Dependent Care FSA. Fred asked his accountant and the money they save in payroll taxes would be greater than the tax credit. If Fred's elderly father moves in with them, they can also be reimbursed from this account for his caregiver while they are both at work.

Changes made during the Open Enrollment period become effective on May 1. If Fred adds all the electives mentioned above, his April 25 check will be smaller than his April 10 one. In a year, however, he will have stretched his wage by paying out of pocket medical and child care expenses with pretax dollars rather than what is left after federal, state, and social security have been taken out. With the additional cash in his budget, Fred just might take his son Bart to watch the Slam City Skateboarding Jam.

*What works for the fictional Fred, may not be the best choice for you and your family. Consider your past medical/dental expenses, anticipated spending for the coming plan year, and what you will do if the unexpected happens. If you are interested in a FSA, do your homework to learn who and what qualifies. An FSA disqualifies you from using corresponding tax credits so investigate which option gives you the biggest tax break.

