Understanding Your Benefits

Benefits Best Practices

- At a minimum, contribute enough to your employer-sponsored retirement plan to obtain the employer match.
- Know the options and coverage offered through your employer.
- Evaluate your financial life to determine your unique insurance needs and avoid analysis paralysis.
- Plan ahead – Be proactive at managing potential risks.
- Shop around for additional options if your employer coverage is not enough.

Employer-Sponsored Retirement Plans

2024 Contribution Limits

- 401(k), 403(b), and 457 Elective Deferral Limit: $23,000 ($7,500 additional catch-up contribution for ages 50+; Note: some 457 plans do not allow a catch-up.)

Health Insurance and Health Savings Accounts (HSAs)

Offered in conjunction with a qualified High Deductible Health Plan (HDHP), an HSA is a savings vehicle that can be used to fund qualified medical expenses both today and into retirement. The account is owned by the individual, and money deposited into the account can be invested, growing over time much like an IRA or 401(k).

Benefits of an HSA

- No required minimum distributions (RMDs)
- Funds roll over every year
- No income limits
- Triple tax-free

Tax Benefits of an HSA

- Money is saved pre-tax.
- Investments grow tax-free.
- Withdrawals for qualifying medical expenses come out tax-free. Withdrawals for non-qualified expenses are taxed as ordinary income and incur a 20% penalty if taken before age 65. At age 65, you can withdraw funds penalty-free, subject to ordinary income tax.

2024 HSA Contribution Limits (Company Plus Employee)

- Self-Only: $4,150
- Family: $8,300
- Catch-Up (age 55+): $1,000

Flexible Spending Accounts (FSAs)

A flexible spending account (FSA) is a type of savings account with specific tax advantages that can be set up by an employer. These accounts allow you to contribute a portion of your regular earnings, and employers can also contribute to employees' accounts. Funds contributed to an FSA are deducted from your earnings before taxes, lowering your taxable income. Note that at the end of the year or grace period, you lose any money left over in your FSA, so it's important to plan accordingly and not put more money into your FSA than you think you will spend.

Medical Expense Flexible Spending Account

This is the typical FSA. You can use funds in this FSA to pay for certain medical and dental expenses for you, your spouse (if you are married), and your dependents. You can also use funds in these accounts to pay for deductibles and copayments but not for insurance premiums.

Dependent-Care Flexible Spending Account

This type of FSA is a pre-tax benefit account used to pay for eligible dependent care services, including any form of child or adult daycare. This account is a prudent, simple way to save money while taking care of your loved ones so that you can continue to work.

2024 FSA Contribution Limits (Company Plus Employee)

- Medical Expense FSAs: $3,200 (If you are married, your spouse can also contribute up to $3,200 through his/her employer).
- Dependent-Care FSAs: $5,000 for joint and individual tax returns; $2,500 for married taxpayers filing separately.

Life Insurance

Life insurance is one of the most important forms of insurance you can obtain to protect your loved ones. The three biggest variables when calculating how much coverage you need are lost income, paying off debt(s), and any education funding targets. There are many life insurance needs analyses worksheets online.

Disability Insurance

Disability insurance protects you and your family from a potential catastrophic loss if you were to become disabled and your income is reduced or goes away entirely.

- Short-Term: Offers you a portion of your salary if you are unable to work for a short period, typically three to six months.
- Long-Term: Offers you a portion of your salary if you are unable to work for a longer period, typically more than six months. Long-term disability starts after a short-term disability policy has run out. This happens around 10-53 weeks after an eligible event, with an average time of 26 weeks. If possible, pay for long-term disability insurance with after-tax dollars, which makes the benefit tax-free.