Have you chosen the right benefits with your company?

By Tim C. Lee

For many employees, the end of the year is when their employer has open enrollment to change and/or sign up for benefits for the company.

This experience can be very stressful, especially if you are not familiar with the do's and don'ts and the pros and cons of choosing the right options. You would think you can talk to someone in the Benefits or Human Resources Department of your company to get answers or a better understanding, but the majority of the time, they are just as clueless as you are.

Since the decisions you make are permanent until the next enrollment period; which is typically a year later, many people find themselves making uneducated guesses when selecting benefits. Unfortunately, many employees simply opt out in choosing any or some type of benefits their company offers due to the complexity of the process.

Employees should be aware of all of the benefits their company has to offer, including the open enrollment date for each one. In some cases, for example, an individual can enroll in group medical insurance upon hiring, but when it pertains to retirement plans, they will have to wait until their one year anniversary with the company.

Most companies will allow you to make changes to your benefits throughout the year if you experience a life changing event, such as; child birth, death of a spouse, or marriage.

There are benefits that you definitely want to take advantage of and there are some that you should never pay attention to or enroll in.

Health insurance is a benefit that is not an option; you need it. Make sure to compare your coverage with your spouse's insurance, if applicable, to save money on premiums and avoid duplication of coverage. Studies show that the number one cause of bankruptcy is medical bills, but when you examine the study closer, you begin to understand, that the number one cause of bankruptcy is medical bills without having health insurance. This benefit is definitely essential to have. In addition, dental and vision insurance are also good for you to have in place.

Short and long term disability insurance are two additional benefits you should enroll in. With the probability increasing for workers having to take time off from work due to an illness, injury on the job, or becoming temporarily or permanently disabled, these two types of insurance are necessary. Just make sure the elimination period of the long term matches the end date of coverage on your short term disability. For instance, if your short term coverage pays a benefit for 90 days, then your long term disability should have a 90 day elimination period before it begins to pay you.

Most employers will give their employees life insurance equal to their annual salary as a free benefit. If available, you should also purchase the maximum amount of additional life insurance that your job offers. This life insurance with your employer is a group policy so it is very inexpensive. Typically, you can buy up to a certain amount of your annual salary in coverage for a very low premium. Some employers will also offer you the option to purchase this group life insurance coverage for your spouse and children, so take advantage of it. Due to the fact that your premium only gets paid if you are employed, you also want to purchase a life insurance policy with a company outside of your job. This avoids never being without coverage.

Another benefit that you want to enroll in as soon as you are eligible is your company's pre-tax retirement plans. I recommend that you contribute to the plan up to the amount your employer matches. I only recommend you invest into their mutual fund options. If your company is public, I do not suggest buying company stocks. Single stocks are risky investments. After you have contributed up to the match into pre-tax retirement plans, you should then allocate your contributions towards a Roth IRA.

In my opinion, there are certain benefits that you should stay away from. Some include; accident insurance, accidental death and dismemberment insurance, critical illness insurance (cancer, heart attack, stroke, etc.), hospitalization insurance, and pre-paid legal services. A few of these benefits are duplications of coverage that you already have. Also, they are horrible benefits and products.

Take the time to do research and study your benefit options with your company. Emergencies and retirement are going to occur for each one of us. Do not fail to plan, but have a plan in the event something fails. The benefits I recommend are essential tools you should have in place to prepare for the inevitable.

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