SMART BENEFITS
BY HOLLEY MAHER

Navigating Health Care

The U.S. health care system is complex. While insurance is an important tool to limit exposure, it adds a layer of confusion. Below are a few tips and tricks to controlling benefits spending:

• **Transparency tools:** These web-based tools help consumers understand pricing differentials associated with various treatments and facilities.

• **Telemedicine:** Offers 24/7 access to doctors who can virtually prescribe/treat more than 70% of conditions. The cost is typically significantly lower than an urgent care or ER visit, perhaps even free! Since many telemedicine programs don't hit the claims, these programs may result in more competitive renewals.

• **Account-based health plans:** Tax-favored vehicles like health savings accounts, flexible spending accounts and health reimbursement arrangements can save consumers 30%; plus, good consumers may find they can roll money over to the next year.

• **Wellness:** Some plans provide a monetary incentive to employees who complete a health risk assessment.

• **Narrow networks:** With this strategy, the insurance company contracts with a smaller pool of medical providers who agree to deeper discounts on pricing.

• **Individual plans:** The family rate for many employer plans assumes an average of 2.5 children. Individual plans can save significant money because the insured may select a higher deductible or narrow network or pay for one to two children instead of 2.5

• **Defined contribution (DC):** With a DC model, employers control cost while providing employees with cost (and benefit) options. DC gives both parties the greatest amount of control and flexibility. Private exchange technology makes it easy for employers to offer transparency tools, telemedicine, account-based health plans, wellness, network variations, and decision support tools designed to help individuals make informed decisions. ■

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WORDS ON WEALTH
BY THOMAS MENGEL

Who Is Going to Give You Money to Retire?

The title here is a bit of a trick question, of course. No one is going to give you money for your retirement! So why did we ask? We like to pose this question because it gets people thinking about their priorities when it comes to saving for the future.

Consider how you might answer this question if, instead of retirement, the topic focused on some other major undertaking or life decision. For example, "Who is going to give you money to go to school?" You could, of course, pay your own way (or your child's way) through school. But there are options for obtaining an education without taking money out of your pocket, such as scholarships, grants and student work programs. Loans are readily available to fill any gaps, with payments typically deferred until after school.

There are literally thousands of people or organizations that might potentially "give" you money to go to school. The same concept applies to buying a house, starting or growing a business, or managing any other life events.

We ask our readers to do this exercise because it reveals what our first priority should be when saving and investing. As wealth planners, we have too often heard people say things like "I'll start saving for retirement in another five years, after I've maxed out my son's college fund" or "Retirement is so far away, and I need that money now to grow my business."

Saving for college and growing your business are important investments too—we don't deny that. But these are precisely the sorts of undertakings in which other people are willing to invest. By contrast, the only person who will be investing in your retirement is *you*.

This has serious implications for your financial planning. It means that the first life event you should be saving for is retirement. And your plans for retirement—financial and otherwise—need to start today.

To see the importance of starting early, just look at a retirement calculator. (There are several available online.) Suppose you want to save enough to retire at age 65 on a $2 million nest egg, which is a reasonable goal to maintain an $80,000-a-year lifestyle. If you started saving and investing at age 45, assuming a generous 8% after-tax return in the market year after year, you would need to invest around $43,700 a year, or about $874,000 total, to hit your goal.

On the other hand, if you started investing 10 years earlier, at age 35, you would need to invest just $17,700 annually, or about $530,000 total, to reach the same amount. Letting compound interest do more of the work means you're investing $344,000 less out of pocket!

Remember: Only you will be contributing to your retirement. The earlier you start, the less money you will have to contribute over time. Sure, there are other events that might seem like priorities because they happen sooner. But whether it is school, home or business, there is almost always someone willing to give you money to accomplish these goals. Take advantage of those other avenues and free up that cash to invest in yourself. It will be a savvy investment in your very own financial freedom.

The hypothetical investment results are for illustrative purposes only. Rates of return will vary over time, particularly for long-term investments. ■

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