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Open enrollment offers opportunity to save

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It's that time of year again.

The annual open-enrollment exercise that will start soon at companies across America provides an opportunity to tweak your workplace health and retirement benefits to stretch your dollars further.

If a recent survey by MetLife is to be believed, most employees actually enjoy the annual review process. That seems a stretch, yet it certainly does pay to take the exercise seriously.

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- Get going early. Start reading those pamphlets that arrive in the mail explaining your benefit choices. Give yourself enough time to weigh the options. Be alert for new policies. Change is in the air, especially on retirement accounts, following passage of the Pension Protection Act this year.

- Review last year's choices. Evaluate your benefit selections from the past year with an eye on services you paid for but didn't use much. Estimate how much coverage you'll need for the coming year.

On average, workers at large companies are paying about \$3,065 this year for total health expenditures, including premiums and out-of-pocket costs, reports Hewitt Associates, a benefits-consulting firm. Hewitt sees that rising to an average \$3,305 in 2007.

- Consider higher deductibles. If you're in good health, fairly young and aren't living paycheck to paycheck, think about switching your health coverage to a high-deductible policy to shave premiums.

Many firms now offer health savings accounts or HSAs, which combine relatively low premiums and high deductibles with an investment fund to pay for future health outlays. Yet only 4 percent of eligible workers opt for this choice.

- Check other insurance options. Open enrollment is a good time to decide on life and disability coverage, and many employers offer long-term care protection. For a lot of people, disability insurance is especially critical since the chance of suffering a debilitating injury is higher than the risk of dying soon. MetLife suggests insuring 60 percent of your pay for disability.

- Play around with your paycheck. Several online calculators let you examine different scenarios affecting take-home pay, from withholding adjustments to saving more in workplace retirement accounts. One example is paycheckcity.com, a site from Symmetry Software in Scottsdale.

- Save on the side. Flexible-spending accounts offer a way to divert money from your paycheck to meet various unreimbursed health costs, without being taxed on the cash.

On average, workers are shelling out \$1,489 this year for co-payments, deductibles and other out-of-pocket costs, Hewitt reports. That's projected to hit \$1,627 in 2007. FSAs are a way to pay for such expenses on a pre-tax basis.

- Save more for retirement. Strive to boost the amount of money you sock away in 401(k)-style retirement plans. At a minimum, contribute enough to take full advantage of employer matching funds. Yet more than 20 percent of workers fail to max out their matching funds and leave cash



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on the table, Hewitt reports.

- Rebalance your portfolio. Look at your 401(k) assets at least once a year to ensure the investments you hold are still suitable. Make sure you have a balanced mix of stocks and stock mutual funds relative to bonds and bond funds.

To maximize diversification, maintain stakes in different types of stocks: large companies, small and foreign.

- Pare your exposure to your own company's stock. That was a key lesson of the Enron scandal: Too many of the firm's 401(k) participants had too much of their retirement riding on Enron shares. Don't stake more than 10 percent of your portfolio on any one company, especially if it's the same firm you depend on for a living.

- Get ready to be swept into your 401(k) plan. The Pension Protection Act will hasten the trend of companies enrolling procrastinators. From now on, more firms will sign up reluctant workers, put them into diversified mutual funds as default investment options, rebalance their portfolios for them and gradually boost employee contributions automatically.

Workers will be able to undo these efforts if they want, but they'll have to opt out in writing. For some people, the inertia will be too great and they'll wind up remaining participants in their 401(k) plans.

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