

take
advantage
of time



as a young professional how important is retirement and health care planning to you? Is health care or long term care more important than a fancy car? Do you believe you don't have to educate yourself on available options until you get married or start a family or when you get sick? The fact of the matter is that planning at a young age will best position you for life's many curve balls.

Take retirement for instance.

You may know that you have a 401(k) available at work but do you know if your employer matches any of your contribution? Your employer may match a portion of your contribution after you have worked for them for a certain amount of time. Do you know what you need to contribute in order to ensure you are receiving the full employer match on your contribution? If the answer to the last question is no, it is time to do a little homework. If your employer matches three percent when you contribute six percent, your 401(k) would have to drop approximately 45% before you would lose any of your principal investment. Granted there are restrictions on your 401(k) funds; you can't access the money until age 59 ½ without penalty except for hardship provisions and loans, but you are starting out at a 33% return on your money from day one. Unless you are a truly gifted stock broker, this investment can't be beat.

What about your health care costs?

The cost of health care services is increasing at double digits annually. It is not uncommon to see health insurance premium increases in the 20% to 30% range. In most cases employers cannot absorb the entire increase thus the cost is passed to you, the employee, via increased deductibles, co-pay amounts, and co-insurance percentages. This is a traditional approach to keeping the cost to the employer relatively neutral or within budget constraints. You may be thinking that you are not sick and don't go to the doctor, so why should your premiums increase? Insurance runs on the law of numbers: spread the cost of a few over a large number of insured. The key to finding the right health care plan for you is simple – evaluate your options and educate yourself on plan designs and the true cost of health care.

One option that will help you understand how to be a smarter health care consumer is a High Deductible Health Plan (HDHP) paired with a Health Savings Account (HSA). Monthly premiums on an HDHP are generally less than standard PPO plans and monies contributed by the employee to the HSA are tax-exempt. All monies put into your individual HSA belong to you even if you leave your place of employment. Additionally, some employers will contribute on a regular basis to your individual HSA account as an incentive to enroll in the HDHP. This saves both the employer and employee money in reduced premiums. Don't forget about the tax savings, it can be material. If you and your spouse have a joint taxable income of \$75,000 in 2011 and contribute the family maximum of \$6,150 to your HSA, your tax savings will be about \$2,000 or a return of approximately 32%.

So don't underestimate the power of knowledge and time.

The more you know and the sooner you act, the better you can position yourself for the future.

For more information, please contact your trusted advisor at Swartzbaugh-Farber,
Client Centered – Client Advocates™.