ClientLine®

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OPEN ENROLLMENT TIPS FOR EMPLOYEES

As summer turns to fall, employers across the country are getting ready to present their annual open enrollment options for employee benefits. As an employee, whether you're a newbie or an experienced hand at choosing employee benefits, it is crucial to do your homework before making your selections.

WEIGH YOUR CHOICES

Health and other benefit options can change from one year to the next, even when providers haven't. Health insurance plans regularly change their premiums, deductibles and other out-of-pocket costs, and employers could pass increases on to employees. Plans add and subtract network health providers, and may do the same with peripheral benefits such as chiropractic care and acupuncture.

You'll also want to examine any health savings plans offered, including the Health Savings Account (HSA) if you have a high-deductible health plan. HSA contributions are deducted pretax, and potential earnings and qualified withdrawals are tax-free. In 2025, contribution limits will increase to $4,300 for self-only coverage and $8,550 for family coverage.

AND THERE'S MORE

While health insurance is the primary "want" of most employees, other benefits may play an important role in your financial and risk planning. Employer-sponsored life insurance—typically of the term variety—can provide a good foundation of insurance to help protect loved ones. Because it is group life insurance, it typically won't need

underwriting—an important consideration for employees with preexisting conditions.

Disability income (DI) insurance may also be an important coverage for younger employees, who are much more likely to become disabled than to die at their age. This insurance protects what is many employees' largest asset—their ability to earn a living.

Life insurance, DI and other benefits may also be tax-advantaged, reducing taxable income and, ultimately, taxes. These are a few of what can be many benefit offerings.

Discuss your choices with your financial and tax professionals.

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3 TIPS FOR EMPLOYERS

Consider tightening up the following three communication areas to make sure your open enrollment is a success.

First, make sure to get the word out about the value of your benefit offerings regularly. Benefits can comprise 20% to 40% of an employee's total compensation, so sharing this information is important to help your company attract and retain the best and brightest.

Second, communicate through channels most likely to reach your employees throughout open enrollment. This means via smartphones and apps for younger workers and print and in-person presentations for an older workforce.

Third, make sure you communicate simply in a language your employees understand. Eliminate jargon to increase understanding. As important, give employees easy-to-reach resources should they have questions.

CLIENT PROFILE

Jeff knows that flextime can be a valuable benefit for his employees, but he isn't sure how to implement a flextime program.

Trying to balance work and life demands can be hard for employees. A traditional work-week schedule doesn't offer the flexibility that all employees need. Allowing employees to work flexible schedules is an inexpensive way to help them find their work/life balance.

Flextime is any schedule that doesn't follow the standard workweek model. A flextime workweek could consist of four 10-hour days or of hours set by the employee that include the business's defined peak work hours. Schedules can essentially be whatever both Jeff and his employees agree upon.

For the flextime program to work successfully, Jeff will have to watch schedules carefully to ensure that key people will be available during critical work hours. He also should ensure that there is sufficient supervision and coordination between departments within his business. And safety and security issues will need to be reexamined and policies changed as necessary before flextime can be implemented.

Client Profile is based on a hypothetical situation. The solutions discussed may or may not be appropriate for you.

DISASTER PLANNING

How well would your family cope if a major storm or other natural disaster strikes your neighborhood? You can take steps to prepare for a home emergency—steps that can help protect your loved ones and important family and financial records.

HAVE AN EVACUATION PLAN

You may have to leave your home quickly when a storm is approaching or if damage has already occurred. Draw up an evacuation route and identify a meeting place in case anyone becomes separated. Make sure you have the following items ready in a disaster supply kit to take with you:

- Nonperishable food, bottled water, flashlights, a radio, and spare batteries
- Medicines and first-aid supplies
- Cell phones, chargers, computers, and a backup hard drive
- Extra clothes and bedding
- Family heirlooms and photo albums
- Account numbers, access codes, and contact information

ORGANIZE DOCUMENTS

Take the time now to organize your important documents and put them in a safe place. Make copies of vital records and send them to an out-of-town friend or relative. Birth, death, and marriage

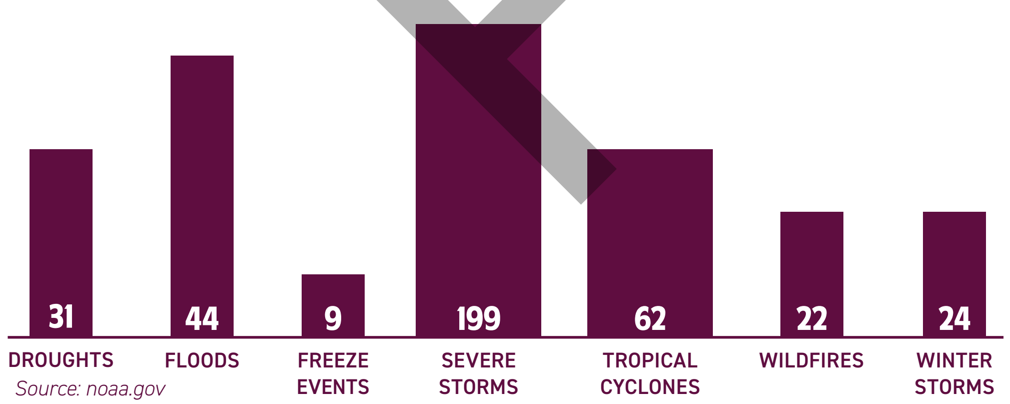
certificates; passports; military records; Social Security cards; divorce and child custody papers; mortgage papers and property deeds; and stock or bond certificates can be kept in a bank safe deposit box. Just don't keep the original of your will in a bank safe deposit box because the bank may seal the box temporarily at your death.

CREATE A PHOTOGRAPHIC RECORD

Photograph or video record your property's exterior, your vehicles and furniture, collectibles, and the contents of your garage and closets, and keep the photos someplace other than your home. You may need this photographic record for insurance purposes.

U.S. DISASTER COST AND FREQUENCY

From 1980 to July 9, 2024, there have been 391 confirmed weather disaster events affecting the United States, with losses exceeding $1 billion (CPI-Adjusted) each. These events included:



Source: noaa.gov

VOLUNTEERING: WHAT'S DEDUCTIBLE?

If you regularly do volunteer work for a nonprofit organization, it would be nice if you could take a little something off your taxes in return for the time you spend. Unfortunately, the IRS doesn't see it that way. You can't deduct the value of the time you serve.

However, you may be able to deduct some out-of-pocket expenses directly related to your volunteer service.

POTENTIAL DEDUCTIONS

If you represent the charity at an out-of-town conference, you may be able to deduct your travel expenses, including meals and lodging.

Or, if you entertain potential donors, the cost of their meals (but not yours) may be tax deductible.

TRANSPORTATION

You may have another shot at a tax break. If you use your car to perform services for a charity, you can deduct 14¢ a mile. Alternatively, you can deduct your actual expenses to operate the car (gas, oil, etc.). You can deduct tolls and parking fees under either method.

OTHER EXPENSES

Expenses you incur, such as uniforms, supplies, postage and meals—while you volunteer are tax-deductible, as long as they aren't reimbursed by the charity.

Q

My daughter is paying private high school tuition for my two grandchildren. Is it true that I can take tax-free distributions from a 529 plan to help pay these costs?

A

Federal tax laws allow tax-free distributions of up to $10,000 per student per year to pay tuition for elementary and secondary private and parochial schools. However, each state manages its own 529 plan limits and potential tax deductions, so check with your state before taking action.

Take advantage of the new tax law, but also look into giving up to $18,000 annually tax-free to each grandchild (or $36,000 a year if you and your spouse make gifts).

DON'T EVEN THINK ABOUT IT

There is zero wiggle room when it comes to handling the federal income taxes and FICA taxes withheld from employees' paychecks. The taxes are government property, which employers hold "in trust" and then remit to the IRS on a set schedule. Employers are not permitted to use this "trust fund" money for other purposes.

SERIOUS PENALTY

The penalty for breaking the rules is harsh. Any person involved in collecting, accounting for, or paying the trust fund taxes — a "responsible person" — who willfully fails to do so may be liable for a penalty equal to 100% of the unpaid taxes. The penalty is aggressively enforced.

RESPONSIBLE PERSONS

Generally, a responsible person is anyone with the power to ensure that the taxes are paid. This might include a corporation's officers, directors, shareholders, employees, and partnership partners. Under certain circumstances, even family members and professional advisors may be subject to the penalty.

It's not uncommon for there to be more than one responsible person. When that's the case, each responsible person could be found liable for the full penalty.

A WORD ABOUT WILLFUL

Failure to pay trust fund taxes can be willful without being an intentional attempt to evade paying the taxes. Temporarily "borrowing" from the trust fund to meet bona fide business expenses in a pinch can qualify as being willful.

TAX-LOSS HARVESTING

If investments you sold in 2024 lost money, you may find some solace in the IRS tax code. You can deduct certain losses from your taxable income—called tax-loss harvesting—when you understand the rules. Here they are briefly:

TERMS DEFINED

For starters, the IRS has separate tax rates for long-term investments—those which you have held for at least a year. The capital gains tax rate on net realized long-term investment gains, or capital gains, is 15% for most people.

You realize losses and gains only on investments you sell, not on those you still hold. Investments held for a year or less trigger ordinary income tax rates, which are typically higher.

The IRS taxes some or all net capital gains at 0% if your income is low enough. You'll pay 20% on net capital gains if your taxable ordinary income exceeds $518,900 if filing as a single, $583,750 if filing jointly, 551,350 if filing as head of household, and $291,850 if married and filing separately.

THE CALCULATION

To figure net losses, subtract what you realized from selling your investment from the original amount invested and then deduct any sales charges. If your realized capital losses are greater than realized capital gains, deduct up to $3,000 a year for individuals and married filing jointly) or up to $1,500 if married and filing a separate return. You may carry forward any losses over this annual cap to future years.

LONG-TERM VIEW

Don't sell investments just for tax reasons. Keep those that lost money last year if they continue to have long-term prospects and sell winners if they don't fit your investment strategy.