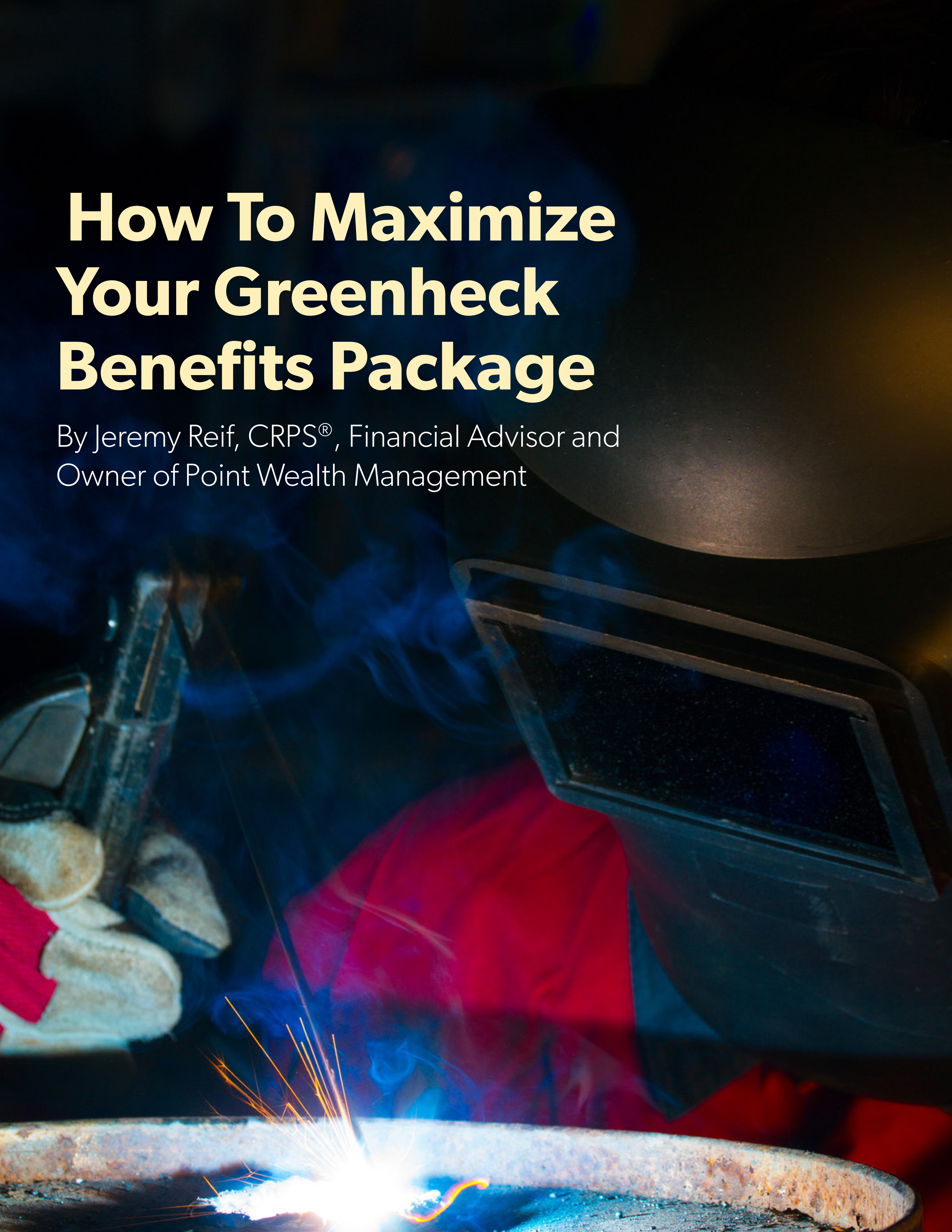

How To Maximize Your Greenheck Benefits Package

By Jeremy Reif, CRPS®, Financial Advisor and Owner of Point Wealth Management

As an employee of Greenheck, you know that the company appreciates their employees. It's no surprise that their employee benefits package offers a variety of valuable financial, healthcare, and insurance benefits. The Greenheck benefits package is truly one of the top plans available for a locally owned and operated private company.

At Point Wealth Management Group, we have helped many Greenheck employees to make the most of the company's retirement plan and other benefits. As independent financial advisors familiar with the plan, we'd like to share our recommendations for how to maximize your Greenheck company benefits.

These suggestions are especially important to pre-retirees planning for a secure retirement. As the world becomes more complicated, planning becomes increasingly critical. It is never too early to plan ahead and maximize your employee benefits prior to retirement. We hope you enjoy this guide to make the most of your Greenheck benefits.

Your Health Savings Account (HSA)

Health Savings Accounts, or HSAs, are more financially powerful than you may realize. In 2015, the older option of flex spending accounts (FSAs) were replaced by HSAs as a result of the Affordable Care Act. One important benefit of a HSA is that the dollars contributed to this account are never taxed when used for qualified expenses. This offers participants a significant savings on healthcare expenses when paid with funds from their HSA.

HSAs Are Not "Use it or Lose it" Accounts

Many people confuse HSAs with FSAs, or Flexible Savings Accounts. With an FSA, any unused funds in excess of $500 are forfeited at the end of the year. HSAs are different, though. Account balances simply roll over from year to year, allowing for incredible growth and accumulation of savings. As long as you are eligible, you can continue to contribute to your account tax-free and let the money grow tax-free for use at any time in the future, whether near or distant.

How to Maximize Your HSA

The HSA is one of Greenheck's most valuable financial tools, but employees tend not to max out their accounts because they don't realize they can save the money for the future. For tax years 2016 and 2017, $6,750 is the maximum contribution per family, with those over 55 permitted an additional $1,000 as a catch-up contribution.

The obvious and typical use of an HSA is to pay for medical expenses as they occur. Many people, however, have turned their account from a current pay-as-you-go way of avoiding taxes on medical expenses to a retirement savings vehicle. They pay for current medical expenses out of pocket but maximize their HSA contributions and let them grow for use during retirement.

Your HSA and Retirement Planning

From a financial planning perspective, the plan should be maxed out every year, as medical expenses will occur eventually, even if not in the current calendar year. It is no surprise that healthcare is often a major expense in retirement, especially the older you get. In fact, it has been found that typical retiree medical expenses are often as much as $500/month per person.

In their annual "Healthcare Cost Estimate" study, Fidelity estimates that a 65-year-old couple will need $245,000 to cover healthcare expenses in retirement. Since medical costs are such a big part of retirement financial needs, it makes sense that an HSA can be used for retirement savings.

Your HSA should not be your only retirement savings, since funds are only tax-free for qualified medical expenses. Nevertheless, when used in conjunction with IRAs and 401(k)s to pay for non-medical expenses, they can be a very powerful way to build your nest egg. After all, an HSA receives better tax treatment than any IRA or 401(k), whether traditional or Roth.

There is one caveat, though. In order to use an HSA for retirement savings, you need to make sure it is invested properly for long term growth. Keeping HSA money in a traditional savings account earning .5% interest may be a good idea for those who are using the money for current expenses, but to do that for retirement savings would be to miss out on years and years of tax-free growth.

Even if you are a healthy individual who might not see the value in this benefit, you could still profit from investing in an HSA. Lastly, for employees that have built up a large sum of money in the HSA, there are options above and beyond the plan offered through Greenheck. Specific banks allow the money to be invested in a portfolio instead of leaving it in a traditional savings account.

From a financial planning perspective, the plan should be maxed out every year, as medical expenses will occur eventually, even if not in the current calendar year.

Your Defined Benefit Plan or 401(k)

One of the most recognized and widely available retirement plans is a 401(k). Historically, in the United States, homes and retirement plans rank as the largest assets of our population. This is because we systematically put money towards these items and train ourselves to live off of the remainder of our paychecks.

The Greenheck 401(k) plan that is offered through Milliman is a powerful tax-advantaged savings and investment tool. From a financial planning standpoint, the program is outstanding, especially for new employees just getting started with their retirement savings.

Employees are automatically enrolled at a minimum of 3% and the contribution increases by percentage by 1% each year until 6% is reached. For pre-retirees, the plan allows for a maximum contribution of 75% of payroll up to the annual IRS limit of $18,000. If an employee is older than 50, an additional catch-up provision of $6,000 is allowed.

Employee Stock Option Plan

Some long-term employees are even fortunate enough to have been employed and fully vested when Greenheck had their Employee Stock Option Plan (ESOP). These employees have an additional line item on their Milliman 401(k) statement after the ESOP was bought out and added to the 401(k) plan. Many of these employees are part of the "quarter century club."

It's important to factor in your stock options in your overall retirement plan and keep in mind that their value is tied to the value of the company. This may affect how you should invest your other retirement assets to diversify your portfolio.

Early Distributions

For those who are fortunate enough to be able to retire early but do not want to pay penalties on early distributions that occur before the age of 59 and ½, there is another option: the 55 rule. This option offers early retirement at age 55. Greenheck employees who have worked for the last five years at the company can retire and take early distributions from their 401(k) without the 10% IRS penalty. While they must keep the money in the 401(k) plan, this option can avoid the expensive IRS penalty that may make early retirement difficult.

Roll-Overs

Those who are 62 or older are permitted to roll 100% of their retirement plan into another account or plan. For employees with more than 10 years of service with Greenheck, a rollover is allowed at age 59 and ½. This is considered an in-service distribution and can allow you different investment options and strategies. Also, if you came from a different employer and rolled your previous 401(k) into Greenheck's plan, you can roll out the same amount at any time.

Roth 401(k)

The Roth 401(k) option is perhaps one of the most underutilized portions of the Greenheck retirement plan for pre-retirees. Roth, or after-tax, IRAs were first made available in 1998 and added to the 401(k) in 2001. The Roth was long thought to be a benefit for younger people and not for someone who was in their prime earning years, but that opinion has transformed over the years because many expect taxes to increase in the future.

Because Social Security and Medicare are underfunded and there is a lot of uncertainty surrounding Obamacare, tax rates may rise as Baby Boomers retire. It may be too early to tell, but an educated guess is that Obamacare is underfunded too, especially if health provider companies are opting out in certain states, even though the Obamacare plan will not be 100% rolled out until 2017.

Couple this with the fact that we are seeing some historic lows for tax rates since the Bush Tax cut era. By putting money into the Roth 401(k) plan and paying taxes now, employees can look forward to tax-free distributions on the principle and growth they have earned once they are age 59 ½.

Depending on your current savings and the number of years until you plan to retire, you may want to contribute more than the automatic 6%. Employees who aim to retire early or catch up for retirement can make important gains by contributing more than 6% to the plan.

Paid Time Off (PTO)

Paid time off can be an overlooked benefit that can translate to a lot of money. For seasoned employees, their PTO could accumulate to the maximum they can carry forward, in addition to the current year's PTO. Many Greenheck employees gearing up for retirement don't understand their annual PTO benefits. Employees may be able to retire and still receive their salary for a time based on their current and accumulated PTO. This income can often help bridge the gap from group health insurance to COBRA, Obamacare, or Medicare.

Long-Term Disability (LTD) Insurance

This may come as a shock, but the chances of becoming disabled are higher than the chances of death each year. Accidents happen at home, but they also can occur at work. Companies can take all of the precautions and follow safety guidelines, but it is inevitable that people will get hurt and potentially become disabled.

Greenheck supports self-insurance for short-term disability. However, they pay premiums on long-term disability coverage for employees that may pay up to 60% of income. LTD coverage begins at 180 days of employment, and the coverage stays in effect until the regular retirement age that Social Security determines for people under 62.

For ages 62 or older, LTD goes from a maximum of 5 years down to a minimum of one year of coverage. The only drawback of this type of employer coverage is that it is taxable to the disabled employee. Regardless of the tax penalty, this part of Greenheck's benefits package is a valuable benefit to employees.

Life Insurance

Just like the other facets of Greenheck's plan, the life insurance offered goes above and beyond an average company benefit. The company provides three times annual earnings as a death benefit to a maximum of $200,000, whereas most companies only give their employees the minimum amounts required by law.

In addition to the base coverage, there are six different options for additional coverage of $25,000-$250.000 for an additional premium at a deeply discounted rate. Group life insurance is the least expensive

Depending on your current savings and the number of years until you plan to retire, you may want to contribute more than the automatic 6%

Healthcare Coverage Post-Retirement

Many Greenheck employees want to retire early, prior to 65, when Medicare eligibility begins. While each situation is unique, here are some common details to think about. If you purchase Cobra, you can get coverage under your existing plan for 18 months. To keep the identical coverage as your group plan through Greenheck, you would need to work until 63 ½. This stipulation used to be crucial, especially for those with preexisting health conditions.

But since the Obamacare has been enacted, there are several ways to avoid paying an elevated amount for health care premiums. A significant perk of Obamacare is the removal of rules surrounding pre-existing conditions, and coverage can now be obtained for those with ongoing health issues. Obamacare premiums are based on income levels, so the lower the income, the lower the premium. With proper planning, one can enter retirement with very little income on their tax return, pay minimal health care costs, and still have the income that is needed to keep an excellent standard of living.

To learn more about maximizing each part of your Greenheck benefits plan, we are here to help. As independent financial advisors who specialize in helping Greenheck employees plan for a secure retirement, we're familiar with the options available through the plan. If you have questions, email us at jreif@pointwealthmanagement.com or call our office at 715-870-2450 today.

insurance available. Even healthy employees shopping individual carriers can't get rates at this level. Family members can also be added to the group plan, and, for basic coverage, there is no proof of insurability required.

Who needs insurance? Obtaining life insurance is something many young people put off for the future, but if you have a spouse or children, you will want to provide for your family. It's important to consider covering lost income, debt coverage, and education costs. As your family matures, the need for coverage typically decreases, but can increase for other goals such as legacy planning.

Health Insurance

Of the Affordable Care Act plans, the Greenheck health plan is considered a very high-quality health plan. Greenheck fully supports preventative medical visits and promotes healthy lifestyles. Those who do not have regular checkups will be penalized and pay a higher premium than those who take tangible health precautions. Greenheck has done an outstanding job of looking out for their employees' current and future health in this area.

About Point Wealth, LLC

Point Wealth, LLC is an independent fee-only financial planning and investment management firm led by Jeremy Reif, CRPS® and Jere Smith, CFP®, CLU®. With advanced credentials and training in retirement planning and financial planning, Jeremy and Jere specialize in helping pre-retirees and retirees pursue financial independence. Their mission is helping clients successfully transition and live in retirement without feeling burdened by financial stress or uncertainty. Based in Wausau, Wisconsin, Point Wealth serves clients throughout the state, including in Marshfield, Stevens Point, Minocqua, Eagle River, Appleton, Green Bay, and Eau Claire. To learn more, visit http://pointwealthmanagement.com and connect with Jere and Jeremy on LinkedIn.

Why Do Clients Choose Point Wealth?

We believe Greenheck pre-retirees and retirees often choose to work with us because we are a high touch and proactive firm. We aim to be someone they can trust to guide them toward their ideal retirement. We genuinely care about our clients and we make every effort to ensure they recognize our concern for and interest in their best future. We work hard to stay up-to-date on the latest market changes and planning opportunities so our clients can instead focus on their passions in life.

As an independent and fee-only firm, clients can know that their best interests are our best interests. We aren't incentivized to promote or sell any specific products. We have access to thousands of investment options and strategies so we can construct a plan and portfolio that aligns with your risk tolerance, time horizon, circumstances, and needs.

Questions?

If you have questions about this report or your retirement plan, contact our office today by calling 715-870-2450.