ALASKA HIGHWAY NEWS

Smart Money: Are you using your group benefits properly?

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Brad Brain: "Every year millions of dollars of free money is left on the table by people who have group benefits that go unused." | Getty Images

I don't know why so few people bother to take the time to understand their group benefits.

I don't have a statistic on this, but I will put it out there for discussion that less than 20% of people have a decent level of knowledge about what they have in their group benefit package. Further, I will put it out there that the reason that this figure is so low is that many people simply don't take the time to read their group benefits booklet.

Your group benefits booklet is your instruction manual for what your employer is offering to do for you. Now, I get it that some people don't like reading instruction manuals, but the consequence of not reading this instruction manual is that you could be leaving free money on the table. And who doesn't like free money?

There are two categories of benefits that people could utilize, but don't: wealth accumulation and healthcare.

For wealth accumulation, people will turn their back on free money when the employer offers a matching program on a group savings plan and the employees do not participate. If someone offers to give you 50 cents for every dollar you save, your next question should be, "how much can I put in?"

But the amount of people that do not participate in matching savings programs is surprisingly high. I have seen plans where less than half of the employees participated in group RRSPs, despite the employer generously matching the amount of money that the employees saved.

Here is a math question. If you save $2000, and your employer matched you 50%, what is the rate of return on your money?

Don't worry about what mutual fund it is going into, or how RRSPs are taxed, or any other quibbling excuses for now. It's a 50% return on your money before the investments themselves make a dime. Where else are you going to find that kind of return?

Some people will say, I can't afford to save, I need that money to do things now. The question for them is, if you turn down a 50% return on your money now, how are you going to afford to do things later?

There is one possible exception when walking away from free money is an informed decision, and that is when the matching offer is to buy stock in the company you work for, and you are not confident in their long-term prospects. If your employer goes bankrupt, your stock is worthless even if some of your shares were free to acquire. But this is the exception. Most matching programs apply to diversified mutual funds, and you can pick appropriate investments that are suitable for your risk tolerance and time frame.

The second category of benefits that are underutilized are related to healthcare. This could come in two forms: reimbursements and insurance.

Group benefits plans will often provide some reimbursement for expenses insured. This could be services such as physiotherapy, naturopath, or chiropractor. Or it could be for products such as eyeglasses, orthopedic shoes, or hearing aids. It pays to know what is covered.

Group benefit plans almost always have some level of insurance too. Life insurance is virtually universal with group benefits, but you may also have disability insurance and critical illness insurance coverage. You may even have some insurance coverage on your spouse and dependents.

Group benefit plans are great, and they should be utilized. But they should not always be relied on exclusively. They won't always meet all of your needs, and your group benefit plan will only last as long as your employment does. If you change employers you may not have the same, or even any, group benefits going forward.

Every year millions of dollars of free money is left on the table by people who have group benefits that go unused. To learn more, start by going through your group benefits booklet. Get familiar with your plan, and if you have questions talk to your HR person, or a professional financial advisor.

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