SMART BENEFITS
BY HOLLEY MAHER

Community Rates and Health Insurance Cost

Many small employers are very concerned about increasing healthcare premiums, and rightfully so. These large premium projections are partly due to a rating methodology called "community rating".

Prior to the ACA, insurance companies determined small group rates after analyzing and applying a risk factor to employee ages, genders, and medical conditions. Shortly after the ACA passed, small group fully-insured insurance carriers faced new restrictions on how they could assess risk. Today, health, age, and gender have little to no bearing on the monthly premium cost.

The Good: Historically, small employers have faced unpredictable premium swings because insurance companies divided customers into different "pools". A small employer with higher claims may have seen a larger increase because they were moved into a high risk pool. With community rates, all the small businesses are in the same big pool; theoretically this will result in long-term rate stabilization.

The Variables: Community rates are age banded. This has pros and cons. If an employer currently has a 4-tier rating structure (i.e. single, employee + spouse, employee + child, and family), age bands can be an administrative hassle because each insured has a different age-based rate. Employees with children over the age of 21 may experience larger-than-average increases as well. Younger employees may see decreased rates and older employees may see significant premium increases.

The Ugly: Employers with a predominant number of young, healthy, male employees experience the greatest potential increase in rates.

Ask your broker/consultant to provide you with predictive modeling to determine if/how community rates will impact future cost. Additionally, begin looking at solutions such as level funded plans, account-based health plans, and defined contribution platforms. ■

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WORDS ON WEALTH
BY THOMAS MENGEL

Your "Second Life" ...and How to Prepare for It

When considering retirement, most people think about two numbers: the age at which they can retire, and the amount of "nest egg" they will need when that day arrives. But retiring successfully is more than just meeting a number. So much so that we think it deserves a new name: your "second life."

If you had a second life to live, how would you do it? Where would you live? How would you fill your time? Who would you spend your time with? How would you contribute? Answering these questions are an important (though often neglected) part of planning for retirement. And though finances are bound up with these questions, they go far beyond the mechanics of saving and investing. Which means that even if you save enough, you might not have everything necessary to retire and start that second life.

Take the story of Mike (named changed to safeguard privacy). Mike was a school teacher who spent most of his career working with at-risk youth. His take-home pay was not great, but it was consistent and came with some benefits. The work was hard. Feelings of "success" were irregular—though Mike was good at "reaching" a number of kids, but it was hard to see this pay-off through the daily grind.

Given his job, one would guess that Mike would have been exactly the sort of person happy to retire. That is exactly what he did after a full 30 years of teaching. But for the first two years, he was utterly miserable.

Mike had been faithful about putting away money over the years. His savings, together with his pension, meant that he had "saved for his retirement" successfully - he hit his number! But he did not see leaving his job as a major shift in his life, nor did he adequately plan for what this new phase would look like. The absence of daily work activities and social interaction resulted in feelings of emptiness and a loss of purpose and drive.

That's why we like the phrase "second life" to describe retirement. This is a concept explored in great detail in the book "So You Think You Are Ready to Retire?" written by Barry LaValley with Mark Finke. The idea focuses on the realization that you are more than just your money or your job. To lead a fulfilling life, people need more than just a means for exchanging their labor for money. They also need structure, a sense of belonging, and an understanding of the role that they play in the greater good.

These were all aspects of life that Mike was missing by focusing too heavily on "The Number." And they were all provided by his work life—though he never thought about it in those terms. His school environment and his role in it provided structure. He had daily communication with students and faculty, engaging in social interactions and winning the trust of those he taught. He felt he was contributing to the greater good, even if it was just a few students at a time. When he left his career behind, he left these things behind as well.

So, when you are ready to plan for retirement, try thinking about it as a second life. This will help you to evaluate retirement more holistically and less as a plan to reach a specific number by a certain date. It will also free you to talk more openly about your plans with your family, your friends, and your financial advisor. ■

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