Year-End Benefits Review: Maximize Your 2026 Employee Benefits

As we approach year-end, it's the perfect time to review your employer-sponsored benefits and make any updates for the upcoming plan year. The choices you make during open enrollment can have a significant impact on your financial health and tax situation. Below are a few key areas to consider, along with our recommendations:

1. High Deductible vs. Low Deductible Health Plans

I. High-Deductible Health Plan (HDHP)
   a. Typically offers lower monthly premiums but higher out-of-pocket costs before insurance begins paying.
   b. Best suited for individuals/families who are generally healthy, have an emergency fund, and want to take advantage of a Health Savings Account (HSA).
   c. Check to see if your company offers a company HSA match – Often, this can make up for some of the extra expense you may occur by having a High-Deductible plan vs. Low Deductible

II. Low-Deductible Health Plan
   a. It comes with higher monthly premiums but lower out-of-pocket expenses for routine care.
   b. Often better for those who expect higher medical expenses, ongoing prescriptions, or frequent doctor visits.

Recommendation: Evaluate your typical healthcare spending and risk tolerance. If your expected annual medical costs are low and you can save regularly, an HDHP paired with an HSA can be a smart long-term choice.

2. Health Savings Account (HSA)

I. Available only with HDHP.
II. Contributions are tax-deductible, grow tax-free, and withdrawals for qualified medical expenses are tax-free — a powerful triple tax advantage.
   a. Make sure you are investing the funds you do not plan on using each year.
   b. A good rule of thumb is to keep around $1-2K in cash and invest the rest
      i. If you pay out of pocket, keep the receipts and you can submit them in the future to allow your HSA to potentially grow over time.
III. Funds roll over year-to-year and remain yours even if you change jobs.
IV. It can serve as a supplemental retirement savings tool since funds can be used for any expense after age 65 (subject to income tax if not for medical use).

Recommendation: Max out HSA contributions if possible. For 2026, limits are $4,400 for individuals and $8,750 for families[1], plus an additional $1,000 catch-up for those age 55+[1].

3. Flexible Spending Accounts (FSA)

I. Contributions help to reduce taxable income and can be used for qualified medical expenses.
II. Use-it-or-lose-it: Funds generally must be used by year-end or within the grace period (check your employer's policy).
III. For 2026 – contribution limit is $3,400[1]
IV. Note: FSAs generally follow a "use-it-or-lose-it" rule (unless your employer offers a grace period or carryover).
V. *Tax deductible benefit
VI. Limited-Purpose FSA
   a. Available only if you have an HSA.
   b. It can be used for dental and vision expenses while keeping your HSA intact.
   c. Often it can be used at the FSA store if there is money left over before year end.
   d. *Tax deductible benefit
VII. Dependent Care FSA
   a. It can be used for childcare or dependent adult care expenses.
   b. For 2026, the household limit is $7,500 (married filing jointly or single parent) and $3,750 if married filing separately. [1]
   c. *Tax deductible benefit

Recommendation: Estimate your annual healthcare and childcare expenses carefully so you contribute enough to benefit from tax savings but avoid forfeiting unused funds.

4. 401(k): Traditional vs. Roth (constant debate)

I. Traditional 401(k)
   a. Contributions are pre-tax, reducing your taxable income today.
   b. Withdrawals in retirement are taxed as ordinary income.
   c. Best for those currently in a higher tax bracket who expect to be in a lower one later.
II. Roth 401(k)
   a. Contributions are made after tax, but withdrawals (including earnings) in retirement are tax-free if qualified.
   b. Best for those expecting to be in a similar or higher tax bracket in retirement.
III. 2026 limits:
   a. Under 50: $24,500[2]
   b. Over 50: $8,000 catch up [2]
   c. Super catch up (60-63): Between $11,250-$12,000 [2]

Recommendation: If your plan allows, consider splitting contributions between Traditional and Roth to diversify future tax exposure. Don't forget to maximize any employer match, as it's essentially free money. In addition, if you plan to be in a higher bracket during retirement, regardless, it may make sense to stick to 100% Roth in the

current tax bracket environment (could be highest due to income steadily rising, stock options, inheritance, etc.).

5. Dental and Vision Insurance

I. These plans are typically inexpensive and can provide significant value if you anticipate regular dental cleanings, orthodontics, or vision correction.
II. Even if you're healthy, preventive visits help catch issues early.

Recommendation: Review what's covered and ensure your preferred providers are in-network.

6. Additional Coverage (Life, Disability, Supplemental Insurance)

I. Employer plans often offer group life and disability coverage at favorable rates.
II. If your employer coverage is minimal, consider private supplemental insurance for added protection, especially for long-term disability or income replacement.

Recommendation: Maintain at least enough life insurance to cover debts and provide for dependents. Evaluate whether employer coverage alone is sufficient or if private policies are warranted. We recommend accepting all free insurance plans, but you may be better off getting private Term Life or disability benefits outside of your employer.

7. Review your beneficiaries for your 401(k), insurance offered through work, HSA, FSA,

I. If you had additional kids in 2025 or updated your estate documents to have a new Trust, make sure this reflects within your employer plan benefits.

Final Thoughts

Year-end is the right time to align your benefits with your overall financial plan. Making thoughtful decisions now can help reduce taxes, increase savings, and help protect your family's financial well-being throughout 2025 and beyond.

If you'd like a personalized review of your benefits elections or guidance on contribution levels, please reach out to schedule a year-end benefits consultation.

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Sources:
[1]https://www.nerdwallet.com/taxes/news/fsa-hsa-taxes?utm_source=chatgpt.com

[2]https://401kspecialistmag.com/2026-irs-retirement-plan-contribution-limits-all-but-official/

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