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Open enrollment season: Time for changes?

5 September 2025, 14:24 UTC, written by Justin Waring, Ainsley Carbone, UBS GWM CIO Global Investment Management

Each fall, companies offering employed benefits such as health insurance and life insurance send an "open enrollment" e-mail, inviting employees to review the available options and choose their plans. It's tempting to click “renew” and move on. But with rising health care costs, evolving workplace benefits, and new tax rules, this year's choices could have a bigger impact than ever on a family’s financial security.

Open enrollment isn’t just another box to check—it’s an annual chance for families to make sure their selected benefits are still appropriate for their current needs.

Even for those who have been happy with last year’s choices, certain life events or tax law changes can mean that last year's elections will no longer be a good fit for the next year.

If any of these situations sound familiar, it might be a good idea to revisit the family's benefits.

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1. Family changes

Marriage

Those who have just gotten hitched (congratulations!) should make sure to review and compare each of their employers' health, dental, and vision plans. One spouse's employer's plan may offer better coverage or lower costs than the other. This is also an opportune time to review and update beneficiaries—for example, on life insurance policies and retirement accounts.

Birth or adoption

When welcoming a new member to the family, it may be a good time to increase life and disability insurance coverage to help protect against a potential disruption to the family's income.

It is also a good time to review the family's health care coverage. With more family members to cover, annual medical costs might be higher. In anticipation, it may be worth considering a move from a High Deductible Health Plan (HDHP) to a Low Deductible Health Plan (LDHP) next year. Switching from an HDHP to an LDHP may sacrifice the family's ability to contribute to a Health Savings Account (HSA). If considering that approach, it's important to confirm whether your current plan would permit the family to ramp up HSA contributions during the remainder of this year. Since the HSA funds are individually owned, the family will still be able to use them—and keep them growing in the account—after switching from an HDHP.

If switching to an LDHP, the family may also want to choose to make Flexible Spending Account (FSA) contributions for the coming year..Remember that FSA contributions are "use-it-or-lose-it" funds that the family must spend on qualified medical expenses during the upcoming year.

A child turning 26

When a dependent child turns 26, they may no longer be eligible for coverage in their parent's health care plan. With one fewer family member to cover, this could mean that the family's annual medical expenses will fall below the annual deductible, in which case it may make sense to consider whether a switch to an HDHP—for example, to benefit from potentially lower monthly premiums and the ability to make HSA contributions—could make sense based on the family's needs.

When a child becomes financially independent—or on their way there—it may also make sense to reduce the family's life insurance coverage to save on premiums.

2. Career or income changes

Job change or promotion

A new job or promotion can bring new benefits—and new decisions. When the family's income increases, it may present an opportunity to boost 401(k) contributions, potentially taking advantage of a higher employer match and/or reducing the family's taxable income. If a new employer offers new retirement plans or perks, take time to review these options.

Significant change in income

If the household's income is changing—for example, if a spouse is returning to work, or beginning to cut back on work hours—the family's benefits needs may shift. Higher income might open up new savings strategies, and change how the family should use tax-advantaged accounts. For example, a higher level of income could make it worth considering “mega backdoor Roth conversion” or "backdoor Roth IRA" strategies as discussed in these CIO research reports: How to use the "backdoor Roth IRA" strategy, published 22 January 2025 and How to implement a "mega backdoor Roth conversion", published 27 January 2025. Lower income could mean scaling back contributions or adjusting benefits to keep the family's finances on track.

This may also be a good time to revisit the family's life insurance and disability coverage to better reflect the family's new expected income.

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3. Health changes

Consider revisiting your health plan if a family member has been diagnosed with a chronic condition, or if there is any other reason to expect significant medical costs next year. For example, switching from an HDHP to an LDHP may increase the family's monthly premiums, but help to reduce the family's total out-of-pocket expenses in a year of higher-than-normal medical costs. Before making a switch, it's important to carefully evaluate if changing plans would incur other costs or affect coverage in other ways, such as access to trusted doctors. The family may also want to consider adjusting HSA or FSA contributions to better match the expected short- and long-term medical costs.

4. Tax law or benefit plan changes

Changes in contribution limits or tax rules

The IRS regularly updates contribution limits for HSAs, FSAs, and 401(k)s. When these limits increase, consider raising the family's contributions to capture an expanded tax-advantaged saving and investing opportunity through these employee programs.

New or enhanced employer benefits

Employers may add new perks—from student loan repayment programs to legal assistance to wellness benefits—as options during open enrollment season. When an employer rolls out something new, take a closer look—these offerings can add real value depending on the family's needs.

5. Other life events

A new home purchase

A new mortgage is a big financial commitment. Consider whether the family will have the resources to cover the mortgage payments if one spouse becomes unable to work—and if increasing disability insurance coverage could help protect against this financial risk.

Approaching retirement

As retirement nears, it’s a good time to review investments and asset allocation. Retirement is also an opportunity to re-evaluate the family's health, life, disability, and long-term care insurance coverage.

Bottom line

Open enrollment is an annual opportunity to make sure that the family's benefits keep up with any life events and policy changes. Whether a family is going through a major transition or simply wants to double-check their coverage, taking time now can help protect the family's finances all year long.

For more tips on how to make the most of workplace benefits, visit www.ubs.com/benefitsinsights for additional resources, including a full report from CIO Global IM, videos, and a four-point open enrollment checklist.

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