HB Wealth

Open Enrollment for Corporate Executives: What to Review Before Making Your Elections

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Open enrollment can be easy to treat as a routine HR exercise, particularly if your benefits haven't changed significantly. But for corporate executives, annual benefit elections can intersect with broader decisions about taxes, cash flow, insurance coverage, and long-term financial planning.

Before simply carrying forward last year's elections, take time to review how your health plan, tax-advantaged accounts, and other employer benefits fit into your overall financial picture.

Health savings accounts (HSAs), flexible spending accounts (FSAs), and dependent care FSAs can offer valuable tax advantages. Open enrollment is also an opportunity to review life and disability coverage, retirement and deferred compensation elections, equity compensation, and other employer benefits.

What Are the Key Numbers for 2027?[1]

Account	2027 Limit
HSA, self-only coverage	$4,500
HSA, family coverage	$9,000
HSA, catch-up (age 55 and older)	Additional $1,000
Health FSA	$3,500
Dependent care FSA	$7,500 ($3,750 if married filing separately

Review Your Health Plan and Tax-Advantaged Accounts

What is an HSA?

An HSA is a tax-advantaged account you can use if you're enrolled in a qualifying high-deductible health plan (HDHP). For 2027, a plan qualifies if it has a deductible of at least $1,750 for self-only coverage or $3,500 for family coverage, and an out-of-pocket maximum of no more than $8,700 or $17,400, respectively.

HSAs offer three potential tax benefits:

- Contributions made through payroll are generally made on a pre-tax basis, while eligible contributions made outside of payroll may be deductible on your federal income tax return.
- Investment growth is tax-free.
- Withdrawals for qualified medical expenses are tax-free.

Unused funds roll over from year to year, and the account stays yours if you change jobs. Many HSAs also let you invest your balance. For those who can afford to pay current medical expenses from other cash flow, leaving HSA dollars invested may allow the account to play a longer-term role in planning for healthcare costs in retirement.

Keep in mind that once you enroll in Medicare, you can no longer contribute to an HSA.

What is a Health FSA?

A health FSA lets you set aside pre-tax dollars from your paycheck for eligible out-of-pocket medical costs, such as deductibles, copays, and prescriptions. You don't need a high-deductible health plan to use one.

The main tradeoff is that FSAs are generally use-it-or-lose-it. Your employer's plan may offer one of the following, but not both:

- **A carryover:** A limited amount of unused funds can roll in the next year.
- **A grace period:** Up to two and a half additional months to use the prior year's funds.

Because unused money may be forfeited, estimate your expected medical expenses carefully when choosing a contribution amount.

How do HSAs and Health FSAs Compare?

	HSA	Health FSA
Requires a high-deductible plan	Yes	No
Who owns the account?	You	Your employer's plan
Do funds roll over?	Yes, all of them	Limited carryover or grace period, depending on the plan
Can you take it if you change jobs?	Yes	Generally, no
Can funds be invested?	Often	No
Can you change contributions mid-year?	Generally, yes	Generally, only after a qualifying event

What is a Dependent Care FSA?

A dependent care FSA lets you pay eligible dependent care expenses with pre-tax dollars while you work. Eligible expenses may include daycare, preschool, before- and after-school programs, and summer day camp for qualifying children.

Beginning in 2026, the annual dependent care FSA limit increased to $7,500, or $3,750 for married individuals filing separately.

Generally, both spouses need earned income, although exceptions may apply in certain circumstances. You can't use the same expenses for both the dependent care FSA exclusion and the dependent care tax credit, so consider how the options apply to your circumstances.

Coordinate Benefits with Your Spouse

If your spouse also has access to employer-sponsored benefits, compare the two benefit packages rather than evaluating yours in isolation. Consider premiums, employer subsidies, deductibles, out-of-pocket limits, and available account options.

If both spouses are eligible to contribute to an HSA, pay particular attention to how contributions are coordinated.

Review Your Life and Disability Coverage

For corporate executives, employer-provided life and disability insurance deserves more attention than simply confirming that coverage exists. Your compensation and income-replacement needs may be significantly different from those of the average employee.

Life Insurance

Review your employer-provided base life insurance and any supplemental coverage available during open enrollment. Consider whether the total amount of coverage aligns with your family's needs rather than relying solely on a multiple of salary.

If supplemental coverage is available, understand:

- How much additional coverage you can elect
- Whether additional coverage requires evidence of insurability
- Whether coverage can be continued or converted if you leave the company
- How employer coverage fits with any personal life insurance you already own

These considerations can be particularly important if leaving your employer would mean losing coverage or facing significantly different premiums to continue it.

Disability Insurance

Pay particular attention to how your employer's disability plan defines covered compensation.

If a meaningful portion of your compensation comes from bonuses or other variable compensation, a disability benefit based primarily on base salary may replace a smaller portion of your actual income than expected. Also review the plan's maximum benefit, because a dollar cap may further limit the percentage of income replaced.

If supplemental disability coverage is available, consider how it coordinates with your base plan, what compensation it covers, and whether the coverage is portable if you leave the company.

If your plan allows you to pay supplemental disability insurance premiums with after-tax dollars, consider how that election could affect the taxation of future benefits. Generally, when you pay the full cost of disability coverage with after-tax dollars, benefits received under the policy are not included in your taxable income.

Review Retirement and Deferred Compensation Elections

Open enrollment and year-end benefits season can also be a useful time to look beyond health and insurance elections.

401(k) Contributions and Employer Match

Review your year-to-date 401(k) contributions and your employer's matching formula. If you expect to reach the annual contribution limit before year-end, understand whether your employer provides a true-up contribution or whether reaching the limit early could affect the employer match you receive.

Non-Qualified Deferred Compensation

A non-qualified deferred compensation (NQDC) plan generally allows an executive or other eligible employee to defer a portion of compensation, such as salary or a bonus, to be paid at a specified time in the future.

If your employer offers an NQDC plan, review your elections in the context of your expected income, cash-flow needs, and longer-term tax planning.

- Depending on your plan, decisions may include:
- How much compensation to defer
- When deferred compensation will be distributed
- Whether distributions will be made as a lump sum or installments
- How future distributions may coincide with retirement or other anticipated income

Because NQDC benefits generally represent an unsecured obligation of the employer, the employer's financial condition should also be considered when deciding whether and how much compensation to defer.

Look Ahead to Your Equity Compensation

Although equity compensation decisions may occur outside the formal open-enrollment window, reviewing the year ahead can help you understand how employer benefits and compensation decisions fit together.

Depending on your compensation package, consider:

- **Restricted Stock Units (RSUs) and Performance Stock Units (PSUs):** Review upcoming vesting dates and consider their potential tax and cash-flow implications.
- **Stock options:** Review upcoming expiration dates, exercise prices, and potential tax considerations before making exercise decisions.
- **Employee Stock Purchase Plan (ESPP):** If available, review the plan's contribution limits, discount, and other terms before making an election.
- **Company stock concentration:** Consider how upcoming vesting, purchases, or option exercises may affect the amount of your overall wealth tied to one company.
- **Stock ownership requirements:** If your employer requires executives to maintain a certain level of company stock ownership, factor those requirements into your broader equity strategy.

Use Open Enrollment as an Annual Financial Planning Checkpoint

Beyond the elections themselves, open enrollment can provide a natural reminder to review other areas of your financial plan:

- Beneficiary designations: Review primary and contingent beneficiaries across employer retirement plans, life insurance, HSAs, deferred compensation, and other accounts.
- Estate planning coordination: Consider whether beneficiary designations and account ownership remain consistent with your current estate plan.
- Liability protection: Review available excess or umbrella liability coverage and how it coordinates with your personal homeowners and automobile policies.
- Employer-provided legal benefits: If your company offers a voluntary legal plan, understand what estate planning or other legal services may be available through it.
- Other executive benefits: Review any additional benefits offered to executives and consider how they fit with services and coverage you already have.

Make Open Enrollment Part of Your Broader Financial Plan

For corporate executives, benefit elections are one part of a broader financial picture that may include salary, incentive compensation, equity awards, retirement benefits, insurance coverage, and tax

planning. Decisions made during open enrollment should be considered alongside those other elements, not in isolation.

If you have questions about how your employer benefits fit into your broader financial plan, connect with an HB Wealth advisor who works with corporate executives.

Source

[1]Internal Revenue Service, 2027 HSA and annual inflation-adjusted limits. 26 CFR 601.602: Tax forms and instructions; https://www.irs.gov/newsroom/irs-releases-tax-inflation-adjustments-for-tax-year-2027-taxpayers-continue-to-benefit-from-the-working-families-tax-cuts

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