

# Cost cut theory

Science



Ritter explained. the bigger loss, of course, is the future value of the money, according to the financial analysts. “ if you left the \$10, 000 in for 20 years and it earned 8 percent, that would have amounted to \$46, 600,” Ritter noted.

Ritter said that taking money out of a 401(k) plan—as either a loan or a hardship withdrawal—can be a false solution that keeps the person in crisis from taking appropriate action, such as selling the house, getting another job, or cutting expenses. You need a systemic solution, something that’s going to change your household cash flow,” he said. liberto said another reason to avoid a hardship withdrawal in the current market is that the employee would be borrowing funds that have dropped in value, with no chance to recoup the loss when the market recovers. Barbara Bird, a management professor and entrepreneurship expert at american university in Washington, d. c. , said that at this time of such dramatic financial upheaval, companies can help employees by providing financial education. a lot of people out there don’t know what diversification means,” she said, or what the difference is between stocks and bonds.

Bird said that some people who take hardship withdrawals do not understand the tax consequences until april. companies can set up training classes or communicate through a newsletter or Web page, she added. “ one of the things managers need to do in times of crisis is to communicate,” Bird said, “ to share as much as they can about what’s happening at the company as the financial situation plays out nationally. q MaRcH 2009 COST-CUTTING TIPS, TACTICS & STRATEGIES InTRODuCe HDHPs TO CuT HeALTHCARE COSts Issue: in 2005, a business services company sought to cut its healthcare costs by

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introducing high deductible health plans ( HdHps) to its employees in hopes of increasing its enrollment. Response:“ along with the HdHp options, we also started offering health savings accounts that included employer contributions to these accounts,” the benefits administrator at the 225-employee firm told us. Result:“ these new plans increased our participation in 2006; 65 percent of our employees who participate in the health program are covered in one of he HdHp plans,” the benefits administrator added. “ due to the increased enrollment in 2006 and the reduced claims experience, we were able to offer our plans to employees in 2007 with no increase in premium amounts.

” Issue: a 400-employee transportation company was looking for simple changes to its benefits plan that would keep costs from rising more than 8 percent. Response:“ our principal move was to couple an increase in deductibles with a contribution increase,” the controller told us. Formerly, we also included dental coverage with the cost of medical. now, we charge additional amounts for it. Finally, we increased copayments for our drug program. ” Result: increasing the deductibles saved the company roughly \$150, 000. “ and to lessen the sting of these increases to employees, we supplemented our life offering, which was viewed positively,” the controller added.

CHAnGeyOuRCONTRIBuTIONTIeRs Issue: the benefits manger at a new York-based hotel, hospitality, and lodging company was looking for a way to change its contribution toward health care coverage to help cut costs.

Response:“ We changed from a two-tiered contribution single andfamilyto a four-tiered contribution (single, couple, single with child(ren), and family). it <https://assignbuster.com/cost-cut-theory/>

was done during open enrollment for 2007 benefits," the benefits manager told ioMa. Result:" it enabled us to reduce costs. Many associates with dual coverage opted out as the family plan went up by 105 percent for a contribution. it went from \$22 per week to \$46. www.

ioMa. com/HR 15