

# Flexible Spending Accounts

## WHAT IS A FLEXIBLE SPENDING ACCOUNT?

A Flexible Spending Account (FSA) - also commonly referred to as an FSA, a Flex Plan or a Cafeteria Plan - is an employee benefit program that allows you to set aside money on a pre-tax basis for certain medical and child care expenses. With an FSA, you can reduce your taxes while paying for necessary services or expenses.

Using an FSA, employees and employers can shield thousands of dollars of expenses annually, resulting in substantial tax savings. Amounts contributed to an FSA are NOT subject to federal and state income taxes or social security taxes. Employees who participate in this program benefit by reducing their taxable income in order to increase their level of "take-home" pay.

## GREAT ADVANTAGES FOR EMPLOYEES

- You save money by reducing your income taxes. The contributions you make to a Flexible Spending Account are deducted from your pay BEFORE your Federal, State, and Social Security Taxes are calculated and are not reported to the IRS as income.
- No taxes on withdrawals.
- Designate the amount set aside from each paycheck, subject to IRS maximums.

## HOW DO FLEXIBLE SPENDING ACCOUNTS WORK?

**Incur Expenses** - Receive eligible health and/or dependent care products or services. Expenses are considered incurred when the service is rendered, not when you are billed, charged or pay for these services.

**Submit Claims** - Send reimbursement requests for eligible health and/or dependent care expenses to your Plan Administrator.

**Receive Reimbursement** - Get reimbursed with TAX-FREE money from your spending account.

## HOW DO I ENROLL?

**Estimate expenses** - Estimate your health and/or dependent care expenses for the year by reviewing last year's costs and taking into consideration any family status changes that may impact your expenses, such as marriage or the birth or adoption of a child.

**Determine contributions** - Decide how much of your salary to set aside to fund your expected health and/or dependent care expenses. The total amount will automatically be deducted from your pay throughout the year.

**Elect to participate** - Sign up for a health and/or dependent care spending account during your employer's enrollment period.

## HEALTH CARE FSA

An easy and convenient way to manage eligible out-of-pocket expenses not covered by your medical plan - such as copayments, deductibles, certain vision, hearing, & orthodontic costs, and much more.

### Health Care FSA Savings Example

Let's say an employee earned \$50,000 in 2005 and elected to put \$2000 into a Health Care Flexible Spending Account. At the end of 2005, the employee would have increased spendable income by \$576.

	WITH a Health Care FSA	WITHOUT a Health Care FSA
Annual Base Salary	\$50,000	\$50,000
Health Care FSA Contribution	2,000	-----
Taxable Income	48,000	50,000
Federal Income and Social Security Taxes	13,807	14,383
Net Income	34,193	35,617
Unreimbursed Health Care Expenses	-----	2,000
Spendable Income	34,193	33,617
<b>Difference</b>	<b>\$576</b>	

## DEPENDENT CARE FSA

Employees can contribute up to \$5000 per family each year to cover non-medical day care expenses for children up to 12 years of age or disabled dependents of any age.

### Dependent Care FSA Savings Example

Let's say an employee earned \$50,000 in 2005 and elected to put \$3000 into a Dep. Care Flex. Spending Acct. At the end of 2005, the employee would have increased spendable income by \$866.

	WITH a Dep. Care FSA	WITHOUT a Dep. Care FSA
Annual Base Salary	\$50,000	\$50,000
Dep. Care FSA Contribution	3,000	-----
Taxable Income	47,000	50,000
Federal Income and Social Security Taxes	13,517	14,383
Net Income	33,483	35,617
Unreimbursed Dep. Care Expenses	-----	3,000
Spendable Income	33,483	32,617
<b>Difference</b>	<b>\$866</b>	

► Easy, secure ways to fund important medical care, dependent care, and commuting expenses with pre-tax dollars

► Tax-free withdrawals for qualifying expenses allow employees to increase their disposable income

► Simple administration for you, with prompt reimbursement