

# Flexible Spending Accounts Overview

*Here's a benefit plan you can join which actually saves you money. Flexible Spending Accounts (FSAs) reduce your taxes because you pay for unreimbursed health care expenses and/or dependent care expenses with pre-tax dollars. Each year you decide how much to contribute to each account based on your needs. Don't pass up the opportunity to save on taxes... this enrollment kit describes how easy it is! You can choose to enroll in one or both accounts.*



*Note: Check your FSA Highlights sheet for the FSA plan(s) available to you and the maximum/minimum election amounts*

## Health Care Account

How much will you pay for "out-of-pocket" health care expenses this year? For items like health plan deductibles, copayments, prescriptions, dental and orthodontic care, and vision care (including glasses, contacts, and even corrective surgery)?

Whether it's hundreds or thousands, you can save money by paying for these expenses with tax-free money... if you sign up to participate in the Health Care FSA.

## Dependent Care Account

Looking for ways to stretch your family budget? If you have children in daycare, here's a quick way to save: use the Dependent Care FSA to pay for daycare tax-free. You can reduce taxes on up to \$5,000 of expenses – that could easily mean saving over \$1,500! Give yourself a raise... sign up for the Dependent Care FSA.

## Easy To Enroll, Easy To Use, Easy To Save

1. Read the information in this packet.
2. Estimate your health care and dependent care expenses carefully.
3. Complete the enrollment form with your election amount(s). Sign the form and give it to your benefits representative.
4. Your elected amount will be divided by the number of pay periods you will have during your plan year. This amount will be deducted from your pay - before taxes are calculated - throughout the plan year.
5. Whenever you have an eligible expense, submit a Claim Form along with the proper documentation.
6. You will be reimbursed with tax-free money you elected to put into your FSA.

# Q&A Flexible Spending Accounts

*You probably have a health plan... but it doesn't cover everything. In addition, if you have children in daycare, that's another expense that really adds up over the course of a year. Here's a benefit plan that can make those out-of-pocket costs much less expensive. Flexible Spending Accounts help you set aside pre-tax money to pay for health care and dependent care expenses. The money is never taxed - not when it goes into your account and not when it comes out in the form of tax-free reimbursements for eligible expenses.*

## Where does the money in my account come from?

The amount you choose to put into an FSA is divided by the number of pay periods you will have during the plan year. This amount is then deducted from your pay throughout the year before taxes are calculated. When you have an eligible expense, you submit a Claim Form along with the documentation of the expense. We process your request and reimburse you for the amount of your expense. Your reimbursement will never be taxed.

## What kind of savings can I realize by participating in this plan?

FSA contributions and reimbursements are exempt from federal income taxes, Social Security (FICA) taxes and, in most cases, state income taxes. Depending on your tax bracket, you can expect savings between 22% and 38% on your elected amount.

## When will I get paid?

After you incur an eligible expense, submit a Claim Form with appropriate documentation via fax or mail. We will process your request and send your reimbursement according to your employer's reimbursement schedule (described on the *FSA Highlights*). Claims received via FAX will be processed the latter of two business days after receipt or prior to your next scheduled reimbursement date. Claims received via mail may require one additional day for processing.

## Can I submit expenses I incurred before the beginning of the plan year?

Only expenses incurred during the plan year and while you are a participant are eligible for reimbursement. An expense is "incurred" when the service is provided, not when you are billed or pay for it.

## What happens if there is money left in my account at the end of the year and I have no more reimbursable expenses?

Under IRS rules, you will forfeit any money remaining in your account at the end of the plan year. With careful planning, though, you should not lose any money. Use the enclosed worksheet to assist in your planning.

## Can I change the amount of my election in the FSA program during the plan year?

You can only change your election during the plan year as a result of a permitted midyear election change event. Refer to your *FSA Highlights* for eligible status changes.

## When I participate in an FSA, will my Social Security benefits be reduced when I retire?

Since your taxable income will be reduced, your earnings for purposes of calculating your Social Security benefits could also be slightly reduced. Usually the effect will be insignificant over the lifetime of covered earnings. Check with your local Social Security office for possible effects on your benefits.

## How To Enroll

Please complete and sign the *FSA Enrollment Form* indicating how much you would like to put into a Health Care and/or Dependent Care FSA. Completing the enclosed worksheets first will help you determine how much to contribute. Return the *FSA Enrollment Form* to your benefits representative before your enrollment deadline as indicated on your *FSA Highlights*.

## If I have a question about my account, who should I call?

Check the *FSA Highlights* in this folder for the toll-free customer service number. After you are enrolled, our automated system can answer many of the basic questions about your account or you can talk to a Customer Service Representative. You will also receive an account summary with each reimbursement in addition to a quarterly account statement.

# Dependent Care Flexible Spending Account

*The Dependent Care FSA helps you pay for child care services which make it possible for you and your spouse (if applicable) to work. Under certain circumstances it also may be used to help pay for the care of elderly parents, or a disabled spouse or dependent.*



*Note: Check your FSA Highlights sheet for the FSA plan(s) available to you and the maximum/minimum election amounts.*

## Am I eligible to enroll in the Dependent Care FSA?

To be eligible you must be at work during the time your eligible dependent receives care. You must also meet one of the following eligibility guidelines:

- ▼ You are a single parent or guardian
- ▼ You have a working spouse or a spouse looking for work
- ▼ Your spouse is a full-time student at least five months during the year while you are working
- ▼ Your spouse is physically or mentally unable to provide for his/her own care
- ▼ You are divorced or legally separated and have custody of your child even though your former spouse may claim the child for income tax purposes

## Who is an eligible dependent?

Your dependent care expenses must be for a qualifying individual who spends at least eight hours a day in your home and is one of the following:

- ▼ Your dependent **under the age of 13** for whom you can claim an exemption
- ▼ A child **under the age of 13** for whom you have custody if you are divorced or legally separated
- ▼ Your spouse who is physically or mentally incapable of self-care
- ▼ Your dependent who is physically or mentally incapable of self-care, even if you cannot claim an exemption for the person for income tax purposes

## What expenses are eligible for reimbursement under the Dependent Care FSA?

Expenses may be reimbursed for services provided:

- ▼ Inside or outside your home by anyone other than your spouse, a person you list as your dependent for income tax purposes or one of your children under the age of 19
- ▼ In a dependent care center or a child care center. (If the center cares for more than six children, it must comply with all applicable state and local regulations)
- ▼ By a housekeeper whose services include, in part, providing care for a qualifying individual

Child and adult daycare, nursery and pre-school, after-school programs, summer day camp and taxes you pay on wages for eligible dependent care can be reimbursed through the Dependent Care FSA.

## What expenses are not eligible for reimbursement?

- ▼ Dependent care for a child 13 or over
- ▼ Overnight camp
- ▼ Babysitting that is not work-related
- ▼ School costs for kindergarten and higher grades
- ▼ Long-term care services
- ▼ All submitted expenses will be reviewed according to the regulations of Internal Revenue Code Sections 125 and 129

*Continued on the back*

# Health Care Flexible Spending Account

*The Health Care FSA helps you save money on your out-of-pocket health care expenses.*

*By using an FSA, you pay for these expenses with pre-tax dollars.*

*You save a percentage of each dollar you spend on eligible medical, dental and vision services that are not fully covered or are ineligible for payment under your health care plan.*



*Note: Check your FSA Highlights sheet for the FSA plan(s) available to you and the maximum/minimum election amounts*

## **What is eligible for reimbursement under the Health Care FSA?**

Eligible health care expenses may include health care plan deductibles, copayments, amounts over the maximum your plan pays and other expenses not covered by your health plan. For a more complete listing, please refer to the "Sample Health Care Expenses" list inside this brochure. All submitted expenses will be reviewed according to the regulations of Internal Revenue Code Section 125.

Insurance premiums and expenses paid by your health care plan are not eligible for reimbursement under the Health Care FSA.

## **If I don't have any medical insurance through my company, can I still participate in the Health Care FSA?**

Yes. Out-of-pocket expenses for you and your dependents are eligible for reimbursement whether or not you are insured through your company, but you must enroll in the Health Care FSA to take advantage of the tax savings.

## **Can I use my Health Care FSA for my family's expenses?**

Yes. You can be reimbursed for eligible health care expenses incurred by you, your spouse or any dependent that you claim on your income tax returns, even if they are not covered under your health care plan.

## **What if I itemize my health expenses on my tax returns?**

You cannot receive reimbursement from an FSA for an expense and also itemize the expense as a tax deduction on your tax returns. However, most people do not incur enough out-of-pocket medical expenses to be eligible for any deduction on their tax return (you can only deduct the amount of your medical and dental expenses that is more than 7.5% of your adjusted gross income). For individuals that do not qualify for the itemized deduction, the Health Care FSA makes sense – it's available for any amount up to your company's maximum. Plus, you receive the tax savings throughout the year, not when you file your taxes after the end of the year.

## **What if I have money left in my account near the end of the year?**

You lose any money left in your account at the end of the plan year. To avoid losing any money, plan carefully and review your account before the end of the plan year. If you have money left, you might want to schedule an eye exam, an annual physical, or purchase additional monthly prescriptions prior to the end of the plan year. Remember, expenses can be incurred by you, your spouse or any dependent. With careful planning, you should never lose any money in your FSA.