

THE ADVANTAGE OF *Choice*



for what happens next

Dependent Care Flexible Spending Account

A plan that enhances your benefits

If you're one of the many people who spends money on the care of dependents, a dependent care flexible spending account can make these expenses more affordable. This valuable option is available through your employer's flexible benefits plan and is a qualified benefit under Code Section 125 of the IRS. Code Section 125 was created by the United States Congress to make benefits more affordable for you.

How it works

If you participate, you will elect to have a specified amount of pretaxed money deducted from your paycheck each pay period. These dollars are set aside in a flexible spending account and subtracted from your gross earnings before any taxes are taken out. After you submit a receipt for a qualifying dependent care expense, you will be reimbursed from this account.

How it benefits you

The advantage to participating is that when you contribute pretax dollars to a reimbursement account, you lower your taxable income; therefore, you pay less in taxes and increase your spendable income!

For example...

Mary's status:

Married

three fed./state exemptions

Weekly salary: \$500

Eligible expenses:

dep. care/\$50

Mary has one child.

She pays \$216 per month (\$50 per week) for day care.

Here's how a dependent care plan can help her.

Mary chooses to have \$50 each pay period deducted from her gross salary.

When she incurs qualifying dependent care expenses, she simply files a claim and is reimbursed from the account. Because her taxable income is now lower, her taxes are less.

After Mary is reimbursed from her account, her total spendable income increases by \$14.47 each week.

	Before Dep. Care FSA reim.	After Dep. Care FSA reim.
Gross pay	\$500.00	\$500.00
Pretax dep. care reduction	-0-	- 50.00
Taxable gross	500.00	450.00
FICA, fed. & state taxes	- 85.99	- 71.52
Net pay	414.01	378.48
Dep. care reimbursement		+50.00
Spendable income	\$414.01	\$428.48

