

THE ADVANTAGE OF *Choice*



for what happens next

Health Care Flexible Spending Account

A plan that enhances your benefits

Would you be interested in a plan that helps pay out-of-pocket medical costs while increasing your spendable income? Your employer is offering such a plan—it's called a **health care flexible spending account**. This benefit qualifies 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 reimbursement account and subtracted from your gross earnings before any taxes are taken out. After you submit a receipt for a qualifying health care expense, you will be reimbursed from this account.

How it benefits you

The advantage of 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...

John's status:

Married
three fed./state exemptions
Weekly salary: \$500
Qualified benefits:
Health care FSA: \$31 per week

Based on these expenses, John knows he'll be spending at least \$1,612 on non-covered medical expenses over the course of the year.

John's daughter needs braces that will cost \$1,200 next year. His major medical deductible is \$200. Plus, he needs glasses, which cost \$212.

Dental Care	\$1,200
Major Med. Deductible	\$200
Vision Care	\$212
Total	\$1,612
	per year or \$31 per week

Review the sample below to see how a health care flexible spending account (FSA) can help increase John's spendable income.

After being reimbursed from the health care FSA, John's spendable income increases \$8.97 per week. Annually, he has increased his spendable income by \$466.44!

	Before Health Care FSA reim.	After Health Care FSA reim.
Gross pay	\$500.00	\$500.00
Pretax Health care FSA	-0-	- 31.00
Taxable gross	500.00	469.00
FICA, fed. & state taxes	- 86.85	- 77.88
Net pay	\$413.15	391.12
Health care FSA reimbursement		+31.00*
Spendable income	\$413.15	\$422.12

* The amount and number of times John is reimbursed will depend on the receipts he submits for qualified medical expenses and the frequency with which his plan makes reimbursements.

