Flexible Spending Accounts (FSA)

• **Limited Purpose Health Care Reimbursement Account (LP Health FSA)**
  For your out-of-pocket dental and vision expenses.

• **Dependent Care Assistance Account (Dependent Care FSA)**
  For your expenses related to dependent day care such as after school child care.

**Why enroll in an FSA?**

• Give yourself a raise! Increase your spendable income by reducing the amount you pay in taxes.

  Our participants save approximately $27 in taxes for every $100 they set aside in an FSA.

• Easily budget for higher cost dental and vision expenses.

**The first year I heard about the FSA, I wasn’t sure about it. I decided to sign up for just enough to cover a pair of glasses I knew I needed. Using the plan was so easy, plus I saved money. The next year I tripled my election amount, and I still spent all of it well before the plan year ended!” – Jennifer, Boston, MA
The FSA Advantage

If you are spending money on dental and vision expenses such as:

- Bridges, Crowns, Dental Copays, Dental Deductibles, Dental Work, Eye Glasses and Contact Lenses, Lasik, Orthodontia and other dental, orthodontic and vision services.

Or dependent care expenses such as:

- Child care away from home • Child care in your home • Before and After School Programs • Summer day camps • Adult day care

Then you can benefit from an FSA!

Here’s how it works:

1. Decide if you want to enroll in the LP Health FSA, the Dependent Care FSA, or both.
2. Determine how much you spend annually on out-of-pocket expenses.
   - Refer to your FSA Enrollment Form for the maximum permitted election amounts.
3. Your employer divides your annual election by the number of pay periods in the plan year.
   - This amount is prorated deducted each pay period on a pre-tax basis throughout the year.
   - Having your FSA deductions come out of your pay pre-tax is like giving yourself a raise!
   - You avoid paying: Federal income tax • FICA taxes • State income tax (in most states)
4. Access your FSA funds throughout the plan year to pay for eligible expenses.
   - Use the FSA debit card
   - Submit for reimbursement through one of our quick and convenient reimbursement methods

Understanding the LP Health FSA

LP Health FSA funds can be used for non-medical health care expenses incurred by:

- You, your spouse, and your dependents up to age 26

One of the biggest advantages of the LP Health FSA is that you have access to your full annual election amount on the very first day of the plan year!

Eligible expenses include associated costs with dental, orthodontia, and vision, such as:

- Visits, procedures and services • Equipment/supplies • Fittings and Screenings

You can use the LP Health FSA for your own and your family members’ expenses, even if you and your dependents are not enrolled in your employer’s medical plan.

Refer to the LP FSA Eligible Expenses handout for a list of common eligible expenses.

Minimum Annual Election Amount = $120
Maximum Annual Election Amount = $2,700

Understanding the Dependent Care FSA

Dependent Care FSA funds can be used for dependent care expenses you incur so that you (and your spouse if married) can be gainfully employed or attend school full-time.

To be eligible, the dependent must be your tax dependent who is:

- Under the age of 13
- Age 13 or older if physically or mentally incapable of self-care and residing in your home at least half the year

Eligible Providers and Settings:

- Day care centers and nursery schools
- Summer day camps
- Before/After school programs
- Babysitters including nannies, inside or outside the home
  - Relatives must be over 19 and not able to be claimed on your federal tax return. Non-relatives can be under the age of 19.
- Adult day care centers

Ineligible expenses include kindergarten, private school tuition, educational classes, and overnight camps.

As funds accumulate in your Dependent Care account through payroll deductions, you can submit for reimbursement.

Dependent Care FSA compared to IRS Child Care Credit:

- In most cases, a combined family Adjusted Gross Income of $40,000 and higher will see a greater tax savings through a Dependent Care FSA than the IRS Child Care Credit. A Dependent Care FSA and IRS Child Care Credit Comparison Chart can be found at benstrat.com. Consult with a tax advisor for details on your particular tax situation.

Minimum Annual Election Amount = $120
Maximum Annual Election Amount $5,000/$2,500 if married and filing separately

Example of Tax Savings Through An FSA

<table>
<thead>
<tr>
<th>Annual Earnings</th>
<th>Before Enrolling</th>
<th>After Enrolling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual FSA Election Amount</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>Taxable Income</td>
<td>$60,000</td>
<td>$58,000</td>
</tr>
<tr>
<td>Approximate taxes paid</td>
<td>$27,850</td>
<td>$26,000</td>
</tr>
<tr>
<td>Annual tax savings/increase in spendable income by enrolling in an FSA:</td>
<td>-$16,710</td>
<td>-$16,153</td>
</tr>
</tbody>
</table>

*Assumes 15% Federal Income Tax, 5.2% State Income Tax, 7.65% FICA Tax

“I’m already spending money on these things; it would be crazy not to take advantage of the savings through an FSA.”
- Bill, Springfield, MA

“I love coordinating my HSA benefit with my Limited Purpose Health FSA. I’m able to put money aside for my dental expenses without having to use my HSA. AND all of the money is available upfront!”
- Amanda, Wells Beach, ME

“I set aside $5,000 in my Dependent Care FSA; that’s almost $1,300 in tax savings for me! My FSA helps so much with the cost of day care.”
- Rachel, Springfield, MA