



FSA/Section 125 Cafeteria Plan Overview and FAQs

What is a Flexible Spending Account?

A benefit provided by your company that lets you set aside a certain amount – up to annual maximums for unreimbursed medical expenses and/or dependent care. This money is deducted from your paycheck before income taxes are calculated, and set aside into an account for you. During the year you can be directly reimbursed from your account for qualified healthcare and/or dependent care.

Why should I participate when I already have health insurance?

This healthcare account is used to pay for expenses not covered by insurance such as deductibles, co-payments, coinsurance, prescriptions, dental expenses, glasses, and certain over-the-counter items.*

The dependent care account allows you to set aside funds each year that can be used to cover expenses for care of children up to age 13 as well as disabled dependent adults.

Your money is never taxed.

Because your spending account deductions are pre-tax, you can save 30–50% of your out-of-pocket expenses related to healthcare, dependent care, and transportation. Your money goes further because you never have to pay tax on the money set aside in these accounts.

The plan is simple to use.

Regular amounts are deducted from your gross wages and applied to your spending account. Reimbursements are issued to you from your spending account when you submit a documented claim.

To set up a spending account, all you have to do is estimate how much money you spend for covered expenses. You must sign up during your open enrollment period or when you are first eligible for the plan. After you have received approved services you can use your card to pay for services without filing claim forms, or you can submit a paper claim to administration.

This is a brief description of your Flexible Spending Account. Please refer to your actual plan documents or benefits administrator if you have questions or need more information.

See the other side for Frequently Asked Questions (FAQs).

Sample Section 125 Savings

| No Section 125 | | Section 125 | |
|-----------------|---------|-----------------|---------|
| Paycheck | \$1,000 | Paycheck..... | \$1,000 |
| 30% Tax..... | -\$300 | Premiums..... | -\$100 |
| Net Pay..... | =\$700 | Net Pay | =\$900 |
| Premiums | -\$100 | 30% Tax | -\$270 |
| Take Home | =\$600 | Take Home | =\$630 |

You take home \$30 more per paycheck!

Cafeteria Plan – Frequently Asked Questions

Q: Is the Section 125 Cafeteria Plan going to replace my group insurance benefits?

A: No way! In fact, your employer is improving your benefits by offering these choices.

Q: What if I am not covered or I do not have my dependents covered under my company's health insurance plan?

A: You and your family can still participate in the Health Flexible Spending Account (FSA) or Dependent Care Assistance Plan (DCAP) reimbursement account.

Q: What if I have a claim early in the plan year and do not have enough money in my account?

A: You are eligible for 100% of your election at the start of the plan year for your Health FSA. This is referred to as the "Uniform Coverage Rule." Your elected payroll deductions will continue throughout the plan year to catch up on the expenses you have been advanced. For the DCAP account, you will be reimbursed as your deductions are deposited with your employer.

Q: Do I have to have a lot of expenses to participate?

A: No. Just put aside enough money to cover what you reasonably expect to spend during your plan year. You should not put more than that, because under IRS regulations, if you do not use the money, you will lose it. The exception is if your plan includes the optional Carryover provision, which allows up to \$610 in unspent balance to be rolled over to the next plan year.

Q: How do I figure how much to put into my medical expense account?

A: Look at your receipts or check register for the last year or two to see what you typically spend annually on medical expenses for yourself and qualified family members. Or, think about what you expect to spend on medical expenses during your plan year.

Q: What is the maximum I can put into my account(s)?

A: The maximum for each type of account is:

- FSA Medical: The amount specified in your Summary Plan Description as determined by your employer, up to an IRS-mandated maximum of \$3,050 annually per employee.
- Dependent Care: \$5,000 per plan year and calendar year for the head of household or married filing joint tax return; \$2,500 per plan year and calendar year for married filing separate tax return.

Q: If I set aside pre-tax money in a spending account, why would I lose the money if I don't spend it?

A: This is an IRS guideline, not ours or your employer's. If your plan does not include the Carryover provision described above, you will have an extended grace period of 2½ months from the end of the plan year to incur claims. You also have a 90-day run-out period from the end of the plan year to submit claims incurred during the plan year. Please refer to your Summary Plan Description.

Q: Can expenses be reimbursed from my DCAP at the beginning of the month for care that will be provided during that month?

A: No, regulations require that claims can only be reimbursed when a service has actually been incurred. So, even though a participant pays for dependent care at the beginning of the month, until the care has actually been provided, the participant is not entitled to the reimbursement.

Q: Can an employee who participates in an employer-sponsored dependent care assistance plan also claim the dependent care tax credit?

A: There is no 'double-dipping.' If you are using a DCAP you may not also elect the tax credit on the same money. Please consult with your accountant or flex administrator for further review.

Q: What is proof of payment/required documentation?

A: This would be a copy of your statement, invoice, visit record, explanation of benefits (EOB), or similar document. It should show the date, type of service, the amount of payment, and the provider. Voided or canceled checks are not qualified receipts, nor are credit card slips.

Q: Can I change my contributions during the year?

A: Only if you have a change of status, such as marriage, divorce, birth, adoption, or a change in your or your spouse's employment status.