

What is a Health Care Flexible Spending Account?

It was developed to make benefits more affordable for participants. A Health Care FSA may be used to pay health care expenses not covered under any other plan.

The Health Care Flexible Spending Account benefit qualifies under Code Section 125 of the IRS.

Qualified expenses may include:

- Deductibles and other payments you must make under your medical plan
- Charges that may not be covered by your medical plan such as hearing aids, dental care or routine exams
- Miscellaneous expenses such as individual psychiatric or psychological counseling

How it works:

A specified amount of pretaxed money will be deducted from the participant's paycheck each pay period. These specified funds are set aside in a reimbursement account and subtracted from the gross earnings before any taxes are taken out. After a participant submits a receipt for a qualifying health care expense, they will be reimbursed from this account.

How it benefits you:

When participants contribute pretax dollars to a reimbursement account, you lower your taxable income; therefore, you pay less in taxes and increase your spendable income.

The value of additional benefits:

Through the employer's flexible benefits plan, employees will be able to pay the premiums for qualifying benefits with pretax dollars, making employee benefits even more affordable.

Take careful consideration as to the amount of expenses you will have during the year. Be conservative in your estimation. Remember, the expenses you choose cannot be covered by any other medical plan. Employers choose the max an employee can take for the year. Effective 2013 the max an employer can choose is \$2500.00 per employee.

Can an election be changed during a plan year?

There are only two ways a change in status can be made during a plan year:

- A change in status such as marital status, number of dependents, employment status, dependent satisfies (or ceases to satisfy) eligibility requirements
- Or a change of residence

***The participant's election change must be consistent with the status change event**

How much should I contribute?

Additional Information

THE USE IT OR LOSE IT RULE

If you contribute dollars to a flexible spending account and do not use all of the monies you deposit, you will lose any remaining balance in the account at the end of the plan year, unless the employer designates a two and a half month grace period, added to the end of the plan year.

WHAT IF THE TAX LAWS CHANGE?

Tax advantages currently available are based on the law as it stands today. If a change occurs you will be notified.

WILL PRETAXING HAVE AN IMPACT ON SOCIAL SECURITY BENEFITS?

Any reduction in your taxable pay may also lead to a reduction in your Social Security benefits; however, for most employees, the reduction in Social Security benefits is insignificant compared to the value of paying lower taxes today.

***Note: An expense is not eligible if it is for cosmetic reasons only. Also, premiums for health coverage are not eligible for reimbursement.**



Health Care FSA and Pretax Premiums Illustration

Brian's Status: Married, three fed./ state exemptions
Weekly salary: \$500
Health Care FSA: \$31
Eligible expenses: ?

	Before Health Care FSA Reimbursement	After Health Care FSA Reimbursement
Gross Pay	\$500	\$500
Pretax Med FSA .	-0-	-31
Taxable Gross	\$500	\$469
FICA, fed, & State taxes	-86.85	-77.88
Net Pay	\$413.15	\$391.12
Health care FSA Reim.		+31
Spendable income	\$413.15	\$422.12

Keep this newsletter and worksheet for future reference.

Additional copies are available through your employer. Take the time to complete the attached worksheet and determine whether the health care flexible spending account will benefit you. Then plan to meet with your NWGS Companies representative.





Health Care Flexible Spending Account Worksheet

Estimating Your Eligible Medical Expenses

Complete the following chart to estimate your health care expenses for last year and this year. This chart will help you determine how much of your salary you may want to contribute to a health care reimbursement account.

<u>Medical</u>	<u>Last Year</u>	<u>This Year</u>
Deductibles, plus 100 percent of out-of-pocket expenses not covered by medical plan	\$ _____	\$ _____
Doctor's office visits	_____	_____
Well-baby care	_____	_____
Pap-smear	_____	_____
Physicals	_____	_____
Immunizations	_____	_____
Prescription drugs	_____	_____
Others.....	_____	_____
<u>Dental</u>		
Fillings.....	_____	_____
Bridges.....	_____	_____
Crowns.....	_____	_____
Dentures	_____	_____
Orthodontia	_____	_____
Braces	_____	_____
Exams	_____	_____
<u>Vision</u>		
Exams	_____	_____
Lenses.....	_____	_____
Frames.....	_____	_____
Contact lenses.....	_____	_____
<u>Hearing</u>		
Exams	_____	_____
Hearing Aids	_____	_____
<u>Miscellaneous</u>		
.....	_____	_____
.....	_____	_____
<u>Total Eligible Medical Expenses</u>	\$ _____	\$ _____