benefit strategies LLC

Dear Colleague:

Last week the US Treasury Department modified its FSA "use-it-or-lose-it" provision to allow rollover of FSA funds. That means it's the perfect time for you to take a closer look at a Healthcare Flexible Spending Account (FSA), a valuable benefit that helps you pay for health-related, out-of-pocket costs not covered by your insurance.

Use-it or Roll-Over $500. The new FSA ruling means that the risk of losing your FSA healthcare contributions at the end of the year is reduced. You are now able to roll over up to $500 into the following plan year. Plus, the FSA rollover provision eliminates the mad scramble at the end of the year to spend remaining FSA funds.

Real Savings. Real Simple. Flexible Spending Accounts are a great way to stretch your benefit dollars. They allow you to use **before-tax** dollars to reimburse yourself for eligible out-of-pocket medical and dependent care expenses which saves you on taxes and increases your spendable income. You elect to have your annual contribution[1] deducted from your paycheck each pay period, in equal installments throughout the year–before federal income, state income (in most cases) and Social Security taxes are taken out–until you reach the yearly maximum you have specified. The amount of your pay that goes into an FSA will not count as taxable income, so you will have immediate tax savings.

Even with just a few hundred dollars of expenses, you'll be surprised at how much you can save. For example, an average family of four in the U.S. can expect to pay close to $3,500 in out-of-pocket medical expenses. An *individual* contribution to an FSA is a maximum of $2,500 per plan year, so if two wage earners in the family each set aside $1,750 in a healthcare FSA, that's a tax savings of nearly $1000 for the family.[2]

Out-of-Pocket Expenses	Annual Average	Taxes Saved (27% Tax Bracket)
Physician	$1,110	$299
Inpatient Hospital	$1,115	$301
Pharmacy	$555	$150
Outpatient Hospital	$560	$151
Other	$130	$35
Total	**$3470**	**$936**

[1] According to the U.S. Internal Revenue Service guidelines, each employee can contribute a maximum of $2,500 per plan year. For more information, visit www.irs.gov/irb/2012-26_IRB/ar09.html.

[2] The amount you save in taxes with a Flexible Spending Account will vary depending on the amount you set aside in the account; your annual earnings; whether or not you pay Social Security taxes; the number of exemptions and deductions you claim on your tax return; your tax bracket and your state and local tax regulations. Check with your tax advisor for information on how participation will affect your tax savings.

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Your FSA also comes with a FlexExpress© Card, which is pre-loaded with the value of your annual FSA election amount. Simply swipe your card at the time of purchase and the amount of your eligible expense will be automatically deducted from your account. You'll have no claim forms to complete and you won't have to wait to get a check in the mail. There are tens of thousands of merchant locations where you can use the Card for prescription and eligible OTC out-of-pocket expenses,[3] and you will NOT have to provide a receipt to verify the purchase!

Plan Carefully. Before you enroll, you must first decide how much you want to contribute to your account(s). You will want to spend some time estimating your anticipated eligible medical and dependent care expenses for the 2014 calendar year, as the new regulations state that you may only roll over a maximum of $500 at the plan year end.

Sign up today, and let the savings begin!

You can use the Card to pay for eligible out-of-pocket expenses such as:

- Prescription and health plan copayments, deductibles and coinsurance
- "Amount Due" on medical and dental statements
- Orthodontics
- Mail-order or online prescription invoices
- Vision services, eyeglasses and LASIK surgery
- Medical supplies, such as bandages
- Eligible over-the-counter (OTC) items[3]

3 The list of eligible OTC items changed per the Patient Protection and Affordable Care Act of 2010. Contact your Plan Administrator for more information.

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