

Flexible Spending Account

Plan Highlights

What is a Flexible Spending Account?

Flexible Spending Accounts (FSAs) enable you to pay certain expenses with “before tax dollars”. For most employees and their families, this means a tax savings of 30% or more because you are avoiding taxes on every dollar you spend using one of these accounts.

A *Health Care FSA* can be used to pay un-reimbursed health, dental and vision expenses. So, your dental plan may pay part of the cost of your care and then you can use the FSA to pay the rest. The CARES Act of 2020 also allows you to buy non-prescription medications with a health care FSA,

Example: If you spend \$2,000 out-of-pocket for orthodontia services and utilize your flexible spending account, you can expect to save about \$600 in taxes.

A *Dependent Care FSA* can be used to pay the cost of day care for your child, or even a parent whom you care for, if it enables you to go to work.

How Does It Work?

Estimate what you think your out-of-pocket costs will be (costs not paid for by your medical, dental or vision plan) for the coming year. Enroll in one or both FSAs and set aside a portion of that cost each pay period. The dollars you set aside in your account will not be taxed for Federal, State or Social Security taxes, saving you about 30%.

Your entire annual commitment to a Health Care FSA (\$2,700 max) is available to you immediately when the plan year begins. For a Dependent Care FSA (\$5,000 max), only the dollars you have already set aside will be available.

A debit card is included to make your account easy to use. Or, you can file a claim online, via email or fax and have your reimbursements direct deposited into the account of your choice. Always keep your receipts though, even if you use a debit card. You may be asked for them later! Note that there is a small monthly administration fee when you sign up for the FSA.

Rules and Limitations

Most FSA funds must be used in the current year, so plan carefully. You are allowed to roll \$500 over into 2021.

Tips for Maximizing your Benefit Dollars

The very use of an FSA for your out-of-pocket health care costs maximizes your benefits dollar. Avoiding all the taxes saves you big!

Do not forget the Dependent Care FSA! Many young parents are paying hundreds of dollars every month for day care and you can put up to \$5,000/year into a Dependent Care Account. The tax savings on \$5,000 will be about \$1,500.

Do not let the “use it or lose it rule” scare you. The IRS will allow you to roll \$500 over from 2020 when you enroll in the FSA for 2021.

Save discretionary expenses you may have until later in the year. If you have a great health year and few out-of-pocket costs, you can use your FSA money for dental visits, prescription sunglasses or treat yourself to designer frames. You can also stock up on things like band-aids and contact lens solution.