



A more human resource.™

Limited Purpose Flexible Spending Account (LPFSA)

What is a Limited Purpose FSA?

A Limited Purpose FSA (LPFSA) is available to employees who are enrolled in a qualified high deductible health plan with a Health Savings Account (HSA). An LPFSA lets you set aside money on a pre-tax basis — for both you and your dependents — the same way a regular FSA does, except it is limited to dental and vision expenses so that it complies with IRS requirements.

Should I enroll?

If you are enrolled in a high deductible health plan with an HSA and expect to have dental and/or vision expenses, you should consider enrolling in an LPFSA.

How does an LPFSA save me money?

An LPFSA lets you set money aside for eligible dental or vision expenses before taxes are taken out of your paycheck. Here's an example:

Annual Savings*	With LPFSA	Without LPFSA
Annual pay	\$50,000	\$50,000
FSA pre-tax contribution	(\$2,000)	\$0
Taxable income	\$48,000	\$50,000
Federal income, Social Security and Medicare taxes	(\$11,444)	(\$12,097)
After-tax dollars spent on eligible expenses	\$0	(\$2,000)
Real spendable income	\$36,556	\$35,903
Savings with an LPFSA	\$653	\$0

* Sample tax savings for a single taxpayer with no exemptions. Actual savings will vary based on your individual tax situation. Please consult a tax professional for more information.

How much should I contribute to my LPFSA?

Contributions are unique to your personal health care situation. Look at what you typically spend each year on out-of-pocket dental and vision expenses. Visit www.SpendingAccounts.info and click "See Your Savings" to help estimate the amount that's right for you. Check with your human resources representative for the current annual contribution limits.

What is Use-It-or-Lose-It?

Because LPFSAs have tax benefits, the IRS places guidelines on them. As a general rule, any funds left in your account at the end of the plan year cannot be rolled over to the next year or paid out to you to reimburse you for eligible expenses you incur after the end of the plan year. So plan carefully when determining how much to contribute.

However, the IRS does allow employers to offer one of two options to help you avoid forfeiting funds — a 2½ month extension (also called a "grace period") or a \$500 carryover. Check with your employer to see if either of these options are available to you.

How do I enroll?

First, be sure you are enrolled in a high deductible health plan with an HSA. Once you have determined eligibility, estimate what you typically spend annually on qualified dental and vision expenses and elect that amount during Open Enrollment.

How do I use my LPFSA?

When you enroll in an LPFSA, you will automatically receive a Spending Account Debit Card.

- Use it to pay for eligible dental and vision purchases directly from your LPFSA;
- Reduces the number of reimbursement claims to file; and
- Gives you immediate access to LPFSA funds.



Where can I learn more?

Visit www.SpendingAccounts.info for more information about flexible spending accounts or call 1-800-228-5762 to speak with a representative.

This document provides a general overview of ADP's LPFSA program and is not inclusive, nor a guarantee of eligibility or payment. Please see your company's plan documents for specifics regarding your plan. If any conflict arises between this document and your plan documents, the terms of your company's plan will apply.