

Save Money on Health Care and Child Care with a Flexible Spending Account



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What is a Flexible Spending Account (FSA)?

A Flexible Spending Account (FSA) is an employee benefit that can save you money on eligible health care and dependent care expenses for you and your family.

There are two types of FSAs:

- The **Health Care FSA** is used to pay for eligible out-of-pocket medical expenses not paid by insurance or other source.
- The **Dependent Care FSA** is used to pay for eligible child or elder care expenses including daycare, before-/after-school care and summer day camp.

How will an FSA save me money?

When you enroll in an FSA, your deductions are taken on a pre-tax basis. Therefore, you pay less in taxes. Here's an example:

Annual Savings*	With FSA	Without FSA
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 FSA	\$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.

Should I enroll?

If any of the following apply to you or eligible family members, enrolling in an FSA can save you money on:

Health Care

- Copays, deductibles or coinsurance for medical, dental or vision plans
- Prescription medications

- Glasses, contacts or laser eye surgery
- Orthodontia treatments, such as braces

Dependent Care

You and your spouse (if married) are working, looking for work or attend school full-time, and

- have children under age 13 who attend daycare, before-/after-school care or summer day camp, or
- you provide care for any other person who is mentally or physically incapable of caring for himself or herself, and comply with other IRS requirements.

How much should I contribute to my FSA?

The amount you elect to contribute is unique to your health care and dependent care situation. Look at what you typically spend each year on out-of-pocket health care and child care. Visit www.SpendingAccounts.info and click "See Your Savings" to estimate the amount that's right for you. Annual contributions are subject to plan limits by your employer.

Note: Check with your human resources representative for the current FSA annual contribution limits.

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

Because FSAs 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 are forfeited. Plan carefully when determining how much you want to contribute.

However, the IRS does allow employers to offer one of two options to help you avoid forfeiting funds:

- 2½-Month Extension (also called a "grace period")
- \$500 Carryover (Health Care FSAs only)

Check with your employer to see if either option is available to you.

continued

Flexible Spending Accounts

How do I enroll?

Enroll in an FSA during your employer's benefits enrollment period. Once you have determined your annual FSA election, your employer deducts the amount from your pay in equal amounts throughout the year, before taxes.

What expenses are FSA-eligible?

Health Care FSA

- Copays, deductibles and coinsurance for medical, dental and vision plans
- Prescriptions
- Eyeglasses
- Contacts
- First aid supplies
- Smoking cessation products (prescription only)
- Braces
- Laser eye surgery
- Chiropractic care
- And more!

Dependent Care FSA

- Daycare and elder care
- Before-/after-school care
- Summer day camp

Note: Eligible expenses are subject to change based on IRS guidelines. Over-the-counter medications (except insulin) are NOT eligible for reimbursement from a Health Care FSA unless the medication is prescribed.

How do I use my FSA?

When you enroll in a Health Care FSA, you will automatically receive a Spending Account Card.

The Spending Account Card:

- Is used to pay for eligible health care expenses directly from your FSA
- Reduces the number of reimbursement claims to file
- Gives you immediate access to Health Care FSA funds



The card is not available for Dependent Care FSAs. For Dependent Care FSA claims, pay for an eligible expense out of your pocket, fax, mail or submit online a reimbursement request along with a receipt for the expense to ADP. ADP then processes your request and promptly reimburses you through direct deposit or by check.

Can I manage my FSA online?

Yes, all participants will have access to a secure website to manage their FSA.

Where can I learn more?

Visit www.SpendingAccounts.info or call 1-800-228-5762 to speak with a spending account specialist.

This document provides a general overview of ADP's FSA 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.