



**AMERICAN BENEFITS GROUP**

*Empowering Technology. Exceptional Service.*

## **Flexible Spending Accounts Employee Guide**

## Your Flexible Spending Account Plans

Your employer offers you a way to increase your spendable income. This benefit is referred to as an FSA or Flex Plan. Two reimbursement accounts are available, the Health FSA and the Dependent Care Assistance Plan. Using these plans will save you money by allowing you to pay for medical and dependent care expenses with pre-tax instead of after-tax dollars.

### How The Plan Works

You manage your Flex Plan by deciding to budget some of your income to pay for certain medical and/or dependent care expenses. Before the plan year begins, you elect to have a portion of your compensation placed in one or both of the reimbursement accounts. An equal amount will be withheld from your paycheck on a "pre-tax" basis each pay period during the plan year.

When you have a eligible medical or dental expense not fully covered under your health plan, you will be reimbursed from the Health FSA Account up to total amount you have budgeted for the year. Dependent care expenses will be reimbursed from your Dependent Care Account up to the total amount accumulated in the account at the time of each reimbursement. The accumulated pre-tax dollars are used in place of after-tax dollars to pay for eligible expenses, resulting in a tax savings for you. You are now using "untaxed" money to pay for services that you used to pay for with after-tax dollars. Because you are lowering your taxable income, you save on both Social Security taxes and Federal Income taxes and, in most cases, State taxes as well. By reducing your taxable pay for Social Security purposes, your benefits at retirement may be slightly reduced.



## Health Flexible Spending Account

The Health Flexible Spending Account is designed to help you pay medical expenses incurred during the plan year, which are not 100 percent covered, or which are not eligible for payment under your health care plan. The amount you have agreed to set aside in the reimbursement account may be used to pay for most health care expenses which would qualify as medical deductions under IRS rules, and for certain over-the-counter items as well. As of January 1, 2013 the IRS regulations state that the maximum amount you may be reimbursed in a Plan Year through your Health Flexible Spending Account is \$2,500. Your employer may have a lower annual maximum.

Medical expenses reimbursed through your Health Flexible Spending Account cannot also be claimed as a deduction for income tax purposes. (This is a deduction which is only available to the extent your total medical expenses exceed 10% of your adjusted gross income.)

Reimbursement is available for medical expense claims for you and your family or eligible dependents incurred after you have enrolled and become an active participant in the Plan. Eligible expenses include health plan deductibles, co-payments and any amounts over the maximum your health plan pays. Many expenses not covered by your health plan are allowed, including chiropractic, dental, orthodontia, eye care and hearing expenses, as well as prescriptions and numerous other medical services and some over-the-counter items. (See examples.)

## The Dependent Care Assistance Plan

The Dependent Care Plan is designed to help you pay for childcare services (or care for dependents who are disabled) when those services make it possible for you and your spouse to work. Any type of dependent care that you could legally claim if you were filing for a credit on your tax return is eligible for reimbursement under the Dependent Care Assistance Plan.

To be eligible to use this account, both you (and your spouse) must be at work during the time your eligible dependent(s) is receiving care. (An eligible dependent is a child under the age of thirteen who qualifies as a dependent under the IRS Code, someone you can claim as a dependent who is physically unable to care for himself or herself.)

### You Qualify to use this Account if:

- You are a single parent; or
- You have a working spouse; or
- Your spouse is a full-time student for at least five months during the year attending class while you are working; or
- Your spouse is disabled and unable to provide for his or her own care.

### Expenses may be Reimbursed for Services Provided:

- Inside or outside your home by anyone other than:
  - Your spouse
  - Someone who is your dependent for income tax purposes
  - One of your children under age 19; or
- In a dependent care center or a child care center (if the center cares for more than six children, it must comply with all applicable state and local regulations); or
- By a housekeeper whose services include, in part, providing care for an eligible dependent.

### Estimate Your Out of Pocket Expenses Below:

Co-Payments	\$ _____
Dental Fees	\$ _____
Diagnostic Fees	\$ _____
Donor Testing Fees	\$ _____
Eyeglasses	\$ _____
Hospital Fees	\$ _____
Orthodontics	\$ _____
Prescription Medicines	\$ _____
Physical Therapy	\$ _____
Hearing Exams	\$ _____
Eligible Over the Counter Items	\$ _____
Dentures	\$ _____
<b>TOTAL</b>	<b>\$ _____</b>

## Tax Considerations

It may not always be to your best advantage to make use of the Dependent Care Reimbursement Account. Because expenses reimbursed from this account may not be used as a Federal income tax credit, you'll have to determine which approach is best for your particular circumstances.

The IRS regulations state that the maximum amount you may be reimbursed in a calendar year for Dependent Care is \$5,000 per family (or the taxable income of the lowest paid spouse if less than \$5,000). If you are married and filing separately, the maximum is \$2,500 per person filing.

## The Importance of Planning

To get the most tax savings from your Flexible Spending Accounts, you should plan your contributions carefully. It is important that you be conservative when estimating your expenses for the plan year. IRS regulations that apply to your spending accounts state that any money set aside in these accounts that is not used for expenses incurred during the plan year (or an extended grace period following the plan year if applicable) must be forfeited. This is referred to as the "use or lose" rule. The unused dollars contributed cannot be returned to you.

To avoid losing any money, you should estimate what your eligible expenses will be before you decide how much to contribute — and then commit to a little less. For example, if you know you're going to have health care expenses that are not covered by your medical plan, such as co-payments, eye care or dental work, put enough in your Health FSA to cover these expenses. If you terminate employment, you will only be reimbursed for expenses incurred prior to your termination date unless you qualify for, and elect COBRA. In addition, IRS regulations prohibit transferring funds from one account to another during the plan year. Money in the Dependent Care Account cannot be used to pay medical claims, nor can money in the Health FSA be used to pay dependent care expenses.

The IRS does not permit double dipping. Therefore, all expenses must first be submitted to your group health plan. The purpose of the spending accounts is to cover most out-of-pocket expenses not covered under your group health plan and to cover qualified dependent care expenses.



## If Your Needs Change After You Enroll

Since the elections you establish now are binding until the next enrollment period, it's very important that you plan your expenses accurately. Once you authorize payroll reductions to your Flexible Spending Accounts, you may not cancel or change those election coverages until the next enrollment period. The only exception to this is if you have a "Qualifying Status Change Event." When one of these changes occurs, contact your benefits administrator regarding your options. The change must be on account of, and consistent with, one of the following events:

- Change in legal marital status
- Change in number of dependents
- Change in employment status
- Dependent satisfying or ceasing to satisfy dependent eligibility requirements
- Entitlement to Medicare or Medicaid
- Judgment, decree or court order

The following status change events permit changes to insurance premium contributions only. Changes to Health FSA benefit elections are not allowed for these status changes:

- Change in benefit cost, benefit coverage or plan options
- Change in residence

## Employee Tax Savings Example

These examples have been designed to help you understand the value of your new Section 125 Flexible Spending Account. They are intended as sample illustrations only. Also, see our Tax Savings Calculator at [www.amben.com/WealthCare](http://www.amben.com/WealthCare).

John Doe and his spouse earn \$42,500 a year, file a joint return and claim the standard deduction. They have one 10 year old child and contribute \$5,000 to their Dependent Care Assistance Plan (DCAP). This example does not take into account any potential savings for contributions toward their insurance premiums or retirement accounts.

	Current		With DCAP	
Gross Income:	\$42,500		\$42,500	
DCAP Contributions:			- \$5,000	
W-2 Income:	\$42,500	\$42,500	\$37,500	\$37,500
Standard Deduction:	- \$7,200		- \$7,200	
Exemptions:	- \$8,250		- \$8,250	
Taxable Income:	<b>\$27,050</b>		<b>\$22,050</b>	
Federal Income Tax:		-\$4,058		- \$3,308
Child Care Credit:		-\$522		
Social Security Tax:		- \$2,069		- \$1,687
State Tax:		- \$858		- \$583
Expenses:		- \$5,000		
Net Income:		<b>\$31,067</b>		<b>\$31,922</b>
FSA Tax Savings:	<b>\$855.00</b>			

# Examples of Medical and Over-the-Counter Expenses Eligible for Reimbursement through your Flexible Spending Account

## Medical

- Acupuncture
- Ambulance
- Artificial Limbs
- Birth Control Pills
- Braille - Books and Magazines
- Car Controls for the Handicapped
- Chiropractors
- Co-Payments and Deductibles
- Contact Lenses
- Crutches, Canes, Braces and Walkers
- Dental Fees
- Dentures
- Dermatologists
- Diagnostic Fees
- Donor Testing and Fees
- Eye Exams
- Eyeglasses
- Fees for Practical Nurse
- Hearing Devices and Batteries
- Home Improvements Necessitated by Medical Conditions (i.e., Wheelchair Ramp)
- Hospital Fees
- Laboratory Fees
- Obstetrical Expenses
- Orthotics
- Orthodontics
- Oxygen
- Physician's Fees
- Prescription Medicines
- Psychiatric Care
- Psychologist's Fees
- Physical Therapy
- Service Animal and its Upkeep
- Special Education for the Handicapped
- Special Plumbing for the Handicapped
- Sterilization Fees
- TTY Telephone for the Deaf
- Television Equipment (Closed Caption) for the Deaf
- Therapeutic Care for Drug and Alcohol Addiction
- Transportation Expenses for Medical Treatment
- Wigs (When deemed medically necessary)
- X-rays

## Over-the-Counter Items

Changes to the Eligible Products List for Tax Advantaged Health Care Accounts As of January 1, 2011. Just over 15,000 items were impacted and removed from the eligible products list. Even after this significant reduction, over 27,000 OTC items remain on the list for purchase without a prescription.

[Over-the-counter items \(non-drugs or medications\) eligible for reimbursement:](#)

- Bandages
- Braces & Supports
- Catheters
- Cholesterol Test Kits
- Colorectal Cancer Screening Tests
- Condoms
- Contact Lens Solutions
- Denture Adhesives
- Diagnostic Tests and Monitors
- First Aid Kits
- Home Drug Tests
- Incontinence Supplies
- Insulin & Diabetic Supplies
- Ostomy Products
- Reading Glasses
- Sunblock
- Wheelchairs, Walkers & Canes

[Over-the-counter items which now require a doctor's prescription:](#)

- Acid Controllers
- Antibiotics
- Anti-Gas Products
- Anti-Parasitic Treatments
- Cold Sore Remedies
- Digestive Aids
- Hemorrhoidal Preps
- Motion Sickness
- Respiratory Treatments
- Stomach Remedies
- Allergy & Sinus medicine
- Anti-Diarrheals
- Anti-Itch & Insect Bite
- Baby Rash Ointments/Creams
- Cough, Cold & Flu
- Feminine Anti-Fungal/Anti-Itch
- Laxatives
- Pain Relievers
- Sleep Aids & Sedatives

# www.amben.com/WealthCare



- Access your account through any connected device including smart phones and tablets.
- Check account balances, transaction history, submit claims, upload documentation, report card lost/stolen and more.
- Learn about reimbursement accounts with our robust resources: Video Library, Tools & Calculators, and FAQs.
- Upload photo receipts taken with your mobile device via WealthCare Mobile to submit claims or substantiate transactions.
- Sign-up to receive mobile alerts and/or text messages.

## Get Your Benefits On The Go WealthCare Mobile

Take a photo of your receipt and submit a claim right at the point-of-sale!



## It's Easy to get Reimbursements From your Flexible Spending Accounts

If your employer offers the **American Benefits Group Prepaid Benefits Card**, you can pay your provider directly from your reimbursement account. The card works like a regular MasterCard and is tied to your available balance. You can also submit your claims through our the WealthCare Portal, Mobile App, fax them toll free, or mail directly to American Benefits Group. All claims are processed within two business days of receipt and we offer FREE weekly direct deposit reimbursements directly to your bank account.

Our powerful online portal allows you to manage every aspect of your flexible spending your account, including transaction history, claims details, online claims submission, forms, educational videos, tax savings calculators and much more.

## Dedicated Support You Can Rely On

Dedicated benefits administrative consultants are here to assist you. We don't outsource any of our customer service, all of our support team members are professionally trained, in house benefits administrators. We maintain a full time online support mail system at support@amben.com and we're always ready to assist you at 800-499-3539.

## **About American Benefits Group**

American Benefits Group (ABG) is a wholly owned subsidiary of National Financial Partners, (NFP) a powerful, national partnership of over 180 owned and 350 affiliated independent corporate benefits consulting and diversified financial service firms that provide informed and innovative benefits strategies customized for over 40,000 employers of all sizes. As the national platform partner for NFP Benefits, American Benefits Group provides Flexible Spending Accounts, HRA, HSA, Section 132 Transit, and COBRA & Direct Premium Billing administrative services to the employer clients of NFP companies nationwide.

## **Unmatched Expertise**

Our professional benefits administrative staff is knowledgeable in every aspect of employee benefits plan design, compliance and reimbursement account administration. All of our administration team members are professionally certified and receive continuous advanced training. With over 100 years of combined industry experience in Cafeteria Plans and Flexible Spending Accounts and COBRA administration, American Benefits Group's team is dedicated to sharing our expertise with you and your employees.

## **A Concierge and Boutique Service Model**

Every employer client works with a dedicated account service team that manages all aspects of their program. Your account service team pays careful attention to understanding the needs of your company, your participants and the scope of your plan.

***Our mission is to define a level of service that is unmatched in the industry today, and exceeds our client's expectations in every way.***



**AMERICAN BENEFITS GROUP**

*Empowering Technology. Exceptional Service.*

American Benefits Groups · PO Box 1209 · Northampton, MA 01061-1209  
Tel: 413-584-9923, 800-499-3539 · Fax: 413-587-3956, 877-723-0147  
support@amben.com · www.amben.com