



## Flex Q&A

With a Flexible Spending Account or “FSA”, you can save up to 30% on things like doctor’s visits, prescription drugs, glasses, contacts, orthodontics, and daycare. If you expect to pay for some of these items in the next plan year, consider signing up for the FSA program. Here’s a quick Q&A on how it works:

### Who is covered under the FSA program?

Generally, you, your spouse, and your children are covered under an FSA. If your situation is a bit unique, call or e-mail BAC, the Program’s administrator, to verify.

### How does an FSA work?

Participating in an FSA is easy. Just budget your health care and dependent care expenses for the next year, sign up during Open Enrollment, fund your FSA, and use your account to pay for eligible expenses incurred by you and your family during the year.

### How is my FSA funded?

Once you budget your health care and dependent care expenses and sign up for an FSA, you will set aside money, tax free, to fund your FSA through automatic payroll deductions. You can fund up to \$2750 for health care related expenses and \$5,000 for dependent care expenses (\$2,500 if you are married filing separate returns). See the Program’s summary plan description for more details.

### If I fund my own FSA, won’t I receive less pay?

No. For every dollar you set aside, you will save on social security taxes and federal income tax. Your net take-home pay will increase by the taxes you save. See the example below.

## Advantages:

### ✓ Increase Your Pay

With each dollar you set aside to fund your FSA, you’ll save on taxes. Your net take-home pay will increase by the tax you save.

### ✓ Save Money

For every \$100 you spend with your FSA, you’ll save between \$20 to \$40 dollars, depending on your tax and financial situation.

### ✓ Save Time

With an online Flex account, you can view your account balances and activity, manage your personal profile, and activate direct deposit and e-mail alerts.

### What can I pay for with my FSA?

You can use your FSA to save on hundreds of eligible health care and dependent care expenses. The IRS determines what expenses qualify but generally, products and services that treat a specific medical condition are considered eligible, as well as services that relate to the care of one or more children under the age of 13 or an elderly adult or dependent. A budgeting worksheet with common expenses is located on the back of this Guide. A more detailed list is also available from BAC at [www.baclink.com/resources/tax-favored Accounts \(Flex\)/ Educ. & Planning](http://www.baclink.com/resources/tax-favored%20Accounts%20(Flex)%20Educ.%20&%20Planning)

#### Take-Home Pay With FSA\*

Gross paycheck	\$45,000
Insurance premium	- \$1,200
Health care & dependent care expenses	- \$1,800
Taxable Income	\$42,000
Federal and FICA taxes*	-\$10,500
<b>Net pay with FSA</b>	<b>\$31,500</b>

Saved \$450 with FSA

\*Assumes 25% tax rate. Individual results will vary.

#### Take-Home Pay Without FSA\*

Gross paycheck	\$45,000
Insurance premium	- \$1,200
Taxable income	\$43,800
Federal and FICA taxes*	-\$10,950
Health care & dependent care expenses	-\$1,800
<b>Net pay without FSA</b>	<b>\$31,050</b>

\*Assumes 25% tax rate. Individual results will vary.

## How do I pay for things with my FSA account?

Your debit card is the most convenient way to pay for eligible health care related expenses. The purchase is deducted straight from your available FSA account balance—there's no need to pay up front or file a claim form to get paid back. Just save an itemized receipt.

## Will I ever be required to file a manual claim form?

Yes. If a provider doesn't accept your FSA debit card, your debit card purchase needs to be verified, or you are paying for dependent care, you'll need to file a manual claim by completing a simple form and attaching a copy of your receipts. If you file online, a claim form is not required, just a copy of the itemized receipt from your health care or dependent care provider. Manual claims are generally processed within one to two business days.

## Is there anything else I should know about FSAs?

There are a few things to carefully consider before signing up for an FSA:

1. **Can't change your mind.** After you sign up and decide how much to set aside each paycheck, you generally can't change the amount unless you have a change in family or employment status.
2. **Use-it or lose-it.** You must spend the entire amount you've budgeted and funded for the year, otherwise you'll lose it. This plan does include a 2-1/2 month "Grace Period" where you can incur expenses and they are eligible for reimbursement from the prior plan year.
3. **Save your receipts.** The IRS requires that you retain documentation of all expenses paid from your FSA, so be sure to save your receipts for future reference.
4. Link your insurance carrier(s) with your FSA for easier tracking and claims submission in the online portal.

## Benefits Update

The dollar limit on employee salary reduction contributions to health FSAs is expected to increase to \$2,750 for 2021-2022

## Do you know your dependent care?\*

Your FSA covers dependent care expenses for eligible dependents. Take this simple quiz to learn more about a dependent care FSA.

1. The maximum you can spend with your FSA on dependent care is \$5,000 (\$2,500 if you are married filing separate returns). T or F
2. Your Dependent Care Account covers expenses related to the care of your qualifying children under the age of 13. T or F
3. To be covered under the FSA, the dependent care must be provided while you and your spouse are at work. T or F
4. The dependent care may be provided by a relative or a non-relative, but cannot be provided by your child under the age of 19 or another tax dependent. T or F
5. The dependent care provider must meet certain state and local laws regarding care (including being licensed, if required). T or F
6. Generally, if you earn more than \$43,000, you'll want to consider a dependent care FSA over the Child and Dependent Care Tax Credit. T or F

Answers: 1: T 2: T 3: T 4: T 5: T 6: T (For facilities with more than 6 individuals) 6: T (See your accountant for more information on which option is right for you.)

## How-To:

### ✓ Budget your expenses

Estimate your expenses by reviewing the summary of eligible expenses on the back of this Guide.

### ✓ Sign up for the Program

After you have met the plan's waiting period, you can enroll during Open Enrollment.

### ✓ Fund your FSA account

Once you sign up, you'll set aside money to fund your account through automatic payroll deductions.

### ✓ Spend your FSA money

Money for health care is available day one. Money for dependent care is available as it is withheld from your pay.

\*The dependent care quiz is for illustrative purposes and does not constitute tax advice. See your summary plan description for more information.

# How will you use your FSA this year?

TIP: You can fund up to \$2,750 for health care related expenses and \$5,000 for dependent care expenses (\$2,500 if you are married filing separate returns).

TIP: A question to ask yourself when planning your health care expenses is whether the expense is for a specific medical issue or your overall health. If it's for your overall health, like a gym membership, vitamin supplements, or massage therapy, it's generally not eligible, unless you have a note of medical necessity from your health care provider.

TIP: If you have two or more qualifying children and your child care expenses are at least \$6,000, you may be able to take advantage of both the FSA and the Child Care Tax Credit. See your tax advisor for more information.

Eligible FSA Expense	Example	Estimated Cost
<b>Dental Care</b>		
Annual dental plan deductible		\$
Crowns, bridges, dentures, implants	\$ 200	+ \$
Orthodontia (including braces)		+ \$
<b>Vision Care</b>		
Prescription glasses and sunglasses	400	+ \$
Contact lenses and solution		+ \$
Laser eye surgery (LASIK)		+ \$
<b>Medical and Alternative Care</b>		
Doctor visits		+ \$
Prescription drugs		+ \$
Flu shots and immunizations		+ \$
Massage Therapy <sup>(1)</sup>		+ \$
Smoking Cessation <sup>(1)</sup>		+ \$
Weight Loss <sup>(1)</sup>		+ \$
Chiropractor visits <sup>(1)</sup>		+ \$
Dermatologist visits <sup>(1)</sup>		+ \$
Naturopath <sup>(1)</sup>		+ \$
<b>Dependent Care</b>		
Child daycare	1,200	+ \$
Babysitting		+ \$
Before and after school programs		+ \$
Summer day camp		+ \$
Elder care		+ \$
Total FSA Amount	1,800	= \$
x 25%	x 0.25	x 0.25
Estimated Savings <sup>(3)</sup>	\$ 450	= \$

<sup>(1)</sup> Requires a note of medical necessity from your health care provider to qualify for payment.

<sup>(2)</sup> Tax savings are for illustrative purposes only. Actual results will vary depending on your income tax rate, personal financial situation, and other facts and circumstances. This document does not constitute tax or legal advice. Please consult your financial or tax advisor to determine whether an FSA is right for you.