

# Help cover health care costs with a flexible spending account



Even with a sound benefits package, you can still have numerous out-of-pocket expenses. With a health care flexible spending account (FSA), you can help cover these out-of-pocket expenses and save on your taxable income.

## How does it work?

You'll elect to have a specified amount of pre-tax money deducted from your paycheck each pay period. These dollars will be set aside in a reimbursement account and deducted from your gross earnings before any taxes are taken out. You can use this money to pay for qualified medical expenses that other plans don't cover. Typically, you receive a debit card or credit card to make transactions, or you may need to submit receipts for qualified medical expenses to an administrator or your employer.

By using an FSA, you'll reduce the taxes you pay and increase your take-home pay. With your increased take-home pay, you can add more benefits during your enrollment that meet your needs.

## How much can I contribute?

You can contribute a maximum of \$2,650 (or any lower limit set by your employer) to a health care FSA due to Internal Revenue Service (IRS) guidelines.

## The "use it or lose it" rule

According to IRS guidelines, if you contribute money to an FSA, you may lose any remaining balance in the account at the end of the plan year. Keep this in mind when you estimate the amount you want to contribute each year.

Sample paycheck*	Before health care FSA reimbursement	After health care FSA reimbursement
Gross pay	\$1,000	\$1,000
Pre-tax reduction (major medical)	0	-\$70 (Set aside until you use it)
Taxable income	\$1,000	\$930
FICA, federal and state taxes	-\$180	-\$160
Net pay	\$820	\$770
Health care expenses	-\$70	0
Take-home pay	\$750	\$770

$\$770 - \$750 = \$20$  in pre-tax savings per paycheck  
 $\underline{\times 26}$  paychecks per year  
**\$520** in additional take-home pay

\* For illustrative purposes only. Taxes may vary by state. Deductions may vary by individual.

## What are qualified medical expenses?

- Deductibles and other payments you make under your medical plan
- Prescription, vision, dental and other charges not covered by your medical plan, such as:
  - Eyeglasses/contact lenses
  - Hearing aids
  - Braces
  - Routine exams
  - Over-the-counter medications with a doctor's prescription
  - Lab fees and X-rays
- Miscellaneous expenses, such as:
  - Individual psychiatric or psychological counseling
  - Public transportation
  - Ambulance services
  - Chiropractor costs
- Other health care services that qualify as medical deductions under IRS rules:
  - Special medical equipment
  - Qualified medical products or services prescribed by a doctor for which you must pay out-of-pocket (example: diagnostic devices such as blood sugar test kits)

*For a full list of qualified medical expenses, see Section 213(d) of the Internal Revenue Code.*

## Get more out of your paycheck

Talk with your Colonial Life benefits counselor about how a health care FSA can help you pay for qualified medical expenses.

## When can I enroll/change my election in this plan?

You can enroll or change an election only during your company's eligible enrollment period, unless you have a status change in one of these areas:

- Marital status
- Number of dependents
- Employment status
- Change of residence
- Dependent eligibility requirements

Keep in mind the election must be consistent with the status change event. For example, during the plan year, Mary has a newborn baby. She can add the new baby to her coverage because the baby is a new dependent, which meets a status change requirement. But if Mary decides to add her husband, she will have to wait until the next eligible enrollment period.

## Health care FSA worksheet

Is a health care FSA right for you? Take a few minutes to fill out this worksheet, and bring it to your 1-to-1 meeting with your Colonial Life benefits counselor.

<b>Medical</b>	<b>Last year</b>	<b>This year</b>
Deductibles, plus 100% out-of-pocket expenses not covered by medical plan (co-pays/co-insurance)	\$ _____	\$ _____
Doctor's office visits/physicals	\$ _____	\$ _____
Well-baby care	\$ _____	\$ _____
Immunizations	\$ _____	\$ _____
Prescription drugs	\$ _____	\$ _____
Other	\$ _____	\$ _____
<b>Dental</b>	<b>Last year</b>	<b>This year</b>
Exams	\$ _____	\$ _____
Fillings/bridges/crowns	\$ _____	\$ _____
Dentures	\$ _____	\$ _____
Orthodontia/braces	\$ _____	\$ _____
<b>Vision</b>	<b>Last year</b>	<b>This year</b>
Exams	\$ _____	\$ _____
Eyeglasses/contacts	\$ _____	\$ _____
<b>Hearing exams and hearing aids</b>	\$ _____	\$ _____
<b>Miscellaneous</b>	<b>Last year</b>	<b>This year</b>
_____	\$ _____	\$ _____
_____	\$ _____	\$ _____
<b>Total qualified medical expenses</b>	<b>\$ _____</b>	<b>\$ _____</b>

Since you may lose any remaining balance in the account at the end of the plan year, please make conservative estimates. Refer to Section 213 (d) of the Internal Revenue Code for eligible expenses and more information.

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