

What is a Flexible Spending Account (FSA)?

Flexible Spending Accounts (FSAs) allow a participant to set aside a portion of his salary before taxes into an account that can be used during the plan year for paying certain out-of-pocket expenses. IRS rules limit the amounts that can be contributed to each plan type.



There are two types of FSAs allowed by the IRS:



Health Care FSA: Allows you to pay for medical expenses not covered by your medical insurance coverage, such as deductibles or copayments, dental or vision care. Because the FSA is a separate plan, it is not necessary for you to participate in your employer's medical insurance plan to take advantage of these savings.

The full contribution amount is available at the beginning of the plan year, but you will forfeit any unspent money at the end of the plan year (the "use-it-or-lose-it" rule).

If you, your spouse or dependents are enrolled in a qualified, high deductible health plan with a health savings account (HSA), you can still participate in a limited purpose medical reimbursement account. This special type of flex account is used to cover only dental and vision expenses not paid from any other source.



Dependent Care FSA: Allows you to pay for qualified dependent care expenses, such as child care or elderly care, while continuing to work or attend school full-time.

Funds can only be spent after they are contributed, but you will forfeit any unspent money at the end of the plan year.

Increase Your Take Home Pay

You increase your take home pay, because the amount designated is deducted from your salary before taxes, thus saving both you and the company from paying taxes on these contributions. This can dramatically increase spending and savings power.

Why Enroll in a Flexible Spending Account (FSA)?

By Enrolling in a Medical Flexible Spending Account (FSA), you can save a significant amount of money on out-of-pocket medical, dental, and vision expenses that are not covered by your insurance policies (e.g. office visit copays, Rx co-pays, vision services/materials, and dental expenses).

How Does the FSA Plan Affect Your Take-Home Pay?

WITHOUT AN FSA	WITH AN FSA
Monthly Taxable Salary..... \$3,250.00 Income Tax.....-\$487.50 State Tax.....-\$195.00 Social Security Tax.....-\$183.63 Take-Home Pay \$2,383.87 Bills Paid After Taxes: Medical Expenses.....-\$60.00 Dental Expenses..... - \$10.00 Vision Expenses.....-\$20.00 Rx Copays-\$80.00 Dependent Care Expenses-\$400.00 After Tax Expenses..... \$570.00 Spendable Income\$1,813.87	Monthly Taxable Salary..... \$3,250.00 Bills Paid Before Taxes: Medical Expenses..... -\$60.00 Dental Expenses..... - \$10.00 Vision Expenses.....-\$20.00 Rx Copays - \$80.00 Dependent Care Expenses -\$400.00 Pre Tax Expenses..... <u>\$570.00</u> Monthly Taxable Salary..... \$2,680.00 Income Tax.....-\$402.00 State Tax.....-\$160.80 Social Security Tax.....-\$151.42 Spendable Income\$1,956.78

Planning Worksheet

How Much Should I Contribute To My FSA Plans?
 What Are My Estimated Tax Savings?

Use the worksheet on the next page to help you estimate your tax savings if you use an FSA Plan to pay for medical and/or dependent daycare expenses. Give some thought to calculating how much money to contribute for the year.

1. Your Estimated Out-of-Pocket Medical Costs:

Deductibles	\$ _____
Coinsurance	\$ _____
Copays	\$ _____
Prescription Drugs	\$ _____
Dental/Orthodontics	\$ _____
Vision	\$ _____
TOTAL (A)	\$ <u>0.00</u>

2. Your Estimated Dependent Care Expenses:

Child Daycare	\$ _____
Adult Daycare	\$ _____
TOTAL (B)	\$ <u>0.00</u>

3. Anticipated Flex Plan Contributions:

A + B = (C) **\$ 0.00**

4. Your Tax Rates:

Federal Tax Rate	_____ %	\$ <u>0.00</u>
State Tax Rate	_____ %	\$ <u>0.00</u>
Social Security Tax Rate	_____ %	\$ <u>0.00</u>
TOTAL (D)		\$ <u>0.00</u>

Your Estimated Flex Plan Tax Savings:

C + D **\$ 0.00**

Benefits

FSA Contributions

At the beginning of the plan year, you decide the pre-tax contributions to your accounts, and those funds are deducted from your paycheck each pay period.

Because they are separate accounts, you cannot shift money between accounts.

Once the amount has been decided, changes can only be made if a change in the following has occurred:

- Marital status (marriage, death, divorce)
- Number of dependents (birth, adoption, placement for adoption)
- Employment status (termination, commencement of employment)
- Dependent ceases to satisfy eligibility requirements



Please visit www.changeofstatus.com for more information on allowable changes.

Flexible Spending Account Options



You have the freedom to choose a plan or combination of plans to complement your personal needs, from the options your employer provides. Whether it be a medical flexible spending account to offset future medical costs, or a dependent care account to help with child or adult daycare expenses, the choice is yours!

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Managing Your FSA

tristar.summitfor.me

TRISTAR Benefits Administrators' website offers various tools, applications, and other information to help you better understand and use your Flexible Spending Account:

- Connect to tristar.summitfor.me to view balances and transactions
- Find enrollment/claim forms
- Use the Tax Savings Calculator to determine your savings for the plan year



Health Care Maximums on Plan Contributions

- Current limit based on IRS Regulations: \$2,850

Medical, Dental and Vision Expenses Eligible for Reimbursement



As stated in IRS code Section 213(d), medical care is defined as the diagnosis, cure, mitigation, treatment or prevention of disease. Medical care can also mean treatment with a purpose of affecting any structure or function of the body.

Some examples of eligible expenses include:

MEDICAL EXPENSES

- Acupuncture
- Ambulance
- Childbirth classes (limited to expenses incurred by the mother-to-be)
- Chiropractor services
- Co-insurance amounts or co-payments for which you are responsible
- Deaf communication equipment and special instructions
- Deductibles
- Mental Health/Substance Abuse Care
- Education devices for the blind
- Expenses in excess of reasonable and customary limits
- Fertility expenses, including expenses for in-vitro fertilization
- Guide dog acquisition, training, and maintenance
- Hearing aids and batteries
- Insulin
- Massage (if substantiated by a physician to treat a physical defect or illness)
- Menstrual related products
- Oxygen and equipment to relieve breathing due to a medical condition
- Over the counter medications
- Plumbing fixtures designed for the disabled
- Physical exams, unless employment-related
- Prescription drugs, including contraceptives
- Private hospital room
- Smoking cessation program
- Sterilization
- Therapy received as medical treatment
- Transportation primarily for and essential to medical care
- Vaccines
- Vitamins (if prescribed by a physician and only available by prescription)
- Wheelchairs for the disabled

DENTAL EXPENSES

- Co-insurance amounts or co-payments for which you are responsible
- Deductibles
- Orthodontia expenses
- Restorative care
- Teeth guards (prescribed to treat grinding while sleeping)

VISION EXPENSES

- Contact lenses (including cleaning supplies and solutions)
- Exam and eyewear costs
- Insurance for lens replacement
- Keratotomy cornea surgery (if medically necessary to correct nearsightedness)
- Prescription sunglasses

IRS regulations limit the amount a participant may set aside for health care expenses.

Dependent Care FSAs

Eligibility for Dependent Care FSAs



To qualify for a Dependent Care FSA, you must be either:

- a single parent; or
- married where either both of you are employed, or your spouse is a full-time student.

Eligible dependents include:

- children under the age of 13 who are claimed as a dependent for tax purposes;
- a disabled tax dependent, such as an elderly parent, who is incapable of self-care

Qualified expenses are expenses for maintaining a dependent's well-being and safety when provided by daycare centers, nursery schools, day camps or another provider. Expenses for household services accommodated while care is being provided for a dependent are also eligible, provided they are normal, ordinary and necessary to maintain the household.

DC FSA vs. Income Tax Dependent Care Child Credit Filing?

When considering funding a Dependent Care Flexible Spending Account, you need to weigh your potential savings from the spending account versus your savings through the dependent care tax credit. The money reimbursed through a Dependent Care Flexible Spending Account will reduce the amount of eligible expenses you can use for the tax credit on a dollar-for-dollar basis.



Tax savings with a Dependent Care Flexible Spending Account become more valuable as your income increases. Generally, if your family's adjusted gross income is less than \$43,000/year, it's best for you to take the tax credit rather than participating in the Dependent Care Flexible Spending Account.

Ineligible Expenses

- Nursing home, respite care or other residential care centers
- Services provided by one of your dependents
- Expenses while on vacation or for nighttime babysitting
- Your own dependents, under age 19, babysitting your own dependents

Dependent Care Maximums on Plan Contributions

- | | |
|---------------------------------------------------------------------------|---------|
| • Single, Head of Household or Married, Filing a Joint Tax Return: | \$5,000 |
| • Married, Filing a Separate Tax Return: | \$2,500 |

Submitting a Claim



Once you've paid for a qualifying expense, you can submit a Flex claim with:

- a copy of the Explanation of Benefits (EOB); or
- the provider's invoice with proof of payment; or
- the provider's itemized receipt and a prescription for OTC items.

There are **four** ways to submit a claim form and supporting documents:

- Mail to: **TRISTAR Benefit Administrators**
5820 S Eastern Ave Ste 250
Las Vegas, NV 89119
- E-mail to: flex@tristargroup.net
- Fax to: **(702) 216-1623**
- File online: tristar.summitfor.me

Once your claim is approved, you will be reimbursed via a check or direct deposit.

Getting the Most From Your Flexible Spending Account

It's important to remember that if you don't use all the money in your Medical and Dependent Care FSA accounts, you will lose it at the end of the plan year. Planning ahead is the key. Here are some ways you can maximize your Flexible Spending Accounts:

- Save your receipts in a folder so at the end of the year, you can estimate how much you and your family spent. This will give you a head start on next year's estimate for your Flexible Spending Accounts.
- Develop a monthly spending plan for expected health care expenses to help you spend your Flex dollars and avoid losing leftover money at the end of the year.
- Be aware that FSA money used during the plan year, must be used for expenses that were incurred during that same plan year, or during the plan year's grace period (if you plan includes this provision).
- Don't wait until the end of the year to make preventive health appointments. Schedule teeth cleanings, eye exams, and health checkups throughout the year.
- Be smart — compare costs and do some research to make the most of your Flex dollars.

