

## FLEX

### *It's Time to Sign Up for Your Flexible Benefits*

Because your employer offers a Flex Plan, you have the opportunity to make choices that can help tailor your employee benefits to meet your family's unique needs while saving money each year.

When you participate in the Flex Plan, you elect to defer, on a tax-advantaged basis, the amounts you pay for health and day care expenses. The more money you save on taxes, the more money you have in your pocket. For most employees, Flex can mean hundreds of dollars more each year in their pocket.

### *How It Works*

When you participate in your employer's Flexible Benefit Plan, you elect to have a specified amount of "before-tax" dollars deducted from your paycheck each pay period. There are three areas in which you can elect to use this "before-tax" money for your expenses. Examples are:

1. Group medical insurance premiums
  - a. Major medical
  - b. Voluntary dental
  - c. Voluntary vision
  - d. Selected supplemental coverage
2. Out-of-pocket medical expenses (not covered by insurance)
  - a. Health insurance deductibles and co-insurance
  - b. Prescription and over-the-counter drug costs
  - c. Dental and vision expenses
  - d. Non-covered medical expenses
3. Dependent care expenses
  - a. Child care (age 12 and under)
  - b. Disabled dependent care

## Advantage

### *Flex Puts Tax Dollars Back Into Your Pocket*

Mary is a single mother of two earning a salary of \$3,000.00 per month. Mary elects health insurance coverage for her children and herself. Her employer covers some of the insurance premium cost, but Mary is required to contribute \$100.00 each month. Her oldest child has braces and Mary is paying the orthodontist \$100.00 per month. Mary's youngest child attends pre-school while Mary is at work, and she is paying \$300.00 per month to the day care provider. Let's compare Mary's monthly take-home pay if she enrolls in the employer's flexible benefits plan to her take-home pay if she pays these expenses with after-tax income:

	FLEX PLAN	NO PLAN
Gross Pay	\$3,000	\$3,000
Flex Plan	\$500	\$0
Taxable Pay	\$2,500	\$3,000
Federal Tax*	\$135	\$213
State Tax*	\$84	\$114
FICA	\$191.25	\$229.50
Net Pay	\$2,089.75	\$2,443.50
Insurance	\$0	\$100
Braces	\$0	\$100
Day Care	\$0	\$300
Monthly Net Pay	\$2,089.75	\$1,943.50

Through her participation in her employer's Flex Plan, Mary is able to put an extra \$146.25 in her pocket each month! That's a total increase of \$1,755.00 in spending income for the year.

\*Tax approximations based on 2009 payroll tax withholding tables, claiming an allowance of 3. Your individual state tax rate may vary.



# FLEX Advantage

## **Health Flexible Spending Account (FSA)**

Before the start of each Flex Plan year, you may elect to use “before-tax” dollars to pay for your out-of-pocket medical expenses, including deductibles, co-pays, prescriptions, and many over-the-counter medicines. Dental and vision expenses may also be reimbursed. Eligible health FSA expenses include those defined by IRS Code, Section 213(d).

The amount you elect will reimburse you for eligible expenses that you, your spouse, and your tax dependent’s incur during the plan year. The entire annual amount you elect can be used at any time during the plan year. All you have to do is elect the amount you want withheld before taxes from each pay check. Then, send Allegiance the documentation of your eligible expenses to be reimbursed.

## **Dependent Care Flexible Spending Account (FSA)**

If both you and your spouse work or you are a single parent, you may have dependent care expenses. Without a dependent care FSA, the only tax help for you is the Federal Child Care Tax Credit. A dependent care FSA may give you a better tax benefit, so compare both before making your annual election. A dependent receiving care must live in your home at least eight (8) hours per day.

Your dependent care FSA lets you use “before-tax” dollars to pay care expenses for children age 12 and under, or individuals unable to care for themselves. The care must be necessary for you and your spouse to remain gainfully employed. The care may be provided through live-in care, baby sitters, and licensed day care centers. You cannot use “before-tax” dollars to pay your spouse or one of your children under the age of nineteen (19) for providing care. Schooling expenses at the kindergarten level and above are not reimbursable. Neither overnight camp nor nursing home care is reimbursable.

The maximum you can elect, in a calendar year, is equal to the smallest of the following:

- \$5,000-married and filing federal taxes jointly or single parent;
- \$2,500-married and filing a separate federal tax return; or your spouse’s earned income.

An employee with a disabled spouse or a spouse who is a full-time student can claim \$250/month for one child and \$500/month for two or more children, with the maximum election not to exceed \$5,000.00 per calendar year.

## **Insurance Premium Account**

Some employers automatically deduct premium amounts on a pre-tax basis. The amount of your pay that is deducted for your insurance premium expense is not subject to federal income, state income, or Social Security/Medicare taxes.

In other words, the Flex Plan allows you to use tax-free dollars to pay for insurance coverage.

## **Mid-Year Election Changes**

Be careful in the amount of your election. Be sure to elect no more than you know you and your tax dependents are going to use within the plan year.

Under the “use-or-lose” rule, any money not used by the end of the plan year cannot be returned to you. In addition, no changes to your election may be made during the plan year unless you experience a “qualifying event.”

Mid-year election changes usually must be made within 30 days of a qualifying event. Changes are limited and differ for each pre-tax option. For more information about mid-year election changes, please contact your human resources department or Allegiance.

## **Reimbursement**

You may mail, fax toll-free, or scan and send claims electronically. Allegiance authorizes reimbursement, prints checks, and electronically transfers funds each business day. Claims are normally processed within five business days of receipt. Allegiance does not release funds until at least \$15.00 in eligible reimbursements is accrued.

**Check Payment:** You usually have a check in your mailbox less than a week after you have submitted your claim.

**Direct Deposit: Send in the Direct Deposit form with a voided check and Allegiance will electronically deposit reimbursements directly into your checking account.**

**Debit Card:** Your employer may offer debit cards as part of the Flex Plan. You may use the debit card to pay for medical and/or dependent care expenses. Merchants that have implemented the Inventory Information Approval System (IIAS) have the capability of automatically approving eligible medical expenses at the point of purchase. Documentation for some transactions may be required, and should be saved for all debit card transactions.

*Flex is a great way to instantly get tax dollars back into your paycheck and increase your spendable income.*