

flexible spending account

WHAT IS A FLEXIBLE SPENDING ACCOUNT?

Under Section 125 of the IRS code, an employee is allowed to pay for his/her unreimbursed medical costs (prescriptions and co-pays), child and dependent care costs and more...all with tax-free dollars through a FSA plan.

You can save your employees money while providing them with a convenient way to pay for certain expenses with before-tax dollars. The employee can shelter their contribution from Federal, FICA and State taxes (where applicable) while immediately saving you, the employer, social security (FICA) and federal unemployment taxes (FUTA). This scenario ensures an extremely cost effective benefit that generates significant employee satisfaction.

benefitting your company

YOUR COMPANY WILL SAVE MONEY !

- **DEPENDENT CARE SPENDING ACCOUNT:** As an employer, you are guaranteed a 2% savings of the funds redirected by your employees. Beneflex only charges an administrative fee of 5.65% of the redirected funds. There are NO other costs to the employer and there is NO minimum number of participants required.
- **MEDICAL SPENDING ACCOUNT:** Because of significant cost increases for health insurance many companies find it necessary to change or reduce the insurance coverage they provide to their employees. A FSA Plan, implemented at the same time a change is made, can significantly reduce the impact on your companies cost as well as on the employees cost.
- **PARKING & TRANSPORTATION ACCOUNT:** The Parking & Transportation Account is yet another safe harbor from taxes, like a Section 125 plan. However, it does not fall under Section 125 of the Code. This is a valued benefit program that increases the purchasing power of your employees' income while saving your company money. This program is designed for employers seeking to successfully provide their employees the many advantages under Section 132 of the Internal Revenue Code.
- **RECRUITMENT AND RETENTION:** Employee benefits play a major role in recruiting and retaining valued employees. Earn your employee's loyalty while helping them keep their earnings. This is a tremendous opportunity for employees to reduce their taxes while paying ordinary and necessary expenses.

Beneflex maximizes employee participation by offering exceptional service and fast turn-around on claims. This, in turn, maximizes your tax savings.

Since 1990, Beneflex Inc. has saved employers and employees thousands of dollars.



employees save money **IT PAYS TO PARTICIPATE**

Employees get more than enough opportunities to save money on things they don't need -- but how often do they get the chance to save money on something they do need? The FSA offers them this chance. When they participate in this voluntary program, they use tax-free dollars to pay for a wide array of expenses which are not covered through their other benefit programs.

employees save on taxes
and increase their spendable income

Dependent Care Spending Account

Employees can cut their child-care costs by as much as \$1,782.50 or more with a dependent-care FSA. If they have one or more children in day care or nursery school and they are not using a dependent-care FSA, they could be throwing money down the drain. The IRS will allow them and their spouse to put as much as \$5,000 a year, combined, into an FSA for child care. How much is that benefit worth to them? Let's do the math. If they have a \$5,000-a-year day-care bill, they could redirect \$5,000 of their salary into the FSA, which would lower the taxable portion of their salary by a like amount. Assuming they are in the 35.65% combined state, federal and Social Security tax bracket, that would cut their tax bill by \$1,782.50 - and cover their daycare bills. If their tax rate is less, they save less-but if their tax rate is more, they save even more.

Medical Spending Account

Medical FSAs can put money in your employees pocket, even if they never get sick. Dental checkups, eyeglasses, physical exams: These are all predictable expenses, and they can add up to hundreds of dollars a year. The MedFSA lets employees turn them into tax deductions.

Say your employee has a deductible of \$300 and they happen to run up \$300 in predictable bills a year. If they set aside \$300 in a medical FSA, they will be able to cover all those expenses and reduce their taxable income by \$300. Assuming their combined state, federal and Social Security taxes come to 35.65% of their income, that's a tax savings of \$100.95. Not a bad return for filling out a form.

Parking and Transportation

Like a Flexible Spending Account, parking and transportation is a valued benefit program that increases the purchasing power of your employees' income. Since employees make all contributions to their parking and transportation account in pre-tax dollars, they save the amount of all taxes (federal income and FICA taxes plus, where allowable by the particular state/other municipal body, state and/or local income taxes) that they otherwise would have paid on their earnings. In effect, they are paying for these services with untaxed earnings.

**U.S. Supreme Court
(Gregory v. Helvering, 293 U.S. 465)**

“That legal right of a taxpayer to decrease the amount of what otherwise would be his taxes, or altogether avoid them, by means which the law permits, cannot be doubted.”



Some of your best employees have a second full-time job... as parents.

As an employer, you know the importance of supplying the proper tools to get the job done. Beneflex is the proper tool for employees with dependents. They have more spendable income to take care of their other full time responsibility, their children.

dependent care spending account **Dependent Care Spending Account**

how does the plan work?

Actually, it's very simple. The employee decides the amount to be withheld each pay period. Payment is made directly to the employee's care provider by Beneflex from these funds. This eliminates any receipt hassle or reimbursement delay. Of course, the employee may elect to pay for and be reimbursed for any qualified expenses. Either way, the savings are reflected in the employee's spendable income with their very next paycheck.

"IRS approved" direct-pay:

- Employees have no weekly checks to write
- No Receipts to keep
- No Reimbursement Vouchers to fill out
- and best of all - there is no waiting to be paid pack

eligible dependent care expenses

This Plan follows IRS guidelines which allow you to use pre-tax dollars to pay for day care services provided to your children under age 13, as well as an incapacitated parent or spouse. You are eligible if you are a single working parent, you have a working spouse, your spouse is a full-time student for at least five months during the plan year while you are working (refer to the earned income limits for specific contribution levels), or your spouse or dependent parent is disabled and unable to provide for his or her own care.

Eligible expenses include services provided: (a) inside or outside of your home by anyone other than your spouse, another one of your dependents, or one of your children under 19 years of age, (b) full or part-time daycare center, (c) preschool (d) by a housekeeper whose services include dependent care, or (e) before or after school care (up to age 13). Day camps are eligible for reimbursement; overnight camps are not eligible.

Our administration is designed to make Dependent Care Spending Accounts cost efficient, as well as easy to implement. This full service concept provides a value-added benefit without requiring the Human Resources Staff to become Section 125 experts. Employers are able to offer this powerful tool without the expense of creating an entire administrative department.

THE IRS STATES: "We have determined that the system which you (Beneflex) administer meets the substantiation requirements of Treasury Regulations. Thus, individual receipts are not required for your dependent care flexible spending account since your current automated system allows for each participating employee to substantiate their incurred and paid child expenses."



MEDICAL FSA *medical flexible spending account*

Co-pays and deductibles add up fast !

From the employee's point of view it's nearly impossible to find a health plan that covers all costs. There will undoubtedly be expenses that are covered only partially or not at all.

For every dollar the employees run through a MedFSA plan, the employer saves the 7.65% FICA tax (Social Security). For example, if after enrolling in a MedFSA plan, the employees collectively moved \$100,000 pretax, the employer would save \$7,650.00. Since Beneflex only charges \$5.00 per participant per month (reduced to \$4.00 if they are offering the Dependent Care Benefit), the FICA savings can easily be figured to cover the fee by employers setting a minimum and maximum contribution to the plan.

**The employer sets the
minimum & maximum limits.**

What kind of things does a MedFSA cover?

Acupuncture
Alcoholism Treatment
Ambulance Costs
Artificial Limbs and Teeth
Braille Books and Magazines
Car Controls For Handicapped
Chiropractors
Contact Lens Solutions and Cleaners
Contact Lenses
Contact Lens Replacement Coverage
Co-pays
Crutches
Deductibles
Dental Exams and Cleaning
Dentures
Diagnostic Tests
Drug and Alcoholism Treatment
Experimental Medical Treatment
Eye Examinations
Eyeglasses
Hearing Devices and Batteries
In Patient Therapy
Laboratory Fees
Learning Disabilities

Legal Fees (to authorize treatment for
mental illness)
Mental Nervous Disorder
Nursing Services
Obstetrical Expenses
Operations if Medically Necessary
Orthodontic Treatment
Orthopedic Shoes
Over-the-Counter reading Glasses
Oxygen
Periodontal Fees
Prescription Drugs (drugs with RX#)
Psychiatric Care
Psychoanalysis
Radial keratotomy
Smoking Cessation Programs
Surgery
Telephone for the Deaf
Transplants of Organs
Vaccinations
Weight Loss Programs
Wheelchairs
X-rays
and much more!

parking & transportation

management account



parking & transportation

The simplicity and flexibility of this employer adopted benefit is significant.

BENEFLEX now offers Parking and Transportation Management Accounts. A Parking Management Account, like a Flexible Spending Account, is a valued benefit program that increases the purchasing power of your employees' income at little or no employer cost. It is an effective step in the promotion of active employee participation within the benefits program based on individual consumer needs. This process is designed for employers seeking to successfully provide to their employees the many advantages under Section 132 of the Internal Revenue Code. It is designed to meet your plan objectives, providing a quality and flexible employee transit and parking benefit plan on a cost-effective basis. The Transportation Management Account is yet another safe harbor from constructive receipt, like a Section 125 plan. However, it is not does not fall under Section 125 of the Code.

What is allowable?

Specifically, expenses including Qualified Parking, Vanpooling and Transit Passes can be reimbursed from this account. The definition of these items is as follows:

parking

On or near business premises up to \$190.00 per month.

vanpooling

To and from work; must use commuter highway vehicle capable of seating 6 or more adults (not including driver); 80% of usage must be to transport employee to and from work. Expenses up to \$100.00 per month are allowable.

transit passes

A pass, token, farecard, voucher or similar item that entitles the employee to transportation, provided that such transportation is on mass transit. Expenses up to \$100.00 per month are allowable.

- This provision is not part of Section 125 so there is no need to complete a yearly 5500.
- A plan document is not required.
- The plan does not require a irrevocable election which means the employee is permitted to make, unmake and revise their elections.
- The employer and the employee can exclude this reimbursement from wages for FICA purposes.



BENEFLEX

We're not typical
we're one of a kind...

Beneflex does not sell insurance
we specialize in superior FSA plans

- **No start-up fees**

DirectPay for Dependent Care FSAs

Our IRS approved direct pay dependent care spending account is one of a kind. No more receipts and no reimbursement delay. We offer daycare providers direct deposit into their designated bank account each Friday.

Often, the \$5,000 annual maximum available through the benefit is not enough to completely cover the day care cost. In order to maintain the parent's "no checks to write" benefit, Beneflex will handle any excess expense through a post-tax redirection at no additional cost to the employer.

Personalized Customer Service

Your employees can speak directly with a customer service representative during business hours (8:30 a.m. to 5:00 p.m. CST) by calling our toll-free employee assistance line.

Speed and Superior Claim Processing on MedFSAs

We provide claim processing that is fast, accurate and easy to initiate. Medical claims received prior to 4:00 p.m. CST on Monday are reimbursed directly into the participants designated bank account on Friday. Employees can fax their medical claims to our toll-free DirectFax line 24 hours a day.

Open Enrollments Handled at No Additional Fee

We are represented by insurance companies across the Nation that are available to handle your open enrollments and maximize your employee participation. In addition, we provide all necessary forms and plan documents for free.

Ask About Our New HRA Plan

Health Reimbursement Arrangements.

- **No Minimum Participant Requirement**

- **No additional costs**

Dependent Care FSA

New rules make losing money virtually impossible. In addition to the normal change in family status rules allowing a participant to change their election, (ie: due to marriage, divorce, birth/adoption/death of child, unpaid leave of absence of either parent, either parent terminating employment or either parent changing from full to part time or part to full time) the following new rules have been added:

- The need of coverage changes
- A change in cost

Who Can Sponsor an FSA Plan?

Regular corporations, partnerships, S corporations, limited liability companies (LLCs), sole proprietors, professional corporations, and not-for-profits can all save money on taxes by establishing an FSA Plan. While regulations prohibit a sole proprietor, partner, members of LLC (in most cases), or individuals owning more than 2% of an S corporation from participating in the FSA Plan, they may still sponsor a plan and benefit from the savings on the payroll taxes.

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