

FLEXIBLE SPENDING ACCOUNT (FSA)

An Employer Sponsored Flexible Spending Account (FSA) provides you with an opportunity to lower your personal income taxes AND your Corporate FICA taxes. Call Pension Parameters at 732-583-1313 so that you don't lose this valuable tax benefit.

Your election for your FSA begins at the start of the year, and you sign up through your company. If your company does not have an FSA yet for this year, there's still time.

Flexible Spending Accounts allow you and your employees to set aside money from each pay-check with deductions, on a pre-tax basis, to pay for a wide variety of common Health Care and dependent care expenses for you and your eligible dependents. Money that is set aside in the Flexible Spending Account is usually not subject to Federal, State, City and FICA taxes. This alone is a significant savings on the corporate level.

Even with an insurance plan, Health Care expenses add up. From deductibles and co-pays to medication not covered by insurance, the rising cost of Health Care is straining personal budgets. Families paying for dependent day care, whether for children or for elders, know how expensive that is. Using a Flexible Spending Account is like getting a discount on certain expenses, not because the expenses are less, but because you are paying them with the money that has not been taxed.

LET PENSION PARAMETERS FINANCIAL SERVICES PUT YOUR FLEXIBLE SPENDING ACCOUNT IN PLACE

Pension Parameters Financial Services administers Flexible Spending Accounts, and will set up a system for your company and each of its employees. There is a minimum administration fee involved, and Pension Parameters will simplify all of the paperwork for you.

We look forward to the opportunity to provide you another cost saving benefit for both you and your employees.



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LET PENSION PARAMETERS ADMINISTER YOUR FLEXIBLE SPENDING ACCOUNT (FSA):



TWO KINDS OF FSAs: HEALTH CARE and DEPENDENT CARE

Health Care FSAs let you use pre-tax dollars to pay for medical expenses that are not otherwise covered by insurance. These expenses include health insurance deductibles, co-pays, and unreimbursed dental and vision care. Your employer will determine a maximum amount that you as an individual can contribute to cover items and services, which may have some restrictions, such as:

- Fees paid to doctors, dentists, surgeons, chiropractors, psychiatrists, psychologists, and Christian Science practitioners
- Fees for hospital services, qualified long-term care services
- Laboratory fees
- Acupuncture treatments
- Inpatient treatment at a center for alcohol or drug addiction
- Smoking-cessation programs and prescribed drugs to help nicotine withdrawal
- Hearing aids, crutches, and wheelchairs
- Fees in excess of reasonable and customary amounts allowed by your insurance
- Cost of vasectomies and birth control
- Non-elective cosmetic surgery
- Braces
- Prescription drugs
- Contact lenses and eyeglasses

Dependent Care FSAs are another tax-saving vehicle that allow you to use up to \$5,000 to pay for under-age-13 child care as well as care for other qualifying dependents, — including elderly parents so that you can remain gainfully employed. There is a liberal list of activities that qualify for Dependent Care FSAs, which include:

- Child care centers
- Caregivers for a disabled dependent or spouse who lives with you
- Family day care providers
- Household services, provided that a portion of these expenses are household services for a qualifying dependent incurred to ensure the dependent's well-being
- Babysitters
- Nursery schools

HOW MUCH CAN I HAVE TAKEN FROM MY PAYCHECK EACH YEAR?

The Internal Revenue Service limits the amount that an employee can be reimbursed through a Health Care Flexible Spending Account.

However, employers as a practice establish their own maximums, which may or may not be lower than the annual government mandated limits.

Kevin McCormack, President, Pension Parameters: "A recent report depicts why employers want to limit their employees' financial risk because in a worst case scenario, an employee might resign after receiving reimbursements that exceed their contributions."

HOW DO I DECIDE HOW MUCH TO CONTRIBUTE TO MY FLEXIBLE SPENDING ACCOUNT?

It's important to give some thought to calculating how much money to contribute for the year, because if you put in more money than you need, by law, you lose it. You have 2.5 months after the end of the calendar year to submit claims for eligible expenses incurred during the previous calendar year. Any money left in your account after the 2.5 months will be forfeited. Plans can now offer a grace period providing an additional three months into the following year to use the funds before losing them.

To determine how much to contribute, make a list of the expected out-of-pocket medical expenses for you and your dependents for the next year. For example, if you always exceed your deductible, include the deductible amount in your calculation. Be conservative so you don't risk forfeiting any money.

USE IT OR LOSE IT

Under the "use it or lose it" deadline that most employers impose on their flexible spending arrangements, you will forfeit any amounts you contributed to your FSA if you do not use them by year end. Go for your medical and dental check-ups if you haven't before the end of the year. You can also pre-pay for a number of items and services including diet programs.