

Flexible Spending Accounts

It's not what you earn, it's what you keep that counts!

Flexible Spending Accounts let you set aside a portion of your paycheck **tax free** to pay for certain health and dependent care expenses. Contributions are deducted from your paycheck prior to federal, state and social security taxes. **No tax on your contribution saves you money** (see chart below).

Medical FSA:	Yes	No
Are you and your family currently spending money on out-of-pocket expenses such as: <ul style="list-style-type: none"> ▪ prescription copays and medicine ▪ doctor visit copays ▪ dental work - orthodontia ▪ eyeglasses/contacts/laser eye surgery ▪ chiropractic or acupuncture ▪ *over the counter medicines (*not eligible effective 1/1/2011 with new Health Care Reform) 	<input type="checkbox"/>	<input type="checkbox"/>
Is it impossible to reach the 7 ½ % of your adjusted gross income as a medical tax deduction?	<input type="checkbox"/>	<input type="checkbox"/>
Dependent Care FSA:		
Do you have children in day care, after school care or summer camp so that you (your spouse) can work?	<input type="checkbox"/>	<input type="checkbox"/>
Do you spend money each year for childcare?	<input type="checkbox"/>	<input type="checkbox"/>

If you answered 'yes' to **any** of these questions you should be participating in a Flexible Spending Account as shown in the example below:

Flexible Spending Account	Annual Employee Contribution	Tax Savings Single	Tax Savings Married
Medical FSA	\$1000.00	\$280.00	\$410.00
Dependent Care FSA	\$5,000.00	\$1,400.00	\$2,050.00
	*Tax Rates:	Single	Married
	Federal	15%	28%
	State	5.30%	5.30%
	FICA	6.20%	6.20%
	Medicare	1.45%	1.45%
	Total	28%	41%

See reverse side for more details.

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Frequently Asked Questions

Why does the government allow a plan such as this?

The plan is governed by the IRS code. Studies have shown that when employees become aware of how much they spend on benefit items, they tend to practice cost containment. The government wants to help employers and employees control escalation of healthcare costs.

How much can I allocate?

The IRS limits dependent care contributions to \$5000 per tax year (joint return). Limits for medical reimbursement plans are set by the employer.

How long does the plan last?

An employee agrees to set aside an amount on an annual basis (the plan year). This amount can be increased or decreased each year. If you do not re-enroll, contributions cease.

What if I want to make a change during the year or I terminate employment?

The IRS allows changes to be made in the event of a 'change in status' qualifying event such as birth, death, marriage or divorce or a change to your or your spouse's employment. If you terminate, your contributions cease when you stop getting paid. Please contact CPA, Inc. for further information.

How do I know if an expense is eligible?

If you would be able to deduct the expense as a medical expense on your taxes, it is eligible. If in doubt, contact CPA, Inc. for verification.

How will I get reimbursed for expenses?

You may submit claims as frequently as you like. Claims are paid twice a month by check or weekly for direct deposit accounts, which are deposited directly into your bank account. Checks are payable to the participant and

mailed to participant's home address. A Dependent care account is usually paid on an automatic basis after completion of a Dependent Care Certification Form. Medical accounts require a copy of the bill or receipt for the service attached to a Claim Voucher.

Can my medical expenses go towards dependent care and vice versa?

No. The IRS requires separate funds for each and they are treated as two separate accounts.

Can I get money back if it is not used?


It is important to calculate your expenses as precisely as possible – the IRS does not allow unused funds to be returned. You will receive statements and warning notices from CPA, Inc. prior to the plan year-end reminding you of your account balances and how you may use them.

Examples of Some Common Eligible Expenses:


Acupuncture
Alcohol/Drug Therapy
Braces (Orthodontics)
Chiropractors
Co-pays - Office Visits
Contact Lenses and Solution
Dental Fees – no bleaching
Dentures
Eye Exams and Glasses
Eye Surgery (Laser)
Handicapped/Hearing Impaired
/Sight Impaired/Learning Disabled - call for details

Health Club 
Medically necessary

Hearing Aids and Batteries
Hospital Care/Services
Insulin and Testing Supplies

Muscular Therapy 
Mileage – call for current allowance
Nursing Services
Orthopedic Shoes
Osteopath

*Over the counter medicine (no vitamins)
Prescriptions and co-pays
Psychologist Fees
Psychiatric Care
Surgical Fees
Therapy (Physical and Occupational)
Viagra

Weight Loss Programs 
medically necessary



Requires a physician prescription each plan year stating a specific medical condition. (no exceptions).

***IMPORTANT NOTE:** Due to new Health Care Reform, Over-The-Counter items are no longer eligible expenses, effective 1/1/2011