

Flexible Spending Accounts (FSA)

enable you to pay for medical and dependent care expenses with **before-tax dollars** — money that comes out of your paycheck **before** federal, state, and Social Security taxes are deducted.

What is the advantage?

You get a break on your taxes. Your taxable income is lower, so you are taxed less, which means you have **more spendable income**.

There are two spending accounts in which you may participate: the **Medical** Flexible Spending Account, and the **Dependent Care** Flexible Spending Account. You may choose to participate in one, both or neither account – **the choice is yours**.

Medical FSA

Even with insurance, there are still some expenses which you have to pay out-of-pocket. You are typically responsible for paying co-payments, vision care expenses, dental expenses, orthodontia expenses, and even some costs of prescription drugs.

A Flexible Spending Account can help save you money on those types of expected, out-of-pocket costs.

Dependent Care FSA

Right now you are using after tax dollars to pay for dependent care. Even though you can claim some of that expense at the end of the year on taxes, the dependent care account might provide you more tax savings by setting aside the money before you pay taxes.

Another benefit is you don't have to wait until the end of the year to see the benefit on your tax returns.

Where are the savings?

Because you are setting aside money **before** you pay taxes, you reduce the amount of taxes you pay. The FSA gives you an opportunity to see savings by not paying taxes on the money for those expenses.

Medical

Who & What is Covered

Expenses must be for yourself or an eligible dependent.

The account covers those expenses that are not paid by any medical, dental, or vision plans, such as deductibles, co-pays, vision care expenses, and other uncovered health care costs.

Deposits & Reimbursements

You choose to set aside a specified amount annually. That amount is deducted throughout the year, from your base pay before federal tax, Social Security tax, and in most cases, state and local taxes are taken out.

The FULL amount of your annual election is immediately available to you for reimbursement of eligible expenses at the beginning of the plan year.

Frequently Asked Questions

Can I use this account for my family's expenses?

Yes. You can be reimbursed for eligible health care expenses for you, your spouse, and any eligible dependent.

Can I use this account if I itemize my health care expenses on my tax return?

You cannot receive reimbursement from an FSA for an expense and also itemize it as a tax deduction on your tax returns.

Can I still participate, if I don't have any medical insurance through my employer?

Yes. Out-of-pocket expenses for you and your dependent(s) are eligible for reimbursement whether or not you are insured through your employer or another carrier.

What if I have money left in my account near the end of the year?

Allocate dollars to your FSA for known future medical expenses. Any unused funds at the end of the plan year are forfeited, also called the use-it-or-lose rule. Your employer may offer the \$500 carry over or the grace period of up to 2 ½ months after the plan year ends. Any amounts in excess of the \$500 carry over limit or unclaimed funds that remain after the end of the 2 ½ month grace period are forfeited. Check with your employer to see if your company offers either of these options.

How much can I contribute to my medical FSA account?

You may contribute up to the maximum amount set by your employer each year.

Dependent Care

Who & What is Covered

Eligible dependents under the Dependent Care FSA include your children under age 13, your spouse if mentally or physically disabled, and any other person who is a qualified IRS dependent, who is mentally or physically incapable of self-care and who resides in your home for a minimum of 8 hours per day.

Eligible care expenses must allow you and your spouse to be gainfully employed, looking for employment, or a full-time student.

Expenses may be reimbursed for services provided inside or outside your home by anyone other than your spouse or a person you list as a dependent for income tax purposes.

Deposits & Reimbursements

You choose to set aside a specified amount annually, not to exceed \$5,000. That amount is deducted throughout the year from your base pay before federal tax, Social Security tax, and in most cases, state and local taxes are taken out.

Funds are available ONLY as they are deposited each payroll period, you cannot receive advance reimbursements.

After you incur an eligible expense, submit a claim form through the mail. The request will be processed and you will be reimbursed according to the plan's provisions regarding minimum check amounts, the balance in your account, etc.

Frequently Asked Questions

Can I pay my in-home daycare provider through the dependent care account?

Yes. You can be reimbursed for any qualified daycare, whether performed in your home, the provider's home, or daycare center.

Can I use the dependent care account if my dependent care provider does not claim the income as earnings?

Yes, but you will need to report the Social Security or tax identification number of your provider along with the amount paid and benefits received on Form 2441 on your Federal Income Tax Return. As a result, your provider may have to pay taxes on that income.

Can I use the dependent care account if my ex-spouse claims our child as a deduction for tax purposes, but I pay for childcare?

During the time of the year the child resides with you, you can use this account to pay for childcare services.

Per IRS regulations, the following, while not intended to be complete, illustrates examples of medical or medical-related expenses that may be claimed as part of the plan.

Eligible Medical Expenses

- Accommodations made for disabling medical conditions
- Abortions, legal
- Acupuncture
- Ambulance fees
- Birth control pills
- Braille – books & magazines
- Chemotherapy
- Childbirth classes
- Chiropractic care
- Christian Science practitioner fees
- Coinsurance
- Contact lenses, solutions and cleaners
- Crutches
- Plan deductibles
- Dental fees (other than cosmetic services)
- Dentures
- Diagnostic testing fees
- Eyeglasses, including exam fees
- Fertility enhancement (e.g. treatments, surgery, GIFT, IVF, etc.)
- Guide dog or other animal and their care
- Hearing aids and batteries
- Hospital bills
- Insulin and diabetic supplies
- Laboratory fees
- Lead-based paint removal – for children with lead poisoning
- Nurse fees
- Obstetrical expenses
- Operations
- Orthopedic shoes
- Orthodontia
- Osteopath fees
- Oxygen
- Physician fees
- Practical nurse fees
- Prescribed drugs (including contraceptives)
- Psychiatric care
- Psychologist fees
- Radial Keratotomy – Laser Eye Surgery
- Routine physicals
- Special communication equipment for the deaf
- Smoking cessation prescriptions
- Special plumbing for the handicapped
- Sterilization fees
- Therapeutic care for drug and alcohol addiction
- Therapy treatments, prescribed
- Transplants
- Transportation expenses/mileage to receive medical care or service
- Tuition at special school for physically or mentally impaired
- Wheelchairs & mobility devices
- X-rays

Ineligible Medical Expenses

- Surrogate pregnancy (unless surrogate is a tax dependent)
- Cosmetic surgery or procedures of any kind
- Expenses for meals and lodging while receiving medical care away from home
- Expenses reimbursed by other sources, such as insurance companies or employer-sponsored plans
- Expenses which you have deducted on your income tax return
- Fees for exercise/athletic/health clubs where there is no specific medical reason for membership
- Hair transplants
- Illegal treatments, operations, or drugs
- Insurance premiums
- Rogaine® or other hair growth medication
- Vitamins or other supplements
- Weight reduction programs for general well-being
- Over-the-counter drugs

Ineligible Dependent Care Expenses

- Expenses for food, clothing or education of a dependent (including school tuition for Kindergarten and higher)
- Expenses for transportation to and from provider
- Educational or skill-related programs such as soccer, gymnastics, math, art or computer classes
- Overnight camps
- Seasonal programs such as summer camp programs, except if they are custodial in nature and not educational
- Expenses claimed on your Federal Dependent Care Tax Credit

Benefits are subject to the exclusions and limitations listed in the Plan Document/ Summary Plan Description. Please refer to the Plan Document/Summary Plan Description for complete details on exclusions and limitations.

A REAL EXAMPLE OF SAVINGS THAT COULD BE EARNED FROM UTILIZING AN FSA

Tax Year Savings Example	FSA	No FSA
If your taxable income is	\$50,000	\$50,000
Pre-tax FSA contribution	(\$2,000)	\$0
Taxable income	\$48,000	\$50,000
Federal income and FICA taxes	\$7,857	\$8,310
After-tax dollars spent on eligible FSA expenses	\$0	\$2,000
Available after tax income	\$40,143	\$39,690
Savings with an FSA	\$453 or 23%	NA

Your specific savings will depend on your salary, how much you contribute into the FSA, your tax bracket, how you file your taxes (single, married, etc.) your health, etc. Generally, participants save 15-30% on eligible items purchased using their FSA dollars.

Your TerrillFlex™ Card



- Instant access to Flex account funds – no need to use out-of-pocket dollars
- No more waiting for reimbursement checks
- Eliminates claim forms and receipts in most cases
- Access to real-time account balance information via the Internet
- Claim forms can be downloaded from www.jwterrill.com/terrillflex



J.W. Terrill has partnered with FSA Store so you can shop 4,000+ FSA eligible products online. For more information, visit www.jwterrill.com/fsaextras.

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