

Where Can You Deposit \$100... Then Get Your \$100 Back to Spend?...*Plus \$25!*

or whatever income and social security taxes you would have paid.

The answer is...

The ABC Company's

Flexible Spending Accounts

Featuring the...

**Health Care Account, and
Dependent Care Account**

The Health Care Account is for eligible medical expenses you pay. The Dependent Care Account is for expenses you pay for someone to care for your eligible dependents while you work.

You may use one or both of the Accounts to set aside money (*income tax free*) and then use that money to pay for eligible expenses (*income tax free*). The IRS allows the tax that would have been withheld from your paycheck to go to you – not to the government.

How the Accounts Work

1. **You decide** how much to have deducted from your paychecks during the year and put into your Account – **use [name/method] website to enroll.**
2. **You receive the tax that would have been withheld** – \$25 on every \$100 if you're in a 25% tax bracket. Naturally, your tax savings depends on your overall income and social security tax rate.
3. **You buy eligible services and supplies using your Flex Spending Card [name, if provided] or with your own money** – ***in either case, keep the receipts*** (an IRS requirement).
4. **Your bill is paid...or you are reimbursed** – if you use your Flex Spending Card, the money is automatically paid from your Account. If you use your own money, simply send a completed claim form to [program administrator] and you'll be sent a reimbursement check from your Account. Expenses incurred in 2006 must be claimed by April 1, 2007.

You've probably heard that if you don't use all the money in your Flexible Spending Account in a year, the leftover amount is forfeited, as the IRS requires. Of course, it's best not to forfeit any amount. But say you were putting \$100 in the Account and saving \$25 in taxes. If you spent \$95 from your Account and forfeited \$5, you'd still be \$20 ahead. Please plan carefully so you don't lose any money. But if you do forfeit an amount that is less than you saved in taxes, you still come out ahead.

To enroll in one or both of the Accounts, complete the Flexible Spending Account enrollment form on the [name of HR website] by [deadline].

For more information see the Flexible Spending Account Plan booklet or call Human Resources.

Health Care Account

You may contribute up to \$5,000 a year.

You may use the Health Care Account for eligible health care expenses that you and your eligible dependents have (including your IRS eligible dependents who are **not** enrolled in the ABC Medical Plan). The Account covers the purchase price up to the amount you have pledged for the year... minus amounts already paid out for the year.

Generally, the Health Care Account covers any IRS-approved expense you pay that is needed to diagnose, treat, or prevent a disease – or recover from an injury – as long as the expense is incurred while you're enrolled in the Account and is not paid by another plan.

The expenses can include: doctor visits, check ups, over-the-counter medications (including cold medicines, pain relievers, antacids, and allergy medicines), medical plan deductibles and copays, dentist charges, acupuncture, birth control pills, eyeglasses, contacts and saline solution, fertility enhancement, laser eye surgery, insulin, osteopath and Christian Science practitioners, sterilization, stop-smoking programs, and weight-loss programs directed by a physician to improve your health.

The IRS does not allow you to use the Account for such things as: insurance premiums, amounts already paid by another plan, cosmetic surgery (unless to improve a deformity), hair transplant, health club dues, or nutritional supplements.

IRS-approved medical expenses are listed in IRS Publication 502 available at www.irs.gov.

If you have a Health Savings Account and contributions are being made to it, the IRS does not allow you to have this Health Care Flexible Spending Account.

Dependent Care Account

A family may contribute up to \$5,000 a year (\$2,500 if married and filing separately).

You may use the money in your Dependent Care Account to pay for care of your eligible dependents (as defined by the IRS for income tax purposes). These include:

- Your dependent children under age 13,
- Your mentally or physically disabled spouse, and
- Any other dependents of any age who live with you at least 8 hours a day and are unable to provide their own care.

The care can be provided while you work by:

- Licensed nursery school or day-care center,
- Licensed day-care for disabled dependents, and
- Individuals who provide care in your home.

Receipts you submit for reimbursement must have the tax identification or social security number of the care provider. Your own dependents you claim on your taxes are not eligible to be reimbursed. In some cases, the Tax Credits for Dependent Care Expenses that are available when you file your income taxes may provide a better benefit (the Account and the Tax Credits cannot be used for the same expenses).

IRS-approved dependent care expenses are listed in IRS Publication 503 available at www.irs.gov.

This information is a general overview. Some details – including definitions, limitations, and exceptions – are not included. Do not use this as your only source of information in making enrollment decisions, obtaining services, or claiming benefits. For more details, see your Summary Plan Description (SPD). The official plan documents are used to determine how the plan works, what benefits are paid, and who is eligible to receive them.