

What is a Flexible Spending Account?

A Flexible Spending Account (FSA) is a tax-favored program offered by your employer that allows you to pay for eligible out-of-pocket health care and dependent care expenses with pre-tax dollars. By using pre-tax dollars to pay for eligible health care and dependent care expenses, an FSA gives you an immediate discount on these expenses that equals the taxes you would otherwise pay on that money.

In other words, with an FSA, you can both reduce your taxes and get more for your money by saving from 20% to more than 40% you would normally pay for out-of-pocket health care and dependent care expenses with after-tax (as opposed to taxed) dollars.

Medical FSA /Limited Medical FSA (MRA)

Set aside money to pay expenses not covered by your medical insurance. There are two types of accounts:

- **Health FSA**
For use with traditional insurance plans. Use it to pay for things like coinsurance, prescriptions and medical equipment.
- **Limited Health FSA**
For use when you have both a high deductible health plan (HDHP) along with a health savings account (HSA). It will pay for qualified out-of-pocket expenses until your annual deductible is met. (See your Summary Plan Description for details.)

Dependent Care Account (DCA)

Deduct a portion of your paycheck to use for dependent care for children up to age 13, a disabled dependent of any age or a disabled spouse. To be eligible for this type of account, both you and your spouse (if applicable) must work, seeking work or be full-time students.

How much do you save? Meet the Jones

Mom and dad both work outside the home. One child attends school; the other goes to a home day care. Together they make \$7,500 per month and claim four exemptions on their income taxes.

	With an FSA	Without an FSA
Gross Monthly Salary	\$7,500	\$7,500
Medical Spending Account contribution	\$208	\$0
Dependent Care Account contribution	\$416	\$0
Taxable income	\$6,876	\$7,500
Taxes	\$2,407	\$2,625
Net pay	\$4,469	\$4,875
Post tax medical expenses	\$0	\$208
Post tax dependent care expenses	\$0	\$416
Monthly Income	\$4,469	\$4,251

The Jones Family saved \$218/month or \$2,616/year!