FSA Facts

Using a Flexible Spending Account (FSA) is great way to stretch your benefit dollars. You use before-tax dollars in your FSA to reimburse yourself for eligible out-of-pocket medical and dependent care expenses. That means you can enjoy tax savings and increased take-home pay—all with the convenience of a prepaid benefits card. Plus, if your employer allows, you can rollover $500 from one year to the next, reducing your risk of losing dollars at the end of the plan year. (Check your Open Enrollment information.)

WHAT IS AN FSA?

With an FSA, you elect to have your annual contribution deducted from your check each pay period in equal installments throughout the year, until you reach the yearly maximum you have specified (up to the **$2,600** limit set by the IRS). The amount of your pay that goes into an FSA will not count as taxable income, so you will have immediate tax savings. FSA dollars can be used during the plan year to pay for qualified expenses and services.

• A Healthcare FSA allows reimbursement of qualifying out-of-pocket medical expenses.
• A Limited Purpose Medical FSA works with a qualified high deductible health plan (HDHP) and Health Savings Account (HSA). A limited FSA only allows reimbursement for vision and dental expenses.
• A Dependent Care FSA allows reimbursement of dependent care expenses (such as daycare) incurred by eligible dependents.

With all types of FSAs, you'll receive access to a secure, easy-to-use web portal where you can track your account balance, view your claims history and submit requests for reimbursements.

An FSA is a great way to pay for expenses with pre-tax dollars.

WITH AN FSA YOU CAN:

• **Enjoy significant tax savings** with pre-tax deductible contributions and tax-free reimbursements for qualified plan expenses
• **Quickly and easily access funds** using The HG Advantage card at point of sale, or request to have funds directly deposited to your bank account via online or mobile app
• **Reduce filing hassles and paperwork** by using The HG Advantage card
• **Enjoy secure access** to accounts using our convenient Consumer Portal available 24/7/365
• **Manage your FSA "on the go"** with our easy-to-use mobile app
• **File claims easily online** (when required) and let our system approve reimbursement (based on eligibility and availability of funds)
• **Stay up to date on balances** and action required with automated email alerts and convenient portal and mobile homepage messages
• **Get one-click answers** to benefits questions

• **Use it or Roll It Over.** Did you know? If your employer allows, up to $500 of your unused healthcare FSA balance can be carried over into the next plan year, instead of you "losing it" – making enrollment in an FSA much less risky. This gives you more flexibility to spend your FSA money when you need it. You can use it for necessary out-of-pocket healthcare expenses, rather than feeling pressured to shop last minute and potentially spend unnecessarily at the end of the year.

In addition, you'll receive **The HG Advantage card** to make it easy to pay for eligible services and products not covered by your health insurance. When you use the card, payments are automatically withdrawn from your account. Just swipe the card and go. Most expenses can be validated through the card transaction but you may be prompted to provide a copy of the receipt for certain transactions (in accordance to IRS regulations). When required, receipts can be sent easily sent by uploading online to either the Consumer Portal or, through our mobile app.

IS AN FSA RIGHT FOR ME?

A Healthcare FSA could save you money if you or your family members:

• Have out-of-pocket expenses like co-pays, coinsurance, or deductibles for medical, prescription, dental or vision plans
• Have a health condition that requires the purchase of prescription medications on an ongoing basis
• Wear glasses or contact lenses or are planning LASIK surgery
• Need orthodontia care, such as braces, or have dental expenses not covered by your insurance

A Dependent Care FSA provides pre-tax reimbursement of out-of-pocket expenses related to dependent care. This benefit may make sense if you (and your spouse, if married) are working or in school, and:

• Your dependent children under age 13 attend daycare, after-school care or summer day camp
• You provide care for a person of any age whom you claim as a dependent on your federal income tax return and who is mentally or physically incapable of caring for himself or herself

PLAN AHEAD

Before you enroll, you must first decide how much you want to contribute to your account(s). This is called your annual election amount. You will want to spend some time estimating your anticipated eligible medical and dependent care expenses for the 2017 calendar year, but know that you don't have to worry about losing unused funds (up to $500, if your Employer allows).

Throughout the year, you'll likely find yourself with expenses for yourself and your family that insurance won't cover. By taking advantage of an FSA, you can actually reduce your taxable income and save on your out-of-pocket expenses when you use your FSA to pay for items you'd purchase anyway.

FSA FAQ's

1. What is a Flexible Spending Account (FSA)?

An FSA is an employer-sponsored plan that allows to deduct dollars from your paycheck and deposit them into a special account that's protected from taxes. FSA accounts are exempt from federal taxes, Social Security (FICA) taxes and, in most cases, state income taxes. The money in an FSA can be used for eligible health and/or dependent care expenses that are incurred while you are participating in the plan.

2. When does my FSA become effective?

Your FSA becomes effective on the date you enroll. Unlike other plans, an FSA does not start on your hire date. Contributions to your account begin as soon as administratively possible after you enroll.

3. How do I participate in an FSA?

To participate, you must enroll within 31 days of your date of hire, or elect to participate during annual Open Enrollment. If you have a life event change (for example, birth or adoption of a child), then you may be able to enroll without waiting for annual Open Enrollment, if you enroll within 31 days of the change.

4. Who can put money in my FSA?

You and your employer, although employers rarely contribute to employees' FSAs.

5. What does it mean to incur expenses?

The IRS considers expenses to be "incurred" at the time you receive medical care or dependent care–not when you are formally billed or actually pay for services. Only eligible expenses you incur within the plan year, including any employer-allowed grace period, are eligible for reimbursement.

6. Who qualifies as an eligible dependent?

An eligible dependent is any dependent for which an employee pays a provider to care for him/her while they are at work or looking for work. The dependent must be under the age of 13 or incapable of taking care of themselves, and live in the employee's home for more than half of the year.

7. How often can I request reimbursements?

Reimbursements can be requested as often as qualified expenses are incurred. Expenses must be incurred during the plan year and the reimbursement must be requested before the end of the run-out period (or grace period if applicable).

8. What happens if I have money remaining in my account at the end of the year?

On October 31, 2013, the U.S. Department of Treasury changed the policy on remaining funds in FSA's. You are now able to roll over remaining funds into your next plan year up to $500.00, if your employer allows. This rollover means participation in an FSA is much less risky. This gives you more flexibility to spend your FSA money when you need it. You can use it for necessary out-of-pocket healthcare expenses, rather than feeling pressured to shop last minute and potentially spend unnecessarily at the end of the year.

9. Can I change my election or stop contributing money to my FSA at any time during the plan year?

Federal regulations state that once you have enrolled in an FSA, you cannot change your election amount unless you have a qualifying life event. Your employer can give you a list of permitted change events.

10. How much will I really save in taxes by contributing to an FSA?

Generally, contributions you make to your FSA are not subject to federal or social security taxes. In most instances, there are no state taxes taken out either. The amount you may save depends upon:

• The amount you put into your FSA
• The tax percentage you would normally pay on that money (tax bracket)

Let's say you want $2,000 taken out of your paycheck this year to put into your FSA. The money you direct to your FSA is taken out of your check before taxes are taken out. That reduces your taxable income by $2,000.
Let's say you normally pay 30 percent in federal, social security and state taxes on your income. In this example, you would enjoy a tax savings of 30 percent of the $2,000. In other words, you could get a $600 tax savings on the $2,000 you directed to your FSA. Plus, if allowed, the new rollover feature assures that any unused balance up to $500 will still be there for you in the next plan year.

11. What type of flexible spending plans are there?

Health Care FSA: Covers medical, prescription, dental and vision expenses
Dependent Care FSA: Covers dependent care expenses including daycare, nursery school and day camp for children, and services for adult dependents who cannot care for themselves
Limited Health Care FSA: Covers dental and vision expenses only (in compliance with a health savings account)