



Medical Spending Plan with Flex Convenience Card

Pay Medical Expenses Tax-Free

The Medical Spending Plan allows you to set aside pre-tax money to pay health care expenses for the coming year. By having your estimated expenses deducted from your paycheck earnings *before* any taxes are taken out, you can save money on the taxes you pay.

How Does It Work?

Using a Medical Spending Plan is simple. Just decide how much money you want to set aside to cover your health care and medical expenses for the coming year. Your employer withholds an equal portion of that amount from each paycheck, deducting it from your earnings on a pre-tax basis. Then throughout the year, submit the receipts whenever you incur a qualified health care or medical expense. You'll be reimbursed that amount.

What Kinds of Expenses Qualify?

You can plan ahead for any of the following qualified expenses and have pre-tax money placed in your account. Expenses must be medically necessary, including approved over-the-counter medications. You can get reimbursed for:

- Deductibles under health plans
- Copayments
- Coinsurance
- Dental expenses
- Vision care and related hardware
- Prescription drugs
- Approved over-the-counter (OTC) medications
- Durable medical equipment

How Much Should You Withhold?

To estimate your health care and medical expenses, review all your expense vouchers, tax receipts, checkbook register and other records for the past two years. With these figures as a guide, estimate what expenses you will probably incur for the coming year.

How Much Can You Save?

Depending on your tax status, you can pay less in taxes and increase the amount of spendable money in your paycheck each month. Here's how it works:

| | Before Flexible Benefits Program | After Flexible Benefits Program |
|---|----------------------------------|---------------------------------|
| Gross Monthly Salary | \$2,000.00 | \$2,000.00 |
| Monthly Medical Spending Plan Deductions | <u>N/A</u> | - \$200.00 |
| Taxable Income | \$2,000.00 | \$1,800.00 |
| Estimated Federal Taxes (15%) | - \$300.00 | - \$270.00 |
| Estimated FICA Taxes (7.65%) | <u>- \$153.00</u> | <u>- \$137.70</u> |
| Monthly Medical Expenses | - \$200.00 | - \$200.00 |
| Reimbursement From Medical Spending Plan | N/A | + \$200.00 |
| Net Monthly Income | \$1,347.00 | \$1,392.30 |
| Additional Monthly Take-Home Income | | \$ 45.30 |
| Annual Increase In Take-Home Income | | \$543.60 |

In each case you earn the same \$2,000. But with your Medical Spending Plan, you take home \$45.30 more each month – *for an annual take-home increase of \$543.60. Actual tax savings depend on your tax status.*

(over)

Do Any Special Rules Apply?

In return for tax-saving advantages, the federal government has placed certain restrictions on your Medical Spending Plan.

- You may contribute a certain portion of your pre-tax pay to the Medical Spending Plan.
- Plan carefully. Any funds left over at the end of the year will be forfeited.
With proper planning, however, no money should be lost.
- You may change the amount of your contribution only if you have a qualifying event or family status change, such as:
 - Marriage
 - Divorce
 - Change of employment
 - Birth or adoption of a child
 - Death of a covered dependent

Flex Convenience Card - Immediate Access to Your Medical Spending Plan

The Flex Convenience Card works just like a debit card. You can use it to pay for your out-of-pocket medical expenses at your doctor's office or pharmacy. The money will be taken directly out of your Medical Spending Account. No need to file claims or pay for services up front and wait for reimbursement. The Flex Convenience Card is accepted at thousands of locations which accept MasterCard.

Additional Features and Options

- **Check Balances Online** – You can easily check your account balances online (www.selectdataservice.com) or by phone (1-888-698-1429) at your convenience. This service allows you to manage your flexible spending account better and make the most of the funds you have set aside.
- **Direct Deposit** – Instead of being reimbursed by a check, you can choose to have your reimbursements deposited directly into your checking or savings account on a weekly basis.

Sign Up and Start Saving Today!

Enroll in your company's Medical Spending Plan. You can start saving money on your taxes – and start keeping more of what you earn each month. Just by planning ahead!



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