



WHAT IS A FLEX PLAN?

Your employer has chosen to sponsor a Flexible Spending Account, or “Flex Plan” as one of your insurance benefits. Flex is an IRS-approved method of paying for your “out-of-pocket” Health, Dental, Vision, & Over-the-Counter expenses with set aside “pre-tax” dollars.

There are two types of Flex accounts: Medical Flexible Spending Account (FSA) and Dependent Care Account (DCA) for child day care, adult dependent care, etc. Participation is voluntary. Employees must enroll in the plan to receive this benefit.

Why Participate In a Flex-Plan?

We all pay taxes. Each payday, your employer calculates Federal and State income tax and FICA (Social Security/Medicare) tax on your taxable income. For every \$1.00 net in your paycheck, you actually have to earn \$1.35 because of taxes. (\$1.35 less 25.65% in taxes = \$1.00)

Participation in a Flex-Plan saves you money by deducting the Flex set-aside dollars from your wages *before taxes*, making only the wages remaining subject to taxes. Through your employer’s Flex Plan, you can pay many of the following bills with your pre-tax dollars: Medical, Dental, Vision, Over-The-Counter (OTC) medications, dependent care. By setting aside dollars for those expenses in a Flex Plan, most employees will save between 20% and 30% in taxes.

	Employee in 15% Federal Tax Bracket		Employee in 25% Federal Tax Bracket		Employee in 35% Federal Tax Bracket	
Federal Income Tax	15%		25%		35%	
State Income Tax *	IL 3%	IN 3.4%	IL 3%	IN 3.4%	IL 3%	IN 3.4%
FICA/Medicare	7.65%		7.65%		1.45%	
Total Estimated Tax Saved	IL 25.65%	IN 26.05%	IL 35.65%	IN 36.05%	IL 39.45%	IN 39.85%

* State income taxes vary between 0% and 9%

Can't I Do This On My Tax Return?

Medical expenses are deductible on your tax return, *but only if* you itemize your deductions and if your expenses exceed 7.5% of your income. In addition, you *cannot* avoid the Social Security tax that way and you *cannot* deduct Over-the-counter drugs that way. Check with your accountant to confirm that Flex is a better way to take the deduction.

Who Qualifies?

You can participate in Flex if you have medical expenses for you, your spouse, and your dependent children. You can participate in Flex even if you or your spouse & children are NOT enrolled in Health Insurance or are enrolled somewhere else.

What Can Be Reimbursed?

The expense must be Out-Of-Pocket (that means the portion NOT paid by insurance). Medical Expenses that can be reimbursed through the Flex Plan include Doctor Co-Payments, Prescriptions (even if generic), Health Insurance deductibles and co-insurance, Lasik eye surgery, Eyeglasses, Contacts, and over-the-counter Contact lens solution, Dental and Orthodontia, Over-the-counter Drugs, Mileage to seek medical care, and many more. For a comprehensive list of eligible medical expenses visit your company’s customized web page or BPC’s website and click on the “Eligible Flex Expenses” link.



What Is Not Eligible?

Most expenses to treat a medical condition ARE eligible. Cosmetics, cosmetic surgery, and toiletries are NOT eligible. Vitamins and Dietary Supplements are NOT eligible unless recommended in writing by a medical practitioner to treat a specific medical condition.

What Are The Limitations and Restrictions On Flex Plans?

Flex Plans are established in accordance with IRS regulations that determine how the plan may be used. Your employer also has regulations and/or restrictions concerning the Flex Plan. Please refer to the Summary Plan Description for more detailed information. The following are important restrictions to consider when enrolling in a Flex Plan:

- *Election amounts cannot be changed during the Plan Year, except when there is a qualifying event and the change must be consistent with the event (Marriage or divorce; Death of a Dependent; Birth or adoption; Spouse terminates or begins employment).*
- Expenses must be incurred within the Flex Plan year.
- You cannot use money paid into one category to be applied to another (FSA to DCA and vice versa)
- You must substantiate all expenses reimbursed under the plan (*submit copies of detailed receipts*)
- Unused funds are forfeited at the end of the Plan year.
- You have 90 days after the end of the plan year to submit receipts for expenses incurred during the plan year.

Take a Look At How a Flex Plan Can Save You Money . . .

	No Flex	Flex
Gross Income	\$40,000	\$40,000
Pre-tax medical, dental, & vision expenses		\$2,500
Taxable Income	\$40,000	\$37,500
Federal Income Tax 15%	\$6,000	\$5,625
Illinois State Income Tax 3% Indiana state tax is 3.4% for an even greater savings State income taxes vary between 0% and 9%	\$1,200	\$1,125
FICA/Medicare 7.65%	\$3,060	\$2,869
Take-home pay	\$29,740	\$27,881
Medical, dental, & vision expenses	\$2,500	
Net take-home pay	\$27,240	\$27,881
Result: a tax savings of	\$0	\$691

Note: all calculations are approximate. Actual results may vary.

We Are Here To Help You

Visit your company's customized web page or BPC's website at www.bpcinc.com to check your balances, print a claim form, learn more about Flex, or to view a comprehensive list of eligible Flex expenses. For more information on how Flex Plans work, please contact your company's benefit administrator or Benefit Planning Consultants.