



Your FLEXible Spending Account Worksheet



This will help you determine your annual out-of-pocket costs for each Account.

- Remember to budget carefully •
- Be conservative •

Unreimbursed Medical Account

	Annual
Deductible(s)	\$ _____
Co-Pays	\$ _____
Co-Insurance	\$ _____
Prescription Drugs	\$ _____
Special Equipment	\$ _____
Physicals	\$ _____
Medical Travel Costs	\$ _____
Hearing Aids	\$ _____
Check-up/exam	\$ _____
Orthodontia	\$ _____
Monthly Treatments	\$ _____
Dentures	\$ _____
Bridgework	\$ _____
Partial Plates	\$ _____
Eye Exams	\$ _____
Contacts & Supplies	\$ _____
Other _____	\$ _____
Total Medical, Dental & Vision	\$ _____

Dependent Day Care Account

	Annual
Day Babysitters	\$ _____
Day Care Centers	\$ _____
Elder Care	\$ _____
Day Camp	\$ _____
After-School Programs	\$ _____
Nursery School	\$ _____
Other _____	\$ _____
Total Dependent Care	\$ _____

Premium Expense Account

	Annual
Non-Employer Health	\$ _____
Non-Employer Vision	\$ _____
Non-Employer Dental	\$ _____
COBRA	\$ _____
Contact Lens Plans	\$ _____
Medicare Part B	\$ _____
Supplemental Health	\$ _____
Other _____	\$ _____
Total Premium Expense	\$ _____

Examples of Eligible Medical Expenses:

- | | |
|---|--|
| Acupuncture | Lasik Eye Surgery & Radial Keratotomy |
| Alcoholism Treatment | Mammography |
| Ambulance Services | Mental Health Care |
| Artificial Limbs | Nursing (RN/LPN) |
| Braille Books | OB/GYN Examinations |
| Chiropractors | Orthodontia |
| Contact Lenses and Supplies | Orthopedic Shoes & Braces |
| Contraceptives | Over-the-counter drugs (FDA approved) to treat certain illnesses or injuries |
| Co-Pays | Physicals |
| Crowns, Bridges, and Dentures | Physical Therapy |
| Crutches | Prescriptions |
| Deductibles | Psychiatric Services |
| Dental Cleanings | Seeing Eye Dog & Upkeep |
| Dermatologists | Sterilizations & Reversals |
| Eye Examinations | Substance Abuse Treatment |
| Eye-glasses and Prescription Sunglasses | Surgical Expenses |
| Fillings | Telephone Equipment for the Deaf |
| Hearing Aids and Batteries | Transportation for Medical Purposes and Mileage Reimbursement |
| Home Health Care | Well-Child Care Visits |
| Home Improvements for Medical Purposes | Wheelchairs |
| Hospital Bills | X-Rays |
| Infertility Treatment | |
| Insulin & Syringes | |
| Laboratory Fees | |

Examples of Eligible Employment Related Dependent Day Care Expenses:

- Babysitters (Daytime Only)
- Before/After School Programs
- Day Care Centers
- Elder Care Centers
- Nursery School
- Summer Day Camps

Examples of Eligible Privately Held Insurance Premium Expenses:

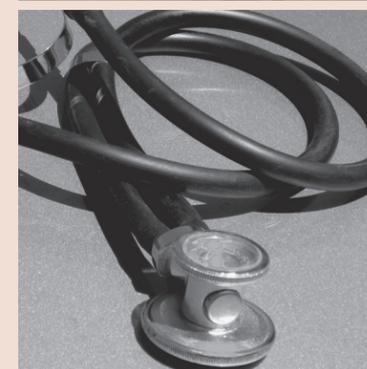
- COBRA
- Non-Employer Health, Vision, Dental
- Medicare Part B
- Supplemental Health
- Contact Lens Insurance



The Preferred Group

P.O. Box 15136
 Albany, NY 12212-5136
 518-641-0321 • 800-573-7474
 FAX: 518-641-0325
www.thepreferredgroup.com

The Preferred Group Plans, Inc. Section 125 Plans are NYSUT Member Benefits Trust (Member Benefits)-endorsed programs. Member Benefits has an expense reimbursement/endorsement arrangement of \$.10 per participant per month. All such payments to Member Benefits are used solely to defray the costs of administering its various programs and, where appropriate, to enhance them. Member Benefits acts as your advocate; please contact Member Benefits at (800) 626-8101 if you experience a problem with any endorsed program.



Preferred Flex

I.R.S. SECTION 125 FLEXIBLE BENEFIT PLANS

24 Madison Avenue Extension, Albany, NY 12203 • 800-573-7474 • 518-641-0321 • f 518-641-0325 www.thepreferredgroup.com

✓ CHOOSE to Pay for Your Payroll Deducted Insurance Costs with FLEX!

Pay for your share of your employer-sponsored ✓*medical* ✓*dental* ✓*vision* ✓*hearing* ✓*drug insurance policies* with *pre-tax* dollars

- Easy to enroll
- No change to your current insurance coverage
- No calculating required
- Change how you pay for your premiums
- Cost is payroll deducted *pre-tax* in the exact amount you owe
- SAVE 30% to 40%
- Savings depends on your tax bracket

Cut Your Out-of-Pocket Costs!



Without FLEX you **PAY** 100% of your out-of-pocket costs



With FLEX you **SAVE** 30%-40% of your out-of-pocket costs

Q. *If I set aside part of my paycheck before taxes, will I make less money?*

A. *No.* Your spendable income should remain the same or show an increase for your Plan Year. Here is an example of a married individual earning \$35,000 and paying \$1,500 in out-of-pocket medical expenses and health insurance premiums.

How Does FLEX Work?

	Using After-Tax Dollars	Using Pre-Tax Dollars
Income	\$35,000	\$35,000
Eligible Expenses	0	-1,500
Taxable Income	35,000	33,500
Estimated Taxes	-9,905	-9,458
Income After Taxes	25,095	24,042
Eligible Expenses	-1,500	0
Spendable Income	23,595	24,042
Difference	0	\$ 447

The \$447 shows this individual's 30 % savings in paying for eligible services of \$1,500 with *pre-tax* dollars.

✓ CHOOSE to Use FLEXible Spending Reimbursement Accounts and SAVE!

Pay for eligible ✓*medical* ✓*dental* ✓*vision* ✓*dependent day care* ✓*private insurance premiums* with *pre-tax* dollars

- Three separate accounts from which to choose
- All three save up to 30-40% of your out-of-pocket costs (depending on your tax bracket)
- Covers expenses for you, your spouse, and any of your federal income tax dependents
- Enroll in any or all accounts that your employer offers
- Select an annual target amount that you expect to spend on eligible expenses during your plan year for each account
- Payroll takes deductions from your paycheck *pre-tax*
- Submit claims for reimbursement as you incur eligible expenses
- **Same Day** reimbursement for eligible claims
- 90-day grace period following the end of the plan year to submit vouchers for expenses that occurred *within* the plan year

Unreimbursed Medical Account

- Pay for medical, dental, hearing, and vision co-pays and deductibles with *pre-tax* dollars
- Pay for out-of-pocket costs, including eligible expenses not covered by your insurance
- Immediate reimbursement *up to* your annual target amount
- Cosmetic procedures are not eligible for this account
- No medical premiums are eligible for this account

Dependent Day Care Account

- Pay with *pre-tax* dollars, for day care services that allow you and your spouse to work or attend school full-time
- Expenses for children 12 and under; disabled and elderly dependents are eligible at any age
- Dependents receiving services must spend at least 8 hours a day within your household
- Overnight camps and medical costs are not eligible for this account
- No Kindergarten tuition

Premium Expense Account

- Pay for privately held, health-related insurance premiums with *pre-tax* dollars.
- No *employment-related* spousal/dependent premiums
- No Long Term Care or Life Insurance

Q&A

Q. *What is a FLEXible Benefit Plan and how can it benefit me?*

A. A FLEXible Benefit Plan allows you to pay for necessary eligible expenses with *pre-tax* dollars. When you set aside money *before* the government deducts taxes from your paycheck, you save up to 30%-40% (depending on your tax bracket) on expenses that you already have. These expenses can include medical, dependent day care costs and health insurance premiums. The plan is designed to allow you to participate in any, or all, of the benefits **that your employer offers**, to any degree. This means that you can *tailor* the Plan to suit your needs.

Q. *Is there any limit on the amount of money that I can set aside in a FLEXible Spending Account?*

A. Yes. Your employer sets a maximum (and sometimes a minimum) amount that you can set aside in the Unreimbursed Medical Account. The maximum amount for the Dependent Day Care Account is set by the I.R.S. at \$5,000 (or \$2,500 if married and filing separate tax returns). There is no limit on the Premium Expense Account.

Q. *Once I set aside money before taxes, how do I get it back?*

A. You are reimbursed for eligible expenses that occur within your Plan Year. In order to be reimbursed from any FLEXible Spending Account, you submit a *signed and completed* reimbursement voucher with third-party receipts to support your claim. You also have a 90-day *Grace Period* following the end of the Plan Year to submit vouchers for expenses that occurred *within* the Plan Year. Please see THE PREFERRED GROUP's Reimbursement Voucher for more details on each Account.

Q. *What if I have to pay for expenses during the Plan Year, even though the services did not occur during the Plan Year?*

A. Reimbursement is made based on dates of service, not dates of payment. As a result, previous balances cannot be reimbursed.

Q. *What if I submit an amount for reimbursement that exceeds my payroll deductions at the time my voucher is received?*

A. The Unreimbursed Medical Account allows you to be reimbursed *up to the annual amount that you set aside* at any time during the Plan Year, regardless of how much you have deposited in your Account.

The Dependent Day Care and Premium Expense Accounts are *different* than the Unreimbursed Medical Account. For these Accounts, you can only be reimbursed *up to your deposits* at the time that your voucher is received. The portion of your claim that is not reimbursed at the time that your voucher is received will be reimbursed as further payroll deductions are deposited in your Account.

Q. *What if there is money left in my FLEXible Spending Account(s) at the end of the Plan Year?*

A. Any money left in your FLEXible Spending Account(s) at the end of the Plan Year is forfeited to your employer. The Preferred Group provides Quarterly and End-of-Year Account statements to help you keep track of the status of your Account(s). You will receive information with each reimbursement check on the Account(s) from which you were reimbursed. *In addition*, The Preferred Group counselors are available by phone from 8 AM – 6 PM Monday through Friday to review your Account(s) and answer any questions you may have. The Preferred Group encourages all of its participants to be conservative in their elections.

Q. *Which I.R.S. rules apply to the FLEXible Spending Reimbursement Accounts?*

A. The I.R.S. has established a few rules that participants in a FLEXible Spending Account need to be aware of: Your employer establishes a Plan Year. To participate in one or more FLEXible Spending Accounts, you must enroll *each year*. The elections you make at the time you enroll cannot be changed until the following year, unless you experience an I.R.S. defined *change in status*:

- Legal marital status
- Number of dependents
- Employment status
- Residence
- Cost of coverage for some benefit options

The change in election must be consistent with the change in status. Funds in one FLEX Account cannot be transferred to another Account during the Plan Year.

Q. *Will my retirement benefits be affected by a FLEX Plan?*

A. *No.* Most retirement systems' benefits, such as the NY State Employees' and Teachers' Retirement Systems are not affected by a FLEXible Benefit Plan and will continue to be based on your Gross Income. Check with your retirement plan to be sure.

Q. *Will my Social Security be affected by a FLEX Plan?*

A. Yes. Because you do not pay Social Security taxes on the part of your income that you set aside, your Social Security benefits will be *only slightly* reduced. The reduction of benefits is *minimal*, and the advantages of the tax savings from a FLEXible Benefit Plan outweigh the reduced Social Security payments.

Q. *Can I be reimbursed for an expense that is not covered by my insurance carrier?*

A. Yes. The Unreimbursed Medical Account can reimburse you for many eligible expenses that are *not covered by your health insurance plan*. In general, expenses that are medically necessary to treat or cure a specific condition are reimbursable. There are a few exceptions, so please be sure to verify the eligibility of known expenses *prior* to the start of your Plan Year.

Q. *Do all states offer tax-free benefits under Flex?*

A. In all states, taxpayers receive waivers of Federal Income and FICA taxes on Flex Plan benefits. Similarly, all state income tax payers receive state tax waivers on Flex funds except for taxpayers in New Jersey and Pennsylvania, as follows: *New Jersey* income tax payers will have to pay state income taxes on the amounts sheltered in a Flex Plan. *Pennsylvania* income tax payers will not have to pay state income taxes on funds sheltered in a Flex Plan to pay for medical expenses – e.g. medical premiums and unreimbursed medical account funds. However, there is no state tax waiver for dependent day care funds.