



Flexible Spending Account

It saves you tax money

A Flexible Spending Account can save you money.

How?

You get to skip the taxes on any money you put in it.

That's right, you don't pay taxes on that money. Never.

Instead of that tax money going to Uncle Sam, it goes to you. It stays in your paycheck.

See the drawing.

Sue earns \$1,000. She has a Flexible Spending Account (FSA).



\$200 goes to her FSA

Sue pays \$200 in medical bills from her FSA.



The remaining \$800 is taxable, so Uncle Sam takes \$216 in taxes.



Sue has \$584 left in her pocketbook.

Mary also earns \$1,000. She does not have a Flexible Spending Account.



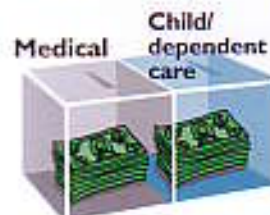
\$1,000 is taxable, so Uncle Sam takes \$270 in taxes.

Mary pays \$200 in medical bills



Mary has \$530 left in her pocketbook.

How does an FSA work?



The FSA has two parts . . . a medical part and a part for child care and dependent care assistance.

You put money in one or both parts.

How much can I put in?

Up to \$3,000 for medical and related expenses. Up to \$5,000 for child care and dependent care expenses.

How do I put the money in?

It will be taken in equal amounts out of each of your paychecks during the year.

What happens to the money in the FSA?

You use the medical part to pay medical or related expenses.

You can use the child/dependent care part to reimburse you for child care expenses or dependent care expenses.

Is there a catch?

If you don't use up all the money by the end of the year, you don't get it back.

So just put in what you think you will need. If you have some still left before the end of the year, you can go buy covered items to use it up . . . like eyeglasses or prescription drugs.

Let's be clear about 'child care'

This part of the FSA is not for child medical expenses.

It is for paying people or facilities that take care of your child . . . like day care.

It also pays for day care for elderly dependents.

Some rules for child care and dependent care expenses

- You may submit expenses for a person who is claimed as a dependent for income tax purposes.
- The care must allow the participant and spouse to work, unless the spouse is a full-time student or is incapable of self-care.
- The expenses must be for a dependent under age 13 or one who is physically or mentally incapable of self-care. An incapacitated dependent over age 13 must regularly spend at least eight hours a day in the participant's household.
- Eligible care can be in or out of the participant's home. But the care cannot be by another dependent or any relative under age 19.
- If a day care facility with more than six children provides the services, it must be state-licensed. Pre-school costs may qualify for reimbursement.
- If married and filing separate tax returns, the limit for reimbursement is \$2,500.

Your FSA can pay for these

These are examples. If you have a question about an expense, ask an Accord benefits representative.

- Out-of-pocket medical or medical-related expenses that you have during the plan year, as defined in Code 213, unless excluded at right

- Deductibles and co-payments that a participant is responsible for under the participant's or spouse's medical, dental or vision plan, unless excluded at right

- Prescription drugs, unless excluded at right

- Over-the-counter medications to treat an illness or injury

- Eye exams, eyeglasses, contact lenses and other vision expenses

- Acupuncture

- Orthodontic and dental expenses (unless cosmetic)

- Hearing exams, hearing aids and other hearing expenses

- Physical therapy (not massage therapy)

- Payments to a treatment center for alcoholism

- Chiropractic care

- Smoking cessation programs and prescribed drugs (excludes over-the-counter smoking cessation aids such as Nicorette)

Q&A

Can I stop or change the amount I contribute to the FSA during the year?

The IRS says no, unless you have a status change or a change in cost or coverage occurs.

Do I get back any money in the FSA that I don't use by the end of the year?

No. The IRS has a "use it or lose it" rule. So be sure to use the money for eligible items before the year ends.

If I am reimbursed for expenses through my FSA, can I also deduct them on my income tax return?

No. So you may want to consult a tax accountant as to which method will benefit you most.

An FSA cannot pay for these

These are examples. If you have a question about an expense, ask an Accord benefits representative.

- Pregnancy kits

- Health insurance premiums for another health plan

- Long-term care services

- Cosmetic surgery or other similar procedures, unless necessary to ameliorate a deformity arising from or directly related to a congenital abnormality, a personal injury resulting from an accident or trauma, or a disfiguring disease

- The salary expense of a nurse to care for a healthy newborn at home

- Funeral and burial expenses

- Household and domestic help

- Massage therapy

- Home or automobile improvements

- Expenses for weight loss programs or treatments, including prescribed or over-the-counter drugs

- Health club or fitness program dues

- Custodial care

- Costs for sending a problem child to a special school for benefits the child may receive from the course of study and disciplinary methods

- Social activities

- Bottled water

- Maternity clothes

- Diaper service or diapers

- Cosmetics, toiletries, toothpaste, etc.

- Over-the-counter vitamins and food supplements, even if recommended by a physician

- Uniforms or special clothing

- Automobile insurance premiums

- Transportation expenses of any kind

- Tooth-whitening procedures or kits

- Marijuana and other controlled substances

- Marriage counseling

- Vacation

- Prescription drugs for hair growth

- Swimming pools, hot tubs and exercise equipment

- Expenses not incurred during the plan year

- Expenses reimbursed under any health plan



If you need more information

Ask an Accord benefits representative