# Employee Guide To Pre-Tax Savings

- Flexible Benefit Plan
- Dependent Care Reimbursement Account
- Medical Reimbursement Account
- Expense Worksheet

DIVERSIFIED
BENEFIT SERVICES, INC.

Excellence in Benefit Management Solutions

**DBSbenefits.com**

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# Flexible Benefit Plan Information

***What is a Flexible Benefit Plan?***

The Flexible Benefit Plan is a program that was enacted by Congress in 1978. The plan allows employees to pay for certain expenses using pre-tax dollars. Employees deduct monies from their paycheck **before** Federal, State (in most states), Social Security and Medicare taxes are calculated. The monies are withheld from each paycheck in equal installments and reimbursed once an employee shows proof that the service was rendered. By using the plan, many people save approximately 20-25% in taxes on the qualifying expenses.

***What expenses qualify for reimbursement?***

Many expenses qualify for reimbursement under the Flexible Benefit Plan. There are separate categories depending upon the expense you would like to claim.

**Independent Premium Feature:** If you do not have insurance coverage through your employer and have purchased an individual policy for either dental or vision insurance, you may be allowed to set aside funds pre-tax for those premiums depending on the plans offered as stated in the Plan Document. To be reimbursed you must provide documentation showing that you have coverage during the plan year and that you are the owner of the policy. (Ineligible premiums include but are not limited to: health policies, long term care, and any type of group insurance policy.)

**Dependent Care Reimbursement:** Expenses paid for care of a qualified dependent can be paid on a pre-tax basis. You may be able to claim dependent care expenses for children under the age of 13 and certain adult care expenses. You should consult your tax advisor to determine whether you would receive a greater tax benefit by using the Flexible Benefit Plan versus the federal dependent care tax credit at year-end. (Please see the Additional Dependent Care Information page for applicable maximums and criteria for a qualified dependent.)

**Medical Reimbursement:** Expenses paid out-of-pocket for medical deductibles, glasses, office visits, prescription drug co-pays, dental work, and other qualifying items can be deducted from your paycheck on a pre-tax basis. Over-the-counter (OTC) drugs such as allergy and anti-inflammatory drugs, cold and flu medications, muscle relaxants, pain relievers, cough suppressants and acid reflux medications also qualify for reimbursement with a doctor's prescription. There is a plan-defined maximum for medical reimbursement as determined by your Employer. *Please use the expense worksheet to calculate your expenses.*

***Can I use funds I have set aside for dependent care to pay for medical expenses?***

No. When you elect an amount at the beginning of each plan year, you must define the amount of expense in the area of Dependent Care and Medical Reimbursement separately. The same applies for the Independent Premium Feature. The Medical Reimbursement Account, however, allows for flexibility within the account. For example, if you set aside money for glasses and end up having an unexpected qualifying dental expense, you are able to use Medical Reimbursement funds for the dental expense.

***What is the plan year?***

The plan year is the timeline in which services need to be rendered to qualify for reimbursement. Check your Enrollment Materials for the plan year that your employer has chosen.

***What if I don't use all the money I set aside?***

According to I.R.S. regulations, all monies need to be used by the end of the plan year. This is known as the "use or lose " provision. Unused money may be forfeited and become the property of the employer, depending on the provisions of the plan. It is important to be conservative with your estimates. Only set monies aside for known expenses. Very few people leave money in the plan because they only set aside dollars for routine expenses such as prescription drugs, vision expenses and dental expenses. If you are unsure of an expense do not set money aside.

# Additional Dependent Care Information
## (Dependent Care Reimbursement Account Participants Only)

*A qualified dependent is:*

- A dependent on your federal income taxes for the year in which you are filing for reimbursement under the plan and
- A dependent under the age of 13; or
- Your spouse, parent, child or other dependent who is physically or mentally unable to care for himself or herself and resides with you at least 6 months of the year.

*The maximum amount you can contribute:*

- If you are single (or married & filing a joint federal tax return) you may contribute $5,000. You are limited to the amount of your annual earnings if you or your spouse earned less than $5,000 that calendar year.
- If you are married but filing separate federal tax returns you are limited to the lesser of $2,500 or your earned income.
- If you or your spouse are a full-time student, not working, and have one child in daycare, you may contribute $3,000. If you or your spouse are a full-time student, not working and have two or more children in daycare, you may contribute $5,000.
- These limits are based on the employee's taxable year.

*Miscellaneous dependent care information:*

- You and your spouse must be working (full or part-time) or attending college on a full-time basis while your dependent is with the dependent care provider for the expenses to qualify.
- With dependent care expenses, you can only be reimbursed the dollar amounts that have been deducted from your paycheck as of the date of the claim. Always submit the total amount of dependent care expenses incurred (even if you have not had that much deducted from your paychecks). If you claim more expense than what has been deducted from your paycheck, the excess amount claimed will be placed into a "pending account". The "pending" amounts will be paid as your payroll deductions are credited to your account.
- You must file Federal Tax Form 2441 with your income taxes if you participate in the dependent care reimbursement account.

You should consult your tax advisor to determine whether you are receiving a greater tax benefit by using the Flexible Benefit Plan versus the federal dependent care tax credit on your income taxes at year-end. Please call our office with any additional dependent care questions you may have.

# Additional Medical Reimbursement Information
## (Medical Reimbursement Account Participants Only)

- Participation in the Medical Reimbursement Account will affect your ability to contribute and/or receive contributions to a Section 223-Health Savings Account (HSA) that you and/or your spouse may have. See your Employer or insurance broker with questions.
- Expenses reimbursed through the Flexible Benefit Plan cannot be reimbursed through any insurance company, insurance plan or the following: any other Flexible Benefit Plan, Medical Savings Account (MSA), Health Reimbursement Arrangement (HRA), Health Savings Account (HSA), another reimbursement plan or any other source.

# Flexible Benefit Plan Expense Worksheet

**Use this worksheet to estimate your expenses.** **Plan Year:** _____/_____/_____ to _____/_____/_____

**Category Ia: Employee Group Insurance Premiums**

Group Health and/or Dental Insurance

Other Group Insurances through your employer

Group insurance premiums will be deducted pre-tax automatically. Contact the benefit representative at your employer if you have questions regarding your group insurance premiums.

**Category Ib: Independent Premium Feature**

Independent Insurance Premiums such as Individual Dental and Vision Insurance Policies or Medicare Part B & D (Ineligible premiums include: health policies, long term care, and any type of group insurance policy.) **Total Annual Amount $**_____

**Category II: Dependent Care Reimbursement Account (See reverse for additional information)**

Consider what expenses you will have in the next plan year for dependent care such as babysitting, day care, adult care, etc. to allow you (and your spouse, if married) to work or attend school full time. This is for dependents under the age of 13, adult dependents, or other legal dependents. **Total Annual Amount $**_____

**Category III: Medical Reimbursement Account**

Consider what expenses you and/or spouse and legal dependents will have during the upcoming plan year that will not be paid for by insurance. Also look at what expenses you had during the past year or two and give a **conservative** estimate for what they might be for the upcoming plan year. **(Expenses must be incurred, this means having a date of service— not paid for— during the plan year.)**

Health insurance deductible *(not including premiums)* $_____

Co-pays for medical expenses $_____

Dental insurance deductible $_____

Dental expenses such as exams, cleanings, fillings caps, crowns, braces, bridges, x-rays, etc. $_____

Vision expenses such as exams, glasses, frames, contact lenses, supplies or Lasik surgery $_____

Hearing aids (including batteries) $_____

Routine exams/physicals/mammograms $_____

Prescription drugs $_____

Over-the-counter (OTC) drugs such as allergy and anti-inflammatory drugs, cold and flu medications, muscle relaxants, pain relievers, cough suppressants and acid reflux medications (OTC drugs require a prescription number) $_____

Other expenses *(see below for other qualifying expenses)* $_____

**Total Annual Amount $**_____

**Additional Eligible Expenses for the Medical Reimbursement Account**

Acupuncture
Alcoholism treatment
Ambulance service fee
AODA Assessment
Artificial teeth— medically necessary
Artificial limbs
Bandages
Birth Control by prescription (and/or over-the-counter contraceptives)
Braces
Braille— books and magazines
Breast pump and supplies
Car controls for the disabled
Care for mentally handicapped child
Chiropractic expense
Co-insurance amounts you pay
Contact lenses
Contact lens solutions and enzyme cleaners
Cost and repair of special telephone equipment for the hearing-impaired
Cost of medically necessary operations and related treatments
Crutches
Dental fees such as X-rays, cleanings, exams or crowns
Dentures
Diabetic supplies
Diagnostic fees
Disposable contact lenses
Eye examinations
Eyeglasses
Fee for in-home practical nurse
Hearing aid devices and batteries
Hospital services
In-patient treatment expense for drug and alcohol addiction
Insulin
Kera Vision Intacs surgery
Laboratory fees as prescribed by a physician
LASIK surgery
Mammograms
Medical deductibles
Medical services
Medical supplies (medically necessary)
Mentally handicapped person's cost for special home nursing services for in-home care (including nurses' meals and Social Security tax)
Mileage for medical care
Obstetrical expenses
Organ donor transplant medical expense payments for surgical, hospital, laboratory and transportation expenses
Orthopedic inserts
Osteopath fees
Oxygen and medically necessary oxygen equipment
Physician fees
Physician-prescribed swimming pool or spa equipment costs and maintenance due to medically necessary reasons
Prescription drugs
Psychiatric care
Psychologist fees
Radial keratotomy
Routine physicals
Service Animal and its upkeep
Smoking cessation programs (by prescription only)
Special education for the blind
Special plumbing for the handicapped
Special school for mentally impaired or physically disabled person
Sterilization fees
Surgical fees
Television audio display equipment for the hearing-impaired
Therapy treatments for medically necessary reasons
Transportation expenses primarily for and essential to rendering special medical services as prescribed by a physician
Vitamins and Nutritional Supplements (with pre-approved letter of medical necessity from physician)
Weight Loss Program Fees (with pre-approved letter of medical necessity from physician)
Wheelchair
X-rays

**Expenses NOT Eligible for Reimbursement**

Surgery for cosmetic reasons
Medical supplies that are not medically necessary
Teeth bleaching/bonding/whitening
Health club membership dues
Over-the-counter vitamins and other dietary supplements for general health purposes
Cosmetic drugs
Marriage counseling
Group insurance premiums deducted from your paycheck

**Your Estimated Plan Year Savings**

Total plan year elections for the above categories; Ib, II, III: $_____

Multiply by approximately 25% (estimated tax savings): x 25%

This is your estimated tax savings for the plan year: $_____

*(Your savings may be different due to your effective income tax rate)*

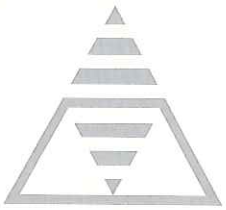
***Note: If further verification is needed regarding whether an expense qualifies, please call our office. Our office hours are 8:30 a.m. - 5:00 p.m. CST, Monday through Friday. Consult your tax advisor for maximum benefit. It is understood that Diversified Benefit Services, Inc. is not engaged in the practice of law or giving tax advice.***

# Paycheck Comparison

| Your Paycheck: | WITHOUT FLEX PLAN | WITH FLEX PLAN |
|---|---|---|
| Gross Pay (before taxes) | $ 1,000 | $ 1,000 |
| Qualifying Expenses | – Ø | – $ 268* |
| Pay Subject to Tax | $ 1,000 | $ 732 |
| Taxes Paid By You: *(Federal, State, FICA - Approximately 25%)* | **$ 250** | **$ 183** |
| **Your Expenses:** | | |
| I. Health Insurance Premiums | $ – 22 | $ Ø |
| II. Dependent Care | $ 200 | $ Ø |
| III. Medical, Dental, Vision Expense | $ 46 | $ Ø |
| Net Spendable Income: *(*Total of I, II, III = $268)* | $ 482 | $ 549 |
| **INCREASED SPENDABLE INCOME** | | **+ $ 67** |

**Please contact DBS with any questions you may have on the Flexible Benefit Plan or enrolling for your plan.**
**(800) 234-1229, 8:30 a.m. - 5:00 p.m. CST, Monday through Friday.**

*This is a summary of the Flexible Benefit Plan.*
*Please see your Employer for a copy of the Plan Document specific to your plan.*



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*How do I receive reimbursement?*

You may submit a claim form or file claims online to receive reimbursement. The plan requires that services must be rendered within the plan year to qualify. Along with your claim include **copies** of your insurance EOB forms or itemized bills showing date(s) of service, the type of service, your out-of-pocket expense, and the name of the Provider.

Visit www.dbsbenefits.com to submit online claims and/or to download claim forms.

*Where do I send my claim form & documentation?*

DBS, Inc.
P.O. Box 260 • Hartland, WI 53029
You may also fax claims to 262-367-5938

*Can I change my election mid-plan year?*

Generally the answer is "no". Once you enroll, you are locked in for that plan year. You cannot change your election because you estimated too much or too little in the plan. At the end of every plan year, you can change your election for the next plan year.

There are a limited number of circumstances in which elections may be changed mid-year. These circumstances are called major family status changes. Examples include marriage, divorce, birth, death, etc. The change in your election must be consistent with the status change regulations. Contact our office at (800) 234-1229 to further discuss whether your family status change will allow you to make changes to your account(s).

*Will this affect my Social Security?*

It may slightly affect your Social Security retirement benefit because you are lowering your annual gross income. For most people the effect is minimal.

*Does money have to be in my account before I can be reimbursed?*

For the Dependent Care Reimbursement Account and the Independent Premium Feature, the answer is "yes". These accounts require that you only be reimbursed up to what has been deducted from your paychecks as of the date of the claim submission. There is no advance payment under the Dependent Care Reimbursement Account. The Medical Reimbursement Account will allow you to be reimbursed for more than what has been deducted from your paycheck if you have incurred the expenses. You cannot get back more than your annual election.

*How do I enroll?*

Each plan year, you will have the option of electing or not electing participation. You will be able to make changes to your account, add an account or drop an account with each new plan year. Please use the expense worksheet to calculate your estimated expenses. Please see your employer for enrollment options.

*Can I view my account information online?*

As a Plan Participant, you have access to your account information through the DBS online account viewing system known as A.S.A.P. ® - Advanced Strategic Administration Program. This system allows you to view your claim and reimbursement information online. Instructions on how to set up your personal account will be provided by your employer. All information provided is securely encrypted and protected. The DBS website is www.dbsbenefits.com.