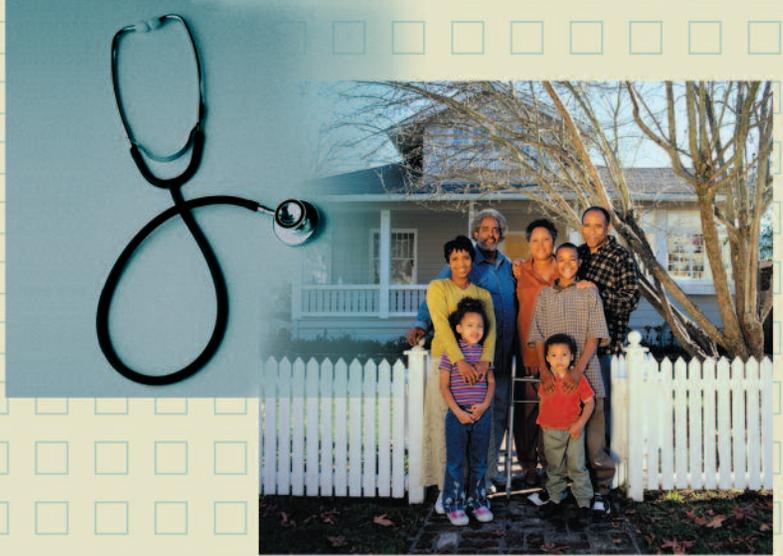


Reduce Taxes. Save money.

Reduce your taxes
while providing the
care your family needs



Enroll in a
Flexible Spending Account

CROSBY
Benefits People

By participating in a Flexible Spending Account, you will not pay federal, state or Social Security taxes on your elected amount.

This generally means a 20% to 40% savings!

HOW A FLEXIBLE BENEFITS PLAN WORKS

A Flexible benefits plan is generally made up of three components:

1. Pre-Tax payroll deduction of your medical or dental insurance premiums (if you take your employer's plan) – *Automatic Benefit*. See your employer to opt-out.
2. Medical Flexible Spending Account – *Requires Enrollment*.
3. Dependent Care Flexible Spending Account – *Requires Enrollment*.

PLEASE NOTE: A Flexible Spending Account (FSA) may be identified by different names. Some examples include: Health Care FSA, Medical Reimbursement Plan, or Dependent Care Assistance Plan. Regardless of the name, if it is a Flexible Spending Account, it works as described below.

MEDICAL FSA

This account is used to pay for medical, dental and other eligible health related expenses, for you and your family in the upcoming plan year, that are not covered

under any insurance program. Eligible expenses typically include: deductibles, co-payments, prescription drugs, over-the-counter medical supplies, medical, dental, and vision services and supplies. Check your records from last year or use the attached worksheet to estimate how much to put away for the next plan year.

DEPENDENT CARE FSA

This account offers the opportunity to pay for the first \$5,000 of annual employment-related dependent care (child or adult) expenses tax free. Some eligible expenses include: after-school care, summer day camp and nursery school, to name a few. If you contribute to this account, your employer will include your dependent care deduction on your Form W-2 for IRS reporting purposes only.

You may want to estimate possible tax savings with this account compared to the possible savings under the Federal Dependent Care Tax Credit. Consult your tax advisor if you have questions about your individual situation.

See for yourself how the plan adds up:

| SAVE TAXES WITH THE PLAN | TAX SAVINGS COMPARISON | |
|---|---|---|
| | WITHOUT THE PLAN Deductions are taxed | WITH THE PLAN Deductions are TAX FREE |
| Annual Earnings | \$40,000 | \$40,000 |
| Insurance Premium Payment | – | -1,000 |
| Estimated Medical Expenses | – | -500 |
| Estimated Dep. Care Expenses | – | -2,500 |
| Taxable Income | \$40,000 | \$36,000 |
| Estimated Federal & Social Security Taxes (24%) | -9,600 | -8,640 |
| Adjusted Income | \$30,400 | \$27,360 |
| Insurance Premium Payment | -1,000 | – |
| Additional Medical Expenses | -500 | – |
| Dependent Care Expenses | -2,500 | – |
| Take Home Pay | \$26,400 | \$27,360 |

Take Home Salary Increase: \$960

SOUNDS EASY BECAUSE IT IS!

Simply follow the enrollment instructions provided by your employer. You will need to determine how much you want to set aside to cover out-of-pocket medical, dental or dependent care expenses. Your employer will hold these payroll deducted funds. Then, follow the plan's reimbursement procedures. Claims must be accompanied by the bills and/or receipts for expenses you and your family incurred during the plan year. In most cases, claims may be submitted anytime during the plan year, or up to 3 months following the end of the plan year (for most employers).

PAYMENTS MADE DIRECTLY TO YOU

Crosby Benefit Systems will process your claim. Money for covered expenses will be withdrawn from either your Medical FSA or Dependent Care FSA and reimbursement will be issued to you either by direct deposit or check – your choice. (Payroll reimbursement is offered by some employers.) Account activity statements will be mailed to you and account information is available online at www.crosbybenefits.com.

OPTIONAL FEATURES

Some employers offer a Debit Card option – allowing use of a special card to pay for eligible expenses at the point of purchase. Another optional feature is the 2.5 month Grace Period. You will receive more information if any of these options are available to you.

SEE FOR YOURSELF

Use the worksheets below to estimate your expenses and determine how a Flexible Spending Account can save you money. For more information, refer to your Employer's Summary Plan Description. Specific reimbursement procedures and restriction information is located on Page 2 of the Reimbursement Request Forms at www.crosbybenefits.com.

worksheets

IMPORTANT! Plan carefully as you complete both of these worksheets. IRS regulations state that any unused funds remaining in the accounts after the run-out period (3 months for most employers) must be forfeited. Also, changes or termination of contributions during the plan year may only be made under specific conditions.

MEDICAL FLEXIBLE SPENDING ACCOUNT

For examples of some expenses eligible for reimbursement through a Medical FSA, see the back page. Calculate the projected medical expenses for all members of your family, then list the totals below:

| | |
|--|-----------------|
| Co-payments (for doctor visits and prescriptions) | \$ _____ |
| Deductibles/Co-insurance | \$ _____ |
| Dental (orthodontia, check-ups, x-rays) | \$ _____ |
| Vision (glasses, contact lenses and supplies, check-ups) | \$ _____ |
| Prescription drugs | \$ _____ |
| Other _____ | \$ _____ |
| Total Plan Year Out-of-Pocket Medical Expenses | \$ _____ |

DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT

For Dependent Care FSA purposes, the IRS generally defines a dependent as an individual who resides with the employee for more than half the year and the taxpayer is entitled to claim as a deduction on a federal income tax return and who is:

- Under the age of 13, or
- Over the age of 12 (either a child or dependent adult) and physically or mentally incapable of self-care, or
- A spouse of the taxpayer, if he or she is physically or mentally incapable of self-care

Overnight summer camp and kindergarten tuition are ineligible.

Calculate your projected qualified expenses for all dependents, then list the totals below:

| | |
|--|-----------------|
| Day care center | \$ _____ |
| Summer day camp | \$ _____ |
| Pre-school | \$ _____ |
| After-school care | \$ _____ |
| Home health care for physically disabled child or adult | \$ _____ |
| Other _____ | \$ _____ |
| Total Plan Year Out-of-Pocket Dependent Care Expenses | \$ _____ |

Checklist

ELIGIBLE EXPENSES FOR MEDICAL FLEXIBLE SPENDING ACCOUNTS

The list below includes some, but not all, eligible Medical FSA expenses. It may be used as a guide to identify your projected medical expenses to enter on the Medical FSA worksheet inside this brochure.

- Acupuncture
- Alcohol and drug addiction treatment
- Chiropractic treatment
- Cosmetic procedures ONLY if to correct a congenital abnormality or disfiguring accident or illness
- Insurance deductibles, co-insurance and co-payments for medical, dental and vision care
- Dental expenses not covered or not paid in full by insurance
- Diabetes care expenses (insulin, syringes and monitoring equipment)
- Eye exams, eyeglasses, contact lenses and necessary supplies
- Health club fees, IF prescribed by a doctor to treat a specific medical condition
- Hearing exams and hearing aids
- Lodging costs (\$50 per person per night) for medical care
- Nursing home care (for medical reasons)
- Physical exams
- Physical and occupational therapy
- Prescribed medications
- Psychotherapy
- Special equipment for the physically disabled, including modifications to a house or car
- Special schooling/testing expenses for a child with a disability
- Transportation for the primary purpose of medical care (prevailing rate)

TYPICAL EXPENSES YOU CANNOT CLAIM

- Premiums for health insurance and Medicare
- Any expenses reimbursable by insurance, Workers' Compensation or any other means
- Medically unnecessary cosmetic treatments and procedures

PLEASE NOTE: *Over-the-counter medicines and drugs can be reimbursed only if prescribed by a physician. This does not apply to medical supplies such as insulin (even if purchased without a prescription), or other health care expenses such as medical devices, eyeglasses, contact lenses, bandages, co-pays and deductibles.*

CROSBY
Benefits People

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