## Will You Be Able to Change Your Election?

You may change the designated amount of pretax earnings deposited in your FSA only at the beginning of each plan year, when there is a change in employment status or a change in family status. Family status changes, as well as your employer's designated plan year, can be found in the Summary Plan Description.

Examples of family and employment status changes may include:

- Marriage
- Divorce
- Birth of a child
- Adoption of a child
- Death of a spouse or child
- Loss or gain of employment

If you sign up for a medical reimbursement FSA and a dependent care FSA, you may not transfer money between the two accounts.

## How Do You Enroll?

The decision to sign up for an FSA is entirely up to you. Add up your anticipated health care costs for this year based on your actual expenses from last year. Keep in mind upcoming employment or family status changes.

Also be aware of anticipated health care expenses that were not expenses during the previous year. Once you total your costs, fill out a Flexible Benefit/FSA Enrollment Form, designating the amount you wish to have taken out of your paycheck, up to your employer's allowed maximum.

Enrolling in a medical reimbursement FSA does not affect your health benefits or other employee benefits. You do not need to change your current health insurance coverage.

**For more information about medical reimbursement FSAs and how to enroll, contact your Human Resources department.**

TCC Benefits Administrator℠

800-815-3314 // www.tccba.com

15099-01-2014

**Medical Reimbursement Flexible Spending Account**

# Changing the way you save for medical expenses

# What Is an FSA?

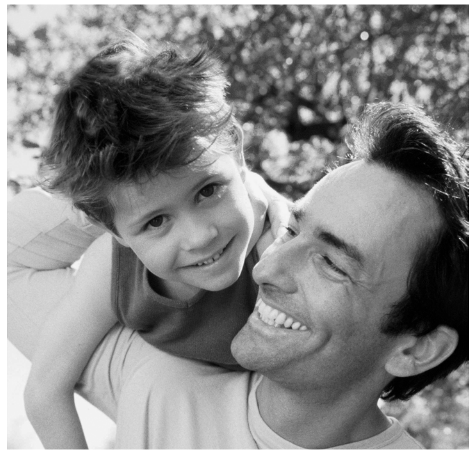
What if you could set aside money to cover your out-of-pocket medical costs — and not have to pay taxes on it? That's the idea behind medical reimbursement flexible spending accounts (FSAs).

The federal government created FSAs to help you pay for your medical expenses. An FSA allows you to set aside some of your earnings on a pretax basis. You can use these funds to pay for qualified expenses not covered by your health insurance benefits.

Each pay period, your employer deducts your chosen amount of money from your paycheck and places it in your FSA before deducting any taxes. Your employer sets the maximum amount of money that may be placed into a medical reimbursement FSA. Refer to the enrollment form for the maximum amount.

During the year, you send requests to TCC for reimbursement of qualifying medical costs not covered by your health plan. You can receive up to the full amount of your annual pretax contribution, regardless of the amount of money that has been deposited in your FSA. Your employer will continue to make payroll deductions and add your chosen amount of money to your FSA throughout the plan year. Your employer will use funds in your FSA to pay claims until you meet your annual maximum.

A prepaid benefits card may be offered with your employer's FSA. A prepaid benefits card is a special-purpose Visa card. It gives you an easy, automatic way to pay for qualified health care/benefits expenses by electronically accessing the pretax amounts set aside in your FSA. It works like a Visa card, but has the amount of your FSA contribution stored on it.



### How Much Should You Contribute?

Be careful when adding up your estimated medical care expenses. The IRS established the "use it or lose it" rule. Under this strict rule, you must incur qualifying expenses equaling the money in your FSA by the end of the plan year. Otherwise you will lose the unused balance. Your employer may designate a period of time after the end of the plan year during which you may continue to request reimbursement from your FSA or allow you to carryover $500 of unused FSA funds to the next plan year. This information can be found in your Summary Plan Description.

Carefully planning how much money you put into your FSA will mean more income for you. To help keep track of the amount of money in your FSA, you can view your account balance online at www.tccba.com, click on Members, then click on Flexible Spending Account.

### What if Tax Laws Change?

Your employer will notify you if there are changes in the laws affecting your FSA.

### Will Using Pretax Income Affect Social Security Benefits?

Choosing to use pretax dollars may result in a small reduction in your future Social Security retirement payments. However, for most employees, the money saved with an FSA during the years before retirement should offset any decrease in Social Security retirement payments.

*Susan knows she will spend at least $2,000 on medical expenses. Let's look at her savings with and without a medical reimbursement FSA:*

| | | |
|---|---|---|
| Annual gross income | $30,000.00 | $30,000.00 |
| Annual pretax election | 0.00 | $2,000.00 |
| Taxable income | $30,000.00 | $28,000.00 |
| Taxes withheld* | $7,500.00 | $7,000.00 |
| Annual take-home pay | $22,500.00 | $21,000.00 |
| After-tax dollars spent on eligible health care expenses | $2,000.00 | $0.00 |
| Spendable income | $20,500.00 | $21,000.00 |
| Annual savings | | $500.00 |

** Based on a 25 percent tax rate (includes federal, state and Social Security/FICA)*

### HOW IT BENEFITS YOU

By using pretax dollars to fund your FSA, you pay fewer taxes. Here is an example of how much money you can save each year with an FSA.

Susan's estimated annual qualifying health care expenses include:

| | |
|---|---|
| Orthodontia | $1,000 |
| Glasses and eye exam | $450 |
| Health plan deductible/copayment | $550 |
| Susan's total expenses: | $2,000 per year |

### What Are Qualifying Expenses?

You may use your FSA to pay for many medical costs not covered by your health insurance benefits. These may include:

- Medical, dental, vision and prescription drugs. Over-the-counter (OTC) medications with a doctor's prescription qualify.
- Orthodontics, eyeglasses, contact lenses, hearing aids, equipment for the physically disabled, well-baby care, routine physical exams and more.

Medical expenses for which you cannot receive reimbursement through a medical reimbursement FSA include:

- Insurance premiums.
- Over-the-counter (OTC) medications without a doctor's presription do not qualify. The only exception is insulin.
- Expenses for purely cosmetic medical procedures that have no underlying medical necessity, such as teeth whitening or liposuction.
- Dependent or child care costs.

*For a complete listing of qualifying and nonqualifying expenses, consult your tax adviser or visit the Internal Revenue Service website at www.irs.gov. You also may contact TCC at 800-815-3314.*

### FSA Debit Card Substantiation Requirements

The FSA debit card offers members convenience, but FSA claims still must be substantiated. In fact, the IRS requires all FSA claims to be substantiated. Participants won't always receive a request for substantiation from TCC. But if and when they do, it is important that they respond promptly to meet IRS regulations.

Debit card holders should save all itemized receipts for purchases made with an FSA debit card. They will need to provide these receipts if TCC requests substantiation. Each receipt must show the merchant or provider name, the service received or the item purchased, the date and the amount of the purchase.