

How you save taxes...

When you participate in a flexible spending account via salary reduction, you reduce your federal, FICA, Social Security, Medicare (and in some cases, state) taxes and increase your take-home pay. The money that is deposited into your Flexible Spending Account comes straight out of your gross pay, therefore avoiding taxes.

The following example shows how a single person making \$30,000 per year can save \$1,824 in taxes annually by contributing \$550 per month to a spending account.

Tax Savings Illustration

	Without Flexible Benefits Plan	With Flexible Benefits Plan
Gross Monthly Salary	\$2,500.00	\$2,500.00
Qualifying Insurance Premiums	\$0.00	\$100.00
Qualifying Health Care Expenses	\$0.00	\$100.00
Qualifying Dependent Care Expenses	\$0.00	\$350.00
Total Qualifying Expense	\$0.00	\$550.00
Gross Taxable Income	\$2,500	\$1,950.00
Income Tax @ 20% plus F.I.C.A. @ 7.65%	\$691.25	\$539.18
Net Spendable Income	\$1,808.75	\$1,410.82
Post-tax Insurance Premiums	\$100.00	\$0.00
Post-tax Health Care Expenses	\$100.00	\$0.00
Post-tax Dependent Care Expenses	\$350.00	\$0.00
Total Post-tax Expenses	\$550.00	\$0.00
Net Spendable Income	\$1,258.75	\$1,410.82
Increase in Monthly Spendable Income	N/A	\$152.05
Increase in Annual Spendable Income	N/A	\$1,824.60

As you can see, with only \$550 in monthly qualified expenses, by enrolling in the Plan, you would have an extra \$152.05/month (\$1,824.60/year) of spendable income, the amount you would otherwise be paying in taxes.