

Flexible Spending Accounts – Health Care

Would you like to get a ‘discount’ on what you pay for health care? You can if your employer offers a “flexible spending account” (FSA). FSA’s are used to pay for health care costs not covered by your insurance plan, like deductibles, co-payments, etc. Rather than getting money in your paycheck, your employer puts it into an FSA. When you have a qualifying expense, you can use the benefit card provided or turn in the receipt to get the money back from the account.

How does this help you? The money set aside in a health care FSA is *never taxed* and that means more money in your pocket! For example, for every \$100 you put into an FSA, you might save \$15 in taxes. That’s \$15 more you could use for other things!

How much should you put into an FSA? Here are four steps to help you decide.

Step 1. Enter your health care plan’s annual deductible (A). \$ _____

Step 2. Estimate costs not paid by your health care plan.

Name of Family Member	Doctor Visits Co-payments	Prescription Co-payments	Dental Care	Eye Exams and Glasses	Other Health Care Costs
<i>Yourself</i>					
Totals	(B)	(C)	(D)	(E)	(F)

Step 3. Add together the totals for A through F.

(A) Health care plan annual deductible: \$ _____
 (B) Doctor’s visits co-payments: \$ _____
 (C) Prescription co-payments: \$ _____
 (D) Dental care: \$ _____
 (E) Eye exams and glasses: \$ _____
 (F) Other health care costs: \$ _____

Total estimate of health care costs: \$ _____

Step 4. Divide the total estimated amount by the number of paychecks received during the year to calculate the amount to be deducted from each paycheck and deposited into the FSA.*

$$\begin{array}{ccccc} \$ \underline{\hspace{2cm}} & \div & \underline{\hspace{2cm}} & = & \$ \underline{\hspace{2cm}} \\ \text{total estimate} & & \text{\# of paychecks} & & \text{amount deducted} \\ \text{of costs} & & \text{received per year} & & \text{from each paycheck} \end{array}$$

** An FSA is a helpful benefit but keep in mind not to overestimate your out-of-pocket expenses. Unclaimed or unused money will not be returned. Health Savings Accounts (HSA’s) are different. Money not used may be carried over into the next year. (You may also have access to a separate FSA for child or dependent care expenses.)*

Source: Adapted from *DollarWorks 2* (University of Minnesota Extension)