

# Flexible Spending Account

Paying for health care can be stressful. That's why SACS offers a flexible spending account (FSA).

**(Note: If you are covered by the High Deductible Health Plan, you are not eligible to contribute to an FSA account. You may be eligible for a limited purpose FSA through American Fidelity.)**

## WHAT ARE THE BENEFITS OF AN FSA?

There are a variety of different benefits of using an FSA, including the following:

- **It saves you money.** Allows you to put aside money tax-free that can be used for qualified medical expenses.
- **It's a tax-saver.** Since your taxable income is decreased by your contributions, you'll pay less in taxes.
- **It is flexible.** You can use your FSA funds at any time, even if it's the beginning of the year.

You cannot stockpile money in your FSA. **If you do not use it, you lose it.** You should only contribute the amount of money you expect to pay out of pocket that year. The maximum you can contribute to your FSA in 2020 is \$2700.

## WHAT IS A DEPENDENT CARE FSA?

Dependent Care FSAs allow you to contribute pre-tax dollars to qualified dependent care. The maximum amount you may contribute each year is \$5,000 (or \$2,500 if married and filing separately).

## FSA CASE STUDY

Because FSAs provide you with an important tax advantage that can help you pay for health care expenses on a pre-tax basis. Due to the personal tax savings you incur, your spendable income will increase. The example that follows illustrates how an FSA can save money.

*Bob and Jane live in Texas and have a combined annual gross income of \$45,000. They are married and file their income taxes jointly. Since Bob and Jane expect to spend \$3,000 in eligible medical expenses in the next plan year, they decide to direct a total of \$2,700 (the maximum allowed amount per individual, for that taxable year) into their FSAs. The table demonstrates their savings.*

	Without FSA	With FSA
Gross income	\$45,000	\$45,000
FSA contributions	\$0	(-\$2,700)
Gross income	\$45,000	\$42,300
Estimated taxes	(-\$5,532)*	(-\$4,999)*
After-tax earnings	\$39,468	\$37,301
Eligible out-of-pocket expenses	(-\$3,000)	(-\$400)
Remaining spendable income	\$36,468	\$36,901
Spendable income increase		\$433