

Stretch Your Dollars with Flexible Spending Accounts

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Your Flexible Spending Accounts

Stretch your health and dependent care dollars with Flexible Spending Accounts (FSAs)

Health care and dependent care FSAs let you set aside pre-tax money that you anticipate spending for certain healthcare or child/dependent care expenses. After you incur eligible expenses and submit appropriate receipts with your completed claim form, you'll be reimbursed with tax-free dollars from your account. WageWorks is the administrator of our FSA plan. Go to www.wageworks.com for a complete list of eligible expenses.

Participation in health care and dependent care FSAs stops at the end of each plan year (December 31). You must re-enroll each year during the Annual Enrollment period to have FSA benefits for the next plan year.

The maximum contribution to a health care FSA is \$2,500.

Remember: Participation in CNO's general purpose health care FSA is restricted. Participation in the health care FSA is only available to associates who aren't enrolled in a medical option under the CNO Care Options Plan or who are not eligible for an HSA. Refer to the HSA qualifications in the HSA portion of this guide.

Health Care FSA Contribution Example

Suppose you and your family expect to experience the following medical services in 2014:

Expense	You	Other dependents	Out-of-pocket amount
Expected office visits (co-insurance and member responsibility)	2	2	\$200
Rx, non preferred brand	1 per month	1 per month	\$530
Braces for dependent child		1	\$1,400 after insurance
Eyeglasses	1	1	\$270
Total out-of-pocket expenses for year			\$2,400

Based on this example and an estimated level of out-of-pocket expenses for this year, you would want to enroll in a health care FSA with a monthly contribution level between \$180 and \$200.

How Much Can I Contribute?

Health care FSA	Dependent care FSA
Minimum: \$120 per year	Minimum: \$120 per year
Maximum: \$2,500 per year	Maximum: \$5,000 per year

Note: On your federal income-tax return, if you are single or married filing jointly, you may contribute up to \$5,000 per year to your dependent care FSA. If you are married and filing separately, you and your spouse may each contribute \$2,500 per year.

Health Care FSA

IMPORTANT TO NOTE: If you are a participant in CNO's medical plan and contribute to an HSA, your health claims cannot be eligible for reimbursement under any "general purpose" health care FSA (including your spouse's FSA). This means that if your spouse has a general purpose health care FSA, you are not eligible to contribute to an HSA.

This example is based on 2013 tax rates. The effect on your current taxes will depend on your own income, tax status, applicable tax rates for the year of your FSA contribution and your FSA contribution level. Specific savings must be individually determined. This example assumes you're married filing jointly and does not include state and/or local taxes.

	Not using the FSA	Using the FSA
Taxable income before FSA	\$60,000	\$60,000
— FSA contribution	\$ 0	\$ 2,400
Taxable income	\$60,000	\$57,600
— Federal income and Social Security taxes	\$12,697.50	\$12,153.90
Take-home pay	\$47,302.50	\$45,446.10
— After-tax health or dependent care expenses	\$ 2,400	\$ 0
Spendable pay	\$44,902.50	\$45,446.10
TAX SAVINGS		\$ 496**

*By law, we may not offer tax or legal advice. These materials are written for general and informational purposes only. Based upon individuals' particular circumstances and objectives, they should seek specific advice from their own qualified and duly-licensed independent tax or legal advisers. No one may rely upon or use the information here for the purposes of avoiding any tax or tax penalty that may be imposed by the Internal Revenue Code or other applicable law.

The amount you contribute to your health care FSA is not subject to federal, state, or Social Security (FICA) taxes, which can translate to a savings of 15% to 40% depending on your tax bracket. This personal tax savings helps reduce the cost of required expenses and can increase your spendable income. Expenses that are not covered include health club membership fees, insurance premiums, nutritional supplements, cosmetic services or supplies, and others.

What is the Health Care Card, and How Do I Use It?

The healthcare card is an easy way to access your health care FSA. It is a prepaid card that can be used at many merchants who sell healthcare products or services and accept Visa® or MasterCard® debit cards. To use this card, choose the credit option because it has no PIN. You can use it at the point of service to pay for deductibles, coinsurance amounts and more. When you use the healthcare card, funds are immediately transferred from your FSA to the provider. You don't have to pay the money upfront, but you must keep all receipts, as you will likely be asked to submit them for auditing purposes.

You'll receive a healthcare card automatically when you enroll for the first time in the health care FSA. (You'll continue to use the same card each year thereafter you are enrolled.) It's easy to use the card for valid purchases, but it can't be used for non-reimbursable items. More details will be provided with the card once you enroll in a health care FSA.

How can I file a paper claim with WageWorks?

If you do not use your healthcare card, you can file a claim for eligible expenses incurred while you are a participant in the health care FSA program during the covered plan year. When you file a healthcare claim larger than the funds currently in your account, you'll be reimbursed for the full claim amount (up to your total annual contribution) as long as the claim is incurred during your covered plan year. The reimbursement claim form is available at www.wageworks.com.

What's the deadline to submit all claims?

You have until March 31, 2015, to submit claims for expenses incurred between January 1, 2014, and December 31, 2014. Claims received after this date will not be considered for reimbursement, and any remaining FSA balance will be forfeited. Also, if you terminate employment during the year, monies in your account at termination will be forfeited unless you (1) submit valid receipts for services that occurred before that date or (2) elect to continue the health care FSA benefit through COBRA continuation until the end of the year and submit receipts for valid services rendered.

Dependent care FSA

Through the dependent care FSA, you'll be reimbursed for work-related dependent care expenses (child- or elder-care) on a tax-free basis. To be eligible, expenses must be necessary so you and your spouse (if you are married) can work, actively look for work, or attend classes as a full-time student.

While most people think of dependents as children, dependents can be other family members who are physically or mentally unable to care for themselves (such as a parent living with you). Dependent children are covered until their 13th birthday.

Expenses that qualify for reimbursement include:

- Care provided in your home, in another person's home or in a licensed daycare center, as long as you do not claim the caregiver as a dependent on your federal income-tax return. (If the facility provides care for more than six individuals, it must meet state and local licensing requirements.)
- Services provided outside your home for a dependent who regularly spends at least eight hours a day in your home.

Expenses for a child in nursery school, preschool, or a similar program for children below kindergarten level are reimbursable.

Expenses to attend kindergarten or a higher grade are not reimbursable, but expenses for before- and after-school care for a child in kindergarten or a higher grade are reimbursable.

Dependent care tax facts

Depending on your personal tax situation, you need to decide whether it is more beneficial for you to use the dependent care FSA or claim the dependent care tax credit on your federal income-tax form. Many individuals receive a greater benefit with the dependent care FSA, but it's always a good idea to check with your tax advisor.

How do I use a dependent care FSA?

Dependent care claims are paid only up to the amount withheld year-to-date from your paycheck. Any portion of your claim that was not reimbursed is marked "pending" and will be paid at a later date, after more funds are withheld from your paycheck and credited to your FSA. The reimbursement claim form is available on www.wageworks.com.

You have until March 31, 2015, to submit claims for services incurred from January 1, 2014, through December 31, 2014. Claims received after this date will not be considered for reimbursement, and any remaining balance will be forfeited. Also, if you terminate employment during the year, monies in your account at termination will be forfeited unless you submit valid receipts for services that occurred before that date. Dependent care FSA benefits may not be continued through COBRA.

What else should I consider before enrolling in FSA?

The Internal Revenue Code imposes certain restrictions on FSAs:

- Any money remaining in your FSA after December 31, 2014, will be forfeited. (Note: During a three-month period—through March 31, 2015—you may submit claims dated December 31, 2014, or earlier.) You can avoid forfeitures by carefully reviewing last year's expenses, reviewing your benefit choices for 2014, estimating costs for 2014 based on those benefit choices and committing to a little less. Unless you experience a change in employment or family status, you are bound to these contributions for an entire year.
- Amounts are held in separate health and dependent care accounts, and balances can't be moved back and forth.
- The dependent care FSA must be used for work-related dependent care expenses. **It may not be used to reimburse medical expenses for your dependents.**

