

# KNOW YOUR BENEFITS.

From Tilson HR



## **FSA: A New Approach to Use-it-or-Lose-it**

A flexible spending account (FSA) is a beneficial tool for saving money on health care, since the account contains pretax dollars contributed each pay period to pay for qualified medical and dental expenses. An important provision of an FSA is that most of the money contributed within a calendar year must be spent within the same year or it is lost.

### **December Scramble**

In December, it is common for many people to rush to use up leftover funds in their FSAs while they still can.

Such urgency is no longer necessary thanks to rule changes by the Internal Revenue Service (IRS). First, employers have the option to offer up to 14 and ½ months to use the funds. Many employers are taking advantage of this extension to the use-it-or-lose-it provision, allowing employees to spend money from their FSA until March 15.

### **What to Buy at Crunch Time**

When trying to use up FSA funds at the end of the year, many people used to stock up on over-the-counter (OTC) drugs with their excess money. However, due to changes

made by the health care reform legislation in 2010, OTC drugs purchased without prescriptions are no longer considered medical expenses that are qualified for reimbursement from an FSA, except for insulin. Thus, you can fill any prescriptions you have before the year ends, but you will need to find other uses for the remaining FSA dollars.

**An FSA is a beneficial money-saving tool, but determining how much money to put aside is an important factor.**

Concentrate on using those funds for medical expenses that you have been putting off. If you haven't been to the dentist all year, schedule a teeth cleaning. If there is a screening or procedure you've been putting off, use FSA funds for that. You should focus on using that money to keep yourself as healthy as possible.

Another smart option may be a replacement or spare set of eye glasses or contact lenses, or an eye exam if you haven't had one recently.

Be sure to ask an HR representative for a full list of eligible expenses.

### **How to Plan Ahead**

Because an FSA is such a beneficial money-saving tool, it is natural to want to make the most of the tax advantage. However, putting too much money in the fund may not benefit you if you have to spend it on unnecessary expenses or fail to spend the money at all. The trick is to allocate an appropriate amount to your FSA in the first place.

Look at your expenses from the last few years and determine what your average out-of-pocket medical expenses have been. Also consider if the following year will bring any big life changes such as a marriage, divorce, a new baby or changed dependent status.

To calculate your potential savings when using an FSA, visit [www.asiflex.com/Calculator/Tax-Savings-Calculator.htm](http://www.asiflex.com/Calculator/Tax-Savings-Calculator.htm).