



FLEXIBLE BENEFIT ALTERNATIVES



Self Insured Plans LLC

Discover the Benefits

FOR A NEW DIMENSION IN EMPLOYEE BENEFITS...

Continued increases in the cost of medical care have encouraged employers to consider every option when it comes to providing quality health care benefits at a cost everyone can afford. Flexible Spending is one solution that is working.

While many larger firms have implemented Flexible Spending Plans, as allowed by IRC Section 125, small and medium-sized companies have found it difficult to capitalize on the concept because of costly record keeping, government compliance and administration.

Our Flexible Spending Plan eliminates these obstacles. We offer a comprehensive program, including plan design, government compliance, employee communication, enrollment and administration.

Advantages To The Employee

When employees learn how Flexible Spending can increase their annual take-home pay, few turn down the opportunity to participate. Section 125 allows employees to make certain health care purchases with before-tax dollars as part of a set-aside reimbursement program. This provides even modest income earners with an

increase of several hundred dollars per year in spendable income, as the chart below illustrates.

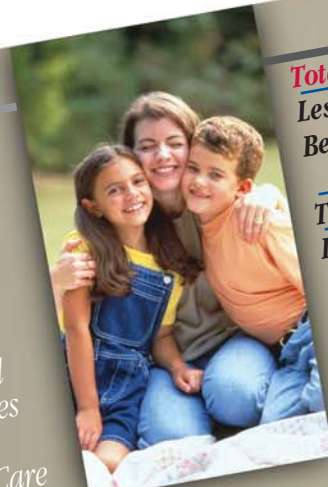
With a Section 125 Flexible Spending Plan, monthly gross taxable income (that income subject to federal taxes) is reduced significantly. The difference represents the employee's estimated cost of eligible health and child

care expenses previously purchased with after-tax dollars, which are now subtracted from income before federal taxes are determined. The employee benefits from a substantial increase in take-home pay.

Illustration

- A working mother with 2 children
- Annual earnings: \$36,000
- Benefits Needed:

Dependent Medical
Medical Deductibles
Dental Care
Dependent Child Care



	Without Flex
Total Monthly Pay	\$ 3,000.00
Less Pre-Tax Benefits	0.00
	0.00
	0.00
	\$ 3,000.00
Total Pay Subject to Tax	275.00
Less Deductions	186.00
	43.50
	\$ 2,495.50
After Tax Income	120.00
Less After-Tax Benefits	100.00
	400.00
	\$ 1,875.50
Spendable Income	Annual Increase in Spendable Income

Advantages to the Employer

Employers benefit from Flexible Spending as well. When an employee's taxable income is reduced, so is the employer's obligation for Medicare and FICA taxes. With the employer's share of these taxes currently at 7.65%, and applicable maximums increasing annually, the potential savings is significant.

In addition, as employee health care benefits change with the marketplace, Flexible Spending can soften the impact of rising costs by allowing employers and employees to recover a portion of their increased costs.

What expenses qualify for reimbursement?

According to the IRS Code, expenses that qualify for a before-tax reimbursement through a Flexible Spending Account are:

With Flex
\$ 3,000.00
120.00
100.00
400.00
\$ 2,380.00
179.00
147.56
34.51
\$ 2,018.93
0.00
0.00
0.00
\$ 2,018.93
\$ 1,721.16

- Pre-tax payroll deduction contributions for employer-sponsored group term life, accident and health, dental and long-term disability insurance.
- Dependent child care expenses incurred in order to allow the taxpayer to be gainfully employed.
- Out-of-pocket medical, dental and vision expenses.

Employee communication and enrollment

Employees who choose to participate in a Flexible Spending plan should be made aware of several important factors.

1. Allocations are made only once during a plan year, with the exception of a change in family status, such as marriage, divorce, birth or death of a spouse or child.
2. The "Use It or Lose It" rule requires employees to forfeit any allocated funds that are not used during the plan year (unused funds remain with the employer). We recommend that participating employees estimate costs conservatively to avoid such monetary loss.
3. With a lower taxable income and reduced employer contributions to Social Security, employees may have fewer funds available for future retirement or disability benefits. To offset this, employees may elect to transfer a portion of their savings to an interest sensitive savings or investment program.

4. Certain disclosure and informational requirements must be met when implementing and communicating a Section 125 Flexible Spending program.

Our counselors work closely with employees throughout the enrollment process to help them understand the regulations governing Section 125.

Design, administration, compliance assistance

We can assist your company with the design and administration of a Flexible Spending plan that is in full compliance with IRC Section 125. Examples of guidelines to consider:

- The plan must be in writing and offer employees a choice of two or more benefits consisting of cash and "qualified" benefits. We can help you design a plan that meets these and all other

legal requirements, such as non-discrimination rules.

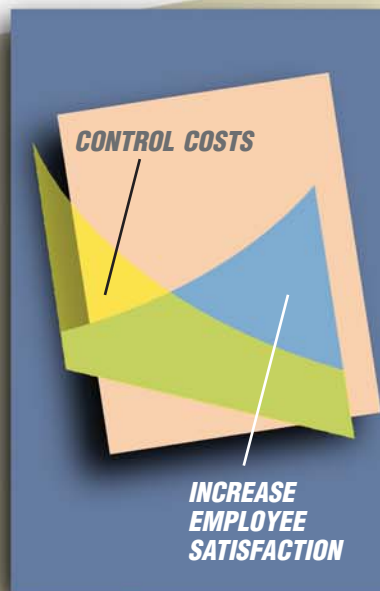
- Current rules provide that employees have access to their maximum Flexible Spending Account contribution at any time during a plan year. All refund requests for medical expenses must be documented in writing.
- Both the Internal Revenue Service and the Department of Labor require certain information, including annual information returns.

Timely plan reporting

With our Flexible Spending Administration System, we help you verify eligibility, reimburse qualifying expenses promptly and maintain spending account records for participating employees. In addition, we generate the following reports:

- Employer reports on contributions, expenses, payments, pending expenses, and checks issued.
- Employee activity histories, account summaries, and activity statements.

By monitoring all Flexible Spending Account activity and issuing timely reports, we help you meet complex government compliance regulations and keep employees informed.



Plan design, ease of enrollment and cost savings...
The benefits of Section 125 Flexible Spending administration.

Proven Expertise...

As a professional benefits administration firm, we have the resources and experience to respond to virtually any employee benefit-related need you may have. From day-to-day administration of a self-funded group health plan to identifying a provider network in another locale, we'll help you find a solution that's right for your people and your bottom line.

Find out how our services and expertise can help you manage your employee benefit program today and in the future.

Discover the benefits.



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