

**You can make more  
money this year...**

**with the  
Flexible Benefits  
Plan!**

**Take advantage of your company's**

**Flexible Benefits Plan**

**and take home more money.**

# A Flexible Benefits Plan helps your paycheck buy more!

Sometimes referred to as a cafeteria plan, flex plan, or a Section 125 plan — a Flexible Benefits Plan lets you set aside a certain amount of your paycheck into an account — before paying income taxes. During the year you have access to this account for reimbursement of expenses you regularly pay for, such as healthcare and dependent daycare.

When you use tax-free dollars to pay for these expenses, you realize an increase in your spending power, and substantial tax savings.

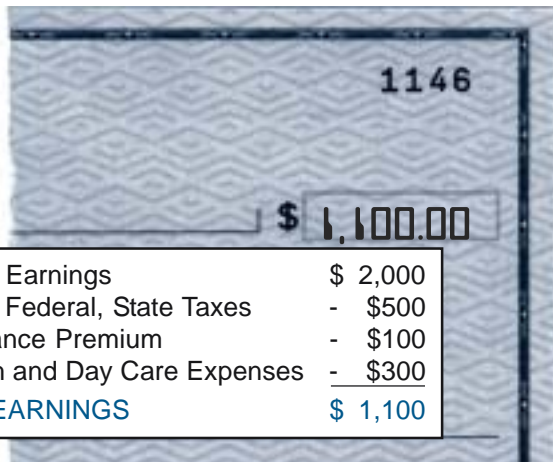
## Reimbursable expenses can include:

- Deductibles, Co-pays, and Prescription Drugs
- Expenses not covered by insurance
- Dental Services & Orthodontics
- Eyeglasses, Contacts, Solutions & Eye Surgery
- Weight-loss programs (associated with a specific disease)
- Chiropractic services
- Psychiatric care & Psychologist's fees
- Smoking Cessation programs
- Over-the-counter drugs that are medically necessary like allergy medications or aspirin
- Adult & Child Daycare services
- Adoption expenses
- And more!

## Here's how it works...

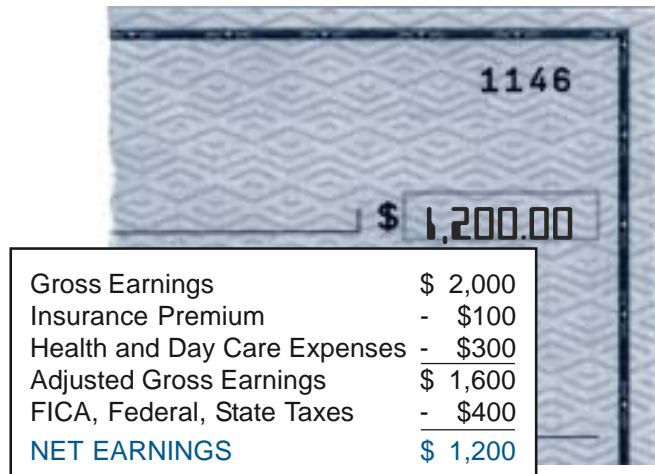
**Example:** An employee makes \$2,000 each month and decides to participate in her employer's Flexible Benefits Plan. As a result, her insurance premiums and health and daycare expenses are paid with tax-free dollars, giving her an additional \$100 each month!

### Without the Plan



Gross Earnings	\$ 2,000
FICA, Federal, State Taxes	- \$500
Insurance Premium	- \$100
Health and Day Care Expenses	- \$300
<b>NET EARNINGS</b>	<b>\$ 1,100</b>

### With the Plan



Gross Earnings	\$ 2,000
Insurance Premium	- \$100
Health and Day Care Expenses	- \$300
Adjusted Gross Earnings	\$ 1,600
FICA, Federal, State Taxes	- \$400
<b>NET EARNINGS</b>	<b>\$ 1,200</b>

## It's as easy as...

**1** Carefully read this material and choose which options make sense for you to participate in.

**2** Determine how much you expect to spend during the year for each option.

**3** Complete the attached Participation Form and return it to your Human Resources Department.

# Step I: Your Options

There are several accounts you can participate in with the Flexible Benefits Plan.

## I: Healthcare Reimbursement Account

This account reimburses you for healthcare expenses not covered by insurance. You set aside money, tax-free, through regular payroll deductions. During the year, you can be reimbursed directly from your account for those qualified healthcare services provided that are not covered by insurance.

*Common expenses that qualify for reimbursement are — doctor visits, deductibles, co-payments, prescriptions, mental health care, dental services and orthodontics, chiropractor services, eye exams, glasses and contacts.*

## II: Dependent Care Reimbursement Account

This account reimburses you for daycare expenses for eligible children and adults. Through regular payroll deductions, you set aside part of your income to pay for these expenses on a tax-free basis. To qualify, your dependents must be:

- a child under the age of 13, or
- a child, spouse or other dependent who is physically or mentally incapable of self-care and spends at least 8 hours a day in your household.

*Qualified expenses for reimbursement include — adult and child daycare centers, preschool and before/after school care.*

**Please note:** A dependent care credit is available on your annual tax return. Whether or not to participate in the daycare portion of this plan depends on your income, filing status, number of

dependents and annual daycare expenses. You will also receive your tax savings throughout the year, rather than once a year when you file your taxes. Contact your plan administrator for further information.

## III: Adoption Expense Reimbursement Account

The adoption account reimburses you for eligible expenses incurred in the adoption of a qualified child. These expenses include reasonable and necessary legal adoption fees, court costs, and attorney fees.

*A qualifying child is an individual who has not attained the age of 18 as of the time of the adoption or is physically or mentally incapable of caring for himself. A qualifying child does not include the child of an individual's spouse.*

## IV: Additional Benefit

Your employer may have included benefits in addition to the programs described above. Your Human Resources Department will send notification, along with this enrollment brochure, if any such additional benefits are being offered at this time.

## V: Premium Savings Account

This account allows you to pay for your employer-provided health and other insurance premiums with tax-free dollars. If you are covered under your employer's health and/or other insurance plans, you are automatically enrolled in this account! Be sure to let your employer know if you don't want your premiums paid tax-free.

# Step II: Determining Your Reimbursable Expenses

By completing the following information, you can calculate your annual reimbursable expenses.

Take into consideration the services to be provided during the upcoming plan year for you and your dependents.

## Healthcare Expenses

### Medical (1)\*

Deductibles	\$ _____
Co-payments	\$ _____
Doctor visits	\$ _____
Prescriptions	\$ _____
Over-the-counter medications	\$ _____
Medications	\$ _____
Other	\$ _____
<b>Total</b>	\$ _____

### Dental (3)\*

Routine Check-ups	\$ _____
Fillings/Crowns	\$ _____
Orthodontics	\$ _____
Other	\$ _____
<b>Total</b>	\$ _____

### Dependent Daycare Expenses

Children	\$ _____
Adults	\$ _____
<b>Total</b>	\$ _____

### Adoption Expenses

<b>Total</b>	\$ _____
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### Other Reimbursable Expenses\*\*

<b>Total</b>	\$ _____
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### Vision (2)

Exams	\$ _____
Eye Surgery	\$ _____
Lenses/Frames	\$ _____
Contacts	\$ _____
Solutions	\$ _____
Other	\$ _____
<b>Total</b>	\$ _____

## Estimated Annual Expenses and Tax Savings

Total Healthcare Expenses (add 1 + 2 + 3)	\$ _____
Total Dependent Daycare Expenses	\$ _____
Total Adoption Expenses	\$ _____
Total Other Reimbursable Expenses	\$ _____
<b>Total Expenses</b>	\$ _____
Tax Bracket Percentage (see below)	_____ %
<b>Annual Tax Savings</b>	\$ _____
<i>(multiply total expenses by tax bracket percentage)</i>	

### Savings Amount Per Paycheck

*(divide total expenses by number of paychecks you receive each year - 52, 26, 24, 12)*

## Tax Estimate Table

Based on a combination of social security, federal, and state income taxes.

If your annual household earnings are:	Estimated tax rate is:
Less than \$30,000	25%
\$30,000 to \$40,000	29%
\$40,000 to \$70,000	31%
Greater than \$70,000	33%

*These tax rates are estimates based on national averages and may not reflect your actual tax rate.*

\* Cosmetic procedures like teeth bleaching and face lifts are not eligible expenses for reimbursement.

\*\* An "Additional Benefit" may not be offered by your employer. Check with your Human Resources Department.

# Step III: Complete the Participation Form

Using the information you calculated in Step II, complete the attached Participation Form and return it to your Human Resources Department.

# Participation Form for the Flexible Benefits Plan

Plan year effective \_\_\_\_\_ through \_\_\_\_\_  
Employer name \_\_\_\_\_  
Employee name \_\_\_\_\_ Social Security No. \_\_\_\_\_  
Department \_\_\_\_\_ E-mail \_\_\_\_\_  
Home address \_\_\_\_\_  
street city state zip  
Home phone ( \_\_\_\_\_ ) \_\_\_\_\_ Work phone ( \_\_\_\_\_ ) \_\_\_\_\_  
First payroll effective date \_\_\_\_\_ Paycheck frequency \_\_\_\_\_  
Number of pay periods remaining in the plan year \_\_\_\_\_

## Option I: Healthcare Reimbursement Account Agreement

- I elect to contribute \$\_\_\_\_\_ (before taxes) per pay period, which is \$\_\_\_\_\_ per plan year, to fund my account for reimbursement of qualified out-of-pocket healthcare expenses not covered under my health and other insurance plans.
- I decline to participate in this option for this plan year.

## Option II: Dependent Daycare Reimbursement Account Agreement

- I elect to contribute \$\_\_\_\_\_ (before taxes) per pay period, which is \$\_\_\_\_\_ per plan year, for funding reimbursement of qualified dependent daycare expenses. (Maximum amount per calendar year is the lesser of; (1) \$5,000 for married filing joint, or \$2,500 for married filing separate; (2) your spouse's total annual compensation; or (3) 1/2 of your total annual compensation. If you are single, the maximum amount is \$5,000.)
- I decline to participate in this option for this plan year.

## Option III: Adoption Expense Reimbursement Account

- I elect to contribute \$\_\_\_\_\_ (before taxes) per pay period, which is \$\_\_\_\_\_ per plan year, for funding reimbursement of qualified adoption expenses. (Maximum amount per child adopted is \$10,160 through this plan. If additional expenses are incurred for the adoption of this child, a credit may be available to you. Please see your tax advisor for further details.)
- I decline to participate in this option for this plan year.

## Option IV: Additional Benefit (please insert description provided by your HR Department)

- I elect to contribute \$\_\_\_\_\_ (before taxes) per pay period, which is \$\_\_\_\_\_ per plan year, for funding reimbursement of this additional benefit outlined by my Human Resource department.\*
- I decline to participate in this option for this plan year.

\* Do not complete this section unless you have received instructions from your HR department.

## Option V: Premium Savings Account Agreement

- I have enrolled in certain employer-sponsored insurance benefits. I understand that my share of the premium for these insurance benefits will automatically be paid with pre-tax dollars. I also understand that if my required contributions for the elected benefits are increased or decreased while this agreement remains in effect, my taxable income will automatically be adjusted to reflect that increase or decrease.
- I decline to participate in this option for this plan year.

## Option VI: Waiver of Tax Benefits

- I have been given the opportunity to enroll in these tax-savings plans and have declined to participate. I understand that I will lose all tax savings that I may have received as a participant.

*My employer and I agree that my taxable income will be reduced each pay period by the amounts set forth in this agreement. I understand that I may change my election in the event of certain changes in my status. Prior to the first day of each plan year, I will be offered the opportunity to change my benefit election for the upcoming plan year. Any qualified expenses that are submitted by me will be reimbursed to me on a tax-free basis. Any contributions that are not used during the plan year may not be paid to me in cash or used in a later plan year. I acknowledge that I have received, read and understand the Summary Plan Description.*

Employee Signature \_\_\_\_\_ Date \_\_\_\_\_

# Questions & Answers

## What is a Flexible Benefits Plan?

A benefit provided by your employer that lets you set aside a certain amount of your paycheck into an account before paying income taxes. Then, during the year you can be directly reimbursed from your account for qualified healthcare and daycare expenses.

## Why should I participate in the Healthcare Reimbursement Account when I already have health insurance?

This account is used to pay for expenses not covered by insurance. For example — annual physicals, co-payments, eye exams, glasses, orthodontics, prescription drugs, and hospital care to name a few. Covered expenses also include over-the-counter drugs that are medically necessary like allergy medications, aspirin, antacids, or non-prescription drugs recommended by your physician.

## If I set aside part of my pay, won't I make less money?

No. Your net take-home pay will increase by the amount of taxes you did not pay. An example of how it may work for you is detailed on the inside of this brochure.

## Can I change my contributions during the year?

Only if you have a change in status such as: marriage, birth, adoption, or a change in your, your spouse's, or your dependent's employment status.

## What if I currently take the dependent care credit on my annual tax return?

Whether or not to participate in the daycare portion of this plan depends on your income, filing status, number of dependents and annual daycare expenses.

The amount you deposit in your Dependent Care Reimbursement Account reduces the amount, dollar for dollar, that you can claim as a credit on your tax return. Contact your plan administrator for further information.

## How do I get reimbursed for my expenses?

Once you have completed the attached Participation Form, you will receive a claim form and instructions on how to file your claim. Simply complete the form, attach a copy of the healthcare or dependent care bill, and mail or fax the form to your plan administrator. Within a short time, you will receive your reimbursement.

## Do I have to wait for the money to be deposited in my account in order to make a claim for reimbursement?

The annual amount you have allocated for the Healthcare Reimbursement Account is available to you at any time throughout the plan year. The amount available to you from your Dependent Care Reimbursement Account is the amount you have contributed to date.

## How do I know how much is available in my accounts?

Each time you are reimbursed you will receive a statement attached to your reimbursement check that shows the dollar amount you have set aside as well as the amount you have been paid to date. Contact your plan administrator for further options.

## What happens to my accounts if I terminate my employment?

You will be able to request reimbursement for healthcare and daycare expenses for services provided prior to your termination. Check your SPD for any additional rights or benefits provided by your company's plan.

## What if I don't use all of the money I set aside in my accounts?

Carefully review your estimated expenses before making the decision to participate. Any contributions that are not used during the plan year may not be paid to you in cash or used in a later plan year.

## What if I am not covered under my company's health insurance plan?

Good news! You and your family can still participate in the Healthcare or Dependent Care Reimbursement Accounts.

## How do I benefit by participating?

Your biggest advantage is the tax savings. Every dollar you set aside in your account reduces your income taxes, and you can be reimbursed for qualified expenses that you are already paying for!

## Are there any negatives that I should know about?

Yes, because you are not paying any social security tax on that portion of your income that has been redirected, your social security benefits may be slightly reduced.



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