

DO YOU WANT TO TAKE HOME MORE MONEY FROM YOUR PAYCHECK?

The Security Flex 125 Program offered through your employer allows you to pay less in taxes and take home more of your hard earned income. The Security Flex 125 Program qualifies under Section 125 of the Internal Revenue Code. Section 125 allows employers to set up Flexible Spending Accounts for dependent care and/or medical expenses as part of their cafeteria plans. As an employee, you can set aside part of your income on a pre-tax basis for dependent care and/or medical expenses that you will incur over the course of the year.

Because your money goes into the Security Flex Program on a pre-tax basis, you have less taken out of your paycheck for taxes.

Advantages To You:

1. You choose only those benefits that fit your individual needs.
2. You spend only as much as needed for the benefits chosen.
3. You pay no FICA, Federal and in most cases no state income tax on any qualified benefits in the program.
4. You usually have more spendable income as a result of participating.

Below is an example of how the Security Flex 125 Program can save you money.

	Without Security Flex	With Security Flex
Gross Pay	\$36,000.00	\$36,000.00
Medical and Dental Plan Premiums	\$700.00	\$700.00
Security Flex 125 Program		
Dependent Care Expense Account	\$ –	\$2,500.00
Medical Expense Account	\$ –	\$1,000.00
Total Taxable Income	\$35,300.00	\$31,800.00
Tax Deductions From Pay		
Federal Withholding @ 15%	\$5,295.00	\$4,770.00
State Withholding @ 5%	\$1,765.00	\$1,590.00
FICA and Medicare @ 7.65%	\$2,700.45	\$2,432.70
Total Taxes	\$9,760.45	\$8,792.70
Take Home Pay	\$25,539.55	\$23,007.30
Unreimbursed Dependent Care Expenses	\$2,500.00	\$ –
Unreimbursed Medical Expenses	\$1,000.00	\$ –
Take Home Pay After Unreimbursed Expenses	\$22,039.55	\$23,007.30

With Security Flex you can increase your take home pay by approximately \$80 monthly. That's an annual increase of over \$965.

Participants in the Security Flex 125 Flexible Benefit plan can experience the following tax savings by funding their medical and dependent care expenses with pre-tax dollars:¹

- Federal Income Tax (Filing jointly, taxable income over \$58,100) 15.00%
- Social Security 7.65%
- Estimate of State Tax Savings² 5.00%
- Total Savings 27.65%

¹ State tax savings vary by state and are not applicable in states without income tax and in Pennsylvania.

² Based on estimated rates.

RULES FOR IRC SEC. 125 FLEXIBLE BENEFIT PLANS

Under an IRC Sec. 125 Flexible Benefit plan, expenses may be paid with “before-tax” dollars under a Medical or Dependent Care Flexible Spending Account (FSA). When you have a program that offers these tax advantages, there are some rules that the plan must follow:

- You cannot make any changes in the benefits selected **during the plan year**. The only exception to this is if there is a family status change. (For example marriage, divorce, birth, death etc.)
- All dollars set aside in a FSA plan must be used during the plan year. **Any dollars not spent by the end of the plan year must be forfeited.**
- Only charges for services provided or expenses incurred during the designated plan year are eligible for reimbursement.
- Amounts paid under the plan are not eligible as tax deductions on your Federal Income Tax Return.
- Eligible Expenses:
 - Expenses for you, your spouse and any taxable dependents are eligible for reimbursement under the Medical FSA.
 - The Dependent Care FSA allows expenses for:
 - (a) your dependent under age 13 for whom you may claim an exemption deduction, or
 - (b) your dependent who is physically or mentally not able to care for himself or herself and who relies on you for the majority of his or her support, or
 - (c) your spouse who is physically or mentally not able to care for himself or herself.
- Maximum Contribution:
 - The maximum allocation to your Medical Reimbursement account may not exceed the annual plan maximum determined by your employer.
 - The maximum dependent care expense allowed is \$5,000 per calendar year per household (\$2,500 in the case of a separate return filed by a married person).
- Examples of Eligible Expenses:
 - Medical expenses not paid by your health insurance including, but not limited to:
 - Chiropractor/Acupuncture
 - Coinsurance (co-pays and deductibles for health, dental and vision)
 - Corrective eye surgery
 - Medicines (prescriptions)
 - Orthodontic fees

- Over-the-counter Medications including, but not limited to:
 - Antacids
 - Allergy medication
 - Band aids, bandages, gauze pads, first aid kits
 - Cough drops, throat lozenges, sinus medication, nasal sinus spray
 - Cold medication, pain reliever
 - Condoms, spermicidal foam
 - Diaper rash ointment
 - First aid creams and ointments, liquid adhesives, topical ointments
 - Joint/muscle pain medication
 - Menstrual cycle products for pain and cramp relief
 - Nicotine gum or patches for stop-smoking purposes
 - Pedialyte for ill child’s dehydration
 - Pregnancy test kits
 - Reading glasses
 - Sunburn cream or ointment
 - Thermometers (ear or mouth)
- Prescription eyeglasses, sunglasses, contact lenses and solutions associated with their care
- Prescribed weight-loss program/drugs
- Dependent care expenses must be incurred to allow you and your spouse (if you are married) to work or look for work.

Under the IRC Sec. 125 Flexible Benefit plan, you designate the amount of dollars that you plan to use at the beginning of the plan year. These dollars are applied to the appropriate account (Medical or Dependent Care) each month. You may submit claims for payment (subject to a minimum reimbursement of \$25). You may submit with each claim as many bills or receipts as you have accumulated. The bills and/or receipts will be kept in your file in the Claims Department should you need them for future verification to the Internal Revenue Service. **Qualifying medical expenses will be reimbursed up to your annual election upon receipt of proper documentation, regardless of your account balance.** Dependent Care expenses are reimbursed as funds are available in the account. Therefore, claims may be submitted and reimbursed. Your reimbursement may not exceed your account balance.

EMPLOYEE BENEFIT WORKSHEET

Planning to save is easy! The key is to be conservative with your estimate while maximizing your savings. After reviewing the rules and covered items, use this worksheet to help estimate your expenses.

Estimated Dependent Care Expenses:

Dependent care required for you and your spouse to continue working.

Total Estimated Dependent Care Expenses for this plan year: \$ _____

Estimated Out of Pocket Medical Expenses (for you, your spouse and any tax dependents):

Medical

Insurance Premiums of any kind are not covered

Medical Co pays: \$ _____/plan year

Coinsurance \$ _____/plan year

Prescription Drugs \$ _____/plan year

Over-the-counter Medication \$ _____/plan year

Dental

Coinsurance \$ _____/plan year

Orthodontia \$ _____/plan year

Non-covered (major services) \$ _____/plan year

Hearing

Coinsurance/Exams \$ _____/plan year

Hearing Aid \$ _____/plan year

Vision

Coinsurance/Exams \$ _____/plan year

Glasses \$ _____/plan year

Contact Lenses \$ _____/plan year

Corrective Eye Surgery \$ _____/plan year

Other

Miscellaneous Over-the-counter \$ _____/plan year

_____ \$ _____/plan year

_____ \$ _____/plan year

_____ \$ _____/plan year

Total Estimated Medical Expenses for this plan year: \$ _____



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