

Benefit Tax Link has the tools you need to win more business in 2014!



Labor Day has come and gone, and football is back tonight, which can mean only one thing: Fourth Quarter is almost here. It's time to say goodbye to the hazy days of Summer and get back to work, and we want to do our part to keep you sharp when you're asked those tough questions on tax-favored benefits, ERISA, COBRA, and more.

To that end, our friends at the Healthcare Trends Institute have put together a great infographic on the two options to minimize "Use-it-or-lose-it" with a Health Care Flexible Spending Account. The Carryover feature was announced too late for most plans to take advantage of it last Fall, but going into the 2015 plan year we believe that employers should consider it. Groups that have adopted Carryover have seen both participation and contribution gains relative to plans that have the Grace Period, as employees are no longer afraid of losing their funds at the end of the year.

Flexible Spending Accounts Employer Trends

— Rollover — vs. — Grace Period —

Employees can rollover up to \$500 of FSA contributions left at the end of the year to use in the next plan year.

Employees can roll over their entire unused account balance into the following year to pay for medical expenses incurred during the first 2 ½ months of the next plan year before the money is forfeited.

Employer

Pros +



Less wasteful year-end FSA spending by employees to avoid losing funds



Possible increased employee participation due to lack of worry over losing entire balance resulting in increased employer FICA savings

Cons -



Reduced forfeitures or unused balances could decrease significantly, resulting in less funds being available to employers to help offset their FSA administrative costs



Employees can carry-over their \$500 balances year after year, even if they don't contribute the following plan year.

Employers would have to track the money continually creating additional administrative expenses

Employee

Pros +



Less worry about spending their FSA dollars before the year runs out



Carry-over balance of \$500 is available for the entire next plan year



Carry-over balance from one year could rollover year after year

Cons -



Only \$500 can be carried over and used during the next plan year, where as under the grace period option, the entire balance could be used in the first 2 ½ months of the next plan year



Have less money to preplan and pay for major healthcare expenses early in a plan year.

Only \$500 balance + \$2,500 for a \$3,000 total vs. the grace period option of \$2,500 balance + \$2,500 for a total of \$5,000 until mid-March



Healthcare Trends Institute
www.HealthcareTrendsInstitute.org

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Sources: Business Insurance, FSAs falling out of favor as rules evolve, 4/14/2014, Vol. 48 Issue 4
Business Insurance, Rule allowing FSA carry-overs has pros, cons, 11/18/2013, Vol. 47 Issue 22

As always, feel free to reach out with any questions you may have.

Benefit Tax Link is perfectly positioned to assist you and your clients with:

- Payroll
- Human Resources Consulting
- ERISA Compliance
- Flexible Spending
- Health Reimbursement Arrangements
- COBRA Administration

At Benefit Tax Link, Only Our Standards Exceed Our Solutions

Headquartered in Wayne, New Jersey, Benefit Tax Link provides solutions to brokers and their clients in the form of personal service and assured compliance with complicated regulations surrounding benefits administration, particularly in the realm of tax favored benefits.

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