FLEXIBLE SPENDING ACCOUNTS

TAX ADVANTAGES

Since Flexible Spending Accounts have been introduced, more and more employees are taking advantage of them. The reason for their popularity is quite simple: Spending accounts can provide you with tax savings. Wouldn't you like to reduce your taxes and increase your take-home pay? You can if you use the Health Care or Dependent Care Spending Account.

Here's how the accounts help you save taxes:

* You contribute to the accounts on a pre-tax basis. This means your contributions are taken out of your paycheck before your pay is taxed.

In effect, your contributions are tax-free!

* You reduce your taxable income by the amount you contribute.

* And, when you reduce your taxable income, you lower your taxes since federal, state, city and FICA taxes are not withheld on your pre-tax contributions.

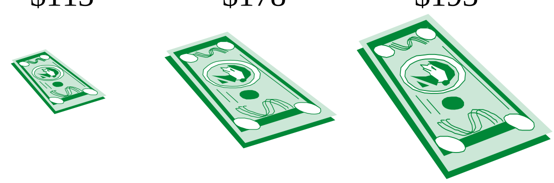
In the end, you pay for eligible expenses with pre-tax dollars. Or, put another way, you get a big discount!

EXAMPLES OF TAX SAVINGS

If you typically have out-of-pocket health care or dependent care expenses, consider these federal tax savings.

Estimated Federal Tax Savings for Every $500 You Contribute (including FICA)

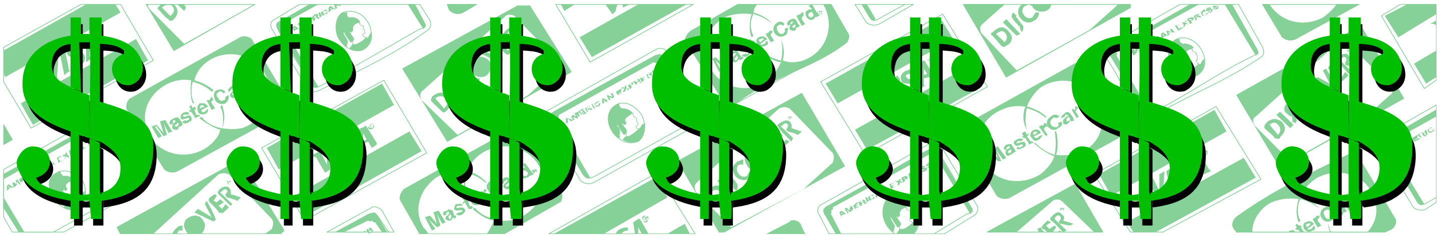
$113	$178	$193



15%	28%	31%

If you are in this tax bracket

In all states--except New Jersey--you avoid state taxes as well, resulting in even higher tax savings.



CONTRIBUTING TO THE ACCOUNTS

Each year during flex enrollment, you decide whether you want to use the accounts. If you decide to participate in one or both of the accounts, you make an election for the entire calendar year that applies to each account separately. Funds cannot be transferred between accounts. Your contribution to the Health care account may have minimums and maximums set by your employer. The Dependent care accounts have a maximum of $5,000 (married filing joint or $2,500 married filing separately) set by the IRS. If your spouse also has a dependent care account remember your combined annual limit is $5,000.

* **Use the Health Care Spending Account** to reimburse yourself for your, your spouse's, or your children's eligible health care expenses. This includes copays, deductibles, or some non-covered medical, dental and vision expenses (employee contributions are already pre-tax). No insurance premiums are covered under the health care account.

* **Use the Dependent Care Spending Account** to reimburse yourself for expenses you pay for the care of your eligible dependents while you (and your spouse, if you're married) work.

Expenses must be for the care of a child under age 13 or a dependent adult--such as a spouse, parent, or grandparent--who is not capable of self care and spends at least eight hours a day in your home.

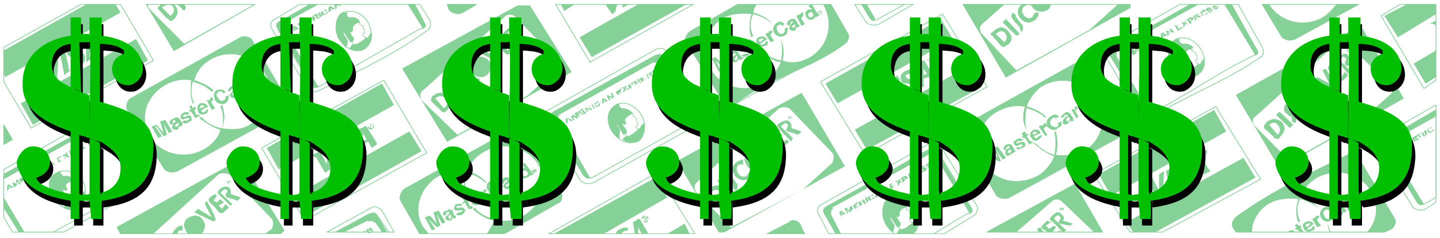
HOW THE ACCOUNTS WORK

If you decide to enroll in one or both of the accounts here's how they work:

* **Your contributions are taken out of each paycheck--before taxes--in equal installments throughout the year and deposited in your account.**

* When you have an eligible health care or dependent care expense, you send in a claim form along with an itemized receipt to be reimbursed.

--**Please note** for the dependent care account, expenses must be accompanied by the tax identification number or Social Security number and signature of the provider, unless care is provided by a non-profit, tax-exempt organization.



*** Once submitted, the accounts reimburse you, with each account paying claims differently:**

--**For the health care account**, you can be reimbursed up to the amount you have chosen to contribute for the entire plan year, less any reimbursements already received.

--**For the dependent care account**, you can be reimbursed up to the amount that is in your account at the time you make the claim.

AT YEAR-END

You must use all of the money in your flexible spending accounts during the plan year for which you enroll. IRS rules say that leftover money can't be rolled over to the next plan year or be refunded to you. You will receive a statement quarterly (your employer may change how often you will receive the statements) to help you track how much money is in your accounts.

You will have a grace period until April 15 of the following year to submit your claims for expenses incurred during the year. Any money remaining in your account after this date will be **forfeted due to IRS rules** and applied toward plan administrative expenses. **Even if you do forfeit a small amount, it may be more than offset by your tax savings.**

It's important to plan carefully. Before you make your contribution decision, think about your health care and dependent care needs. This will help you estimate your expenses for the next year and the make the appropriate level of contributions to the accounts.

Eligible health care expenses for the spending account include more that just your medical copayments and deductibles, such as:

*** Expenses exceeding plan limits**

--Hearing care

--Vision

--Orthodontia

*** Chiropractic expenses**

*** Allergy expenses**

Some items not covered under health care expenses include but are not limited to:

*** Cosmetic procedures (including drugs)**

*** Educational or social programs or classes**

*** Vitamins/supplements for general health**

For additional information contact:

Fiserv Health – Flex Department

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1-877-310-FLEX(3539)