Why Aren’t You Using A Flexible Spending Account?

When you hear the term “cafeteria plan” around the office, your coworkers probably aren’t talking about what’s for lunch. More than likely, they are talking about something even tastier: a way to save money.

By participating in your employer’s cafeteria plan – sometimes known as a flexible benefits plan, a Section 125 plan, or a pre-tax benefits plan – you may be able to reduce the amount of money you otherwise would be required to pay over to the government in taxes. The best part is, it’s all legal.

Flexible spending accounts (FSAs) have been around since the early 1980’s, but many people still don’t use them. This is primarily due to the “Use it or lose it” provision of the plan and is also due to people thinking they do not pay enough out of pocket to make the plan worth their time and effort. Hopefully this article will help to clear up some misconceptions about FSAs and convince you that it is indeed worth it.

“I don’t have enough expenses to justify participation.” This is a common reason for not setting up an FSA. Take a look at the example below. Even a great health insurance policy doesn’t pay for everything. The average healthy couple could easily spend the following each year:

- Co-pay on 2 general doctor visits $30
- Co-pay on 4 dentist visits $60
- Co-pay on 1 eye doctor visit $15
- Contact Lenses $70
- Allergy Medication $120
- Contraceptives $400

In this example, the expenses total $695. The tax savings will total $211.96. If you will have $300 or more in out-of-pocket health care costs next year, running that amount through an FSA will save you $100 in taxes. The total time to set up, send in receipts and deposit the reimbursements is less than 1 hour. Is your time worth $100 an hour?

“It’s my money and I’m not going to put it in an FSA if there is a chance I will lose any.” This may be the most common reason why people will not set up an FSA. According to the IRS, the money can be spent on anything that is a genuine medical need. However, you may be surprised at some of the other things you can put through this account, such as:

- Over-the-counter drugs and medicines *NEW*
- Mileage
- Acupuncture
- Buying or renting crutches
- Removing lead-based paint from your home
- Laser eye surgery
- Travel & lodging due to a medical condition
- Sterilization or abortion
- Weight loss programs (medically necessary)
- Massage therapy (medically necessary)
- Orthodontics

So, if you happen to get to the end of the year and you do have some money left, don’t panic! Go get that spare pair of glasses, get that physical exam you’ve been putting off or stock up on the medicines you and your family use all the time. More often than not, you will be out of money by October.

If you have any questions about your employer’s FSA program, please do not hesitate to contact your benefits office or EBS customer service at 800.828.0078.