

Flexible Spending Account

A flexible spending account (FSA) offers a budgeting tool that helps pay for out-of-pocket medical, dental, and dependant care expenses not covered by employer benefit plans. Also, like a premium only plan, an FSA helps pay for itself by increasing employee take-home pay while decreasing employer payroll taxes. Here's how it works:

- An employee decides how much of their salary should be set aside before taxes are calculated.
- This amount is automatically deducted from their paycheck every pay period, just like any other payroll deduction, and is credited to their FSA account.
- The employees would pay their out-of-pocket expenses upfront, then submit a claim and documentation and a reimbursement is made from their own account.

Some common out-of-pocket expenses include:

- Eyeglasses and contact lenses
- Medical insurance deductibles
- Prescriptions
- Co-payments
- Orthodontia
- Chiropractic services
- Dental treatments
- X-ray and laboratory services
- Certain over-the-counter medications

Dependent care expenses include:

- Care for a child under the age of 13
- Care for a disabled spouse or dependent incapable of caring for him/herself
- Household-related services (i.e., visiting nurse)

The flexibility of an FSA plan makes it the best option for small- to medium-sized businesses.

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