

FLEXIBLE SPENDING ADMINISTRATION

How Flexible Spending Works - Sample Cases

The Working Couple Raising Children

Pat, 30 and his wife, Nancy, 28, both have jobs outside the home. They have two small children. Pat and Nancy have an annual income of \$48,000. This couple chose to use flexible spending to help pay both their unreimbursed medical/Dental expenses and their child care expenses. The couple saves \$2536.05 annually with flexible spending.

The Couple with Grown Children

Steve, 45 and Laura, 42, have two children in college. The couple earns \$54,000 per year. Steve and Laura chose to use flexible spending to pay for both of their unreimbursed medical and dental expenses. With Flexible spending, their take-home pay increased by \$1136.85.

The Single Parent

Sarah, 27, is divorced and has two children. She earns \$24000 per year. Her children attend a certified day-care center. Sarah uses Flexible Spending to pay for unreimbursed medical/dental expenses and childcare. Flexible spending increased her take-home pay by \$1958.88.

	Working Couple Raising Children		Working Couple Grown Children		Single Parent	
	Without Flexible Spending	With Flexible Spending	Without Flexible Spending	With Flexible Spending	Without Flexible Spending	With Flexible Spending
Monthly Pay	\$4,000.00		\$4,500.00		\$2,000.00	
Salary Reductions						
Medical/Dental Prem.	\$0.00	\$125.00	\$0.00	\$125.00	\$0.00	\$60.00
Medical/Dental OOP Exp.	\$0.00	\$200.00	\$0.00	\$200.00	\$0.00	\$100.00
Child Care Expenses	\$0.00	\$400.00	\$0.00	\$0.00	\$0.00	\$400.00
Adjusted Gross Pay	\$4,000.00	\$3,275.00	\$4,500.00	\$4,175.00	\$2,000.00	\$1,440.00
Payroll Taxes						
Federal & State	\$860.00	\$704.13	\$967.50	\$897.63	\$430.00	\$309.60
Social Security	\$306.00	\$250.54	\$344.25	\$319.39	\$153.00	\$110.16
Total Taxes	\$1,166.00	\$954.66	\$1,311.75	\$1,217.01	\$583.00	\$419.76
After Tax Pay	\$2,834.00	\$2,320.34	\$3,188.25	\$2,957.99	\$1,417.00	\$1,020.24
After Tax Expenses						
Medical/Dental Prem.	\$125.00	\$0.00	\$125.00	\$0.00	\$60.00	\$0.00
Medical/Dental OOP Exp.	\$200.00	\$0.00	\$200.00	\$0.00	\$100.00	\$0.00
Child Care Expenses	\$400.00	\$0.00	\$0.00	\$0.00	\$400.00	\$0.00
Total Post-Tax Expenses	\$725.00	\$0.00	\$325.00	\$0.00	\$560.00	\$0.00
Net Spendable Income	\$2,109.00	\$2,320.34	\$2,863.25	\$2,957.99	\$857.00	\$1,020.24
ANNUAL DIFFERENCE	\$2,536.05		\$1,136.85		\$1,958.88	

Note: The above is for illustrative purposes only. Projections are based on current laws, using assumed wage amounts and benefit costs. Actual amounts will vary. Costs reimbursed may not be applied toward federal income tax credits or deductions.

If legal or accounting advice is required, consult your personal tax advisor.

REMEMBER: BE CONSERVATIVE