

# BENEFITS 101: WHAT IS A FLEXIBLE SAVINGS ACCOUNT?

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Want to attract and keep top talent? Your benefits package is crucial! Think beyond just health and retirement.

Fringe benefits like a Flexible Savings Account offer real, meaningful support, especially for employees and their families.

When it comes to health insurance, there is a lot of jargon and plenty of acronyms. Many people have heard of FSAs, but may not actually know — what is a flexible spending account, exactly?

If you have an employer-sponsored health plan, a flexible spending account (FSA) is often available as part of the benefits package. There are two types of FSAs: one for health and medical expenses and another for dependent care/childcare costs. Both are designed to help you set aside money during the year for out-of-pocket expenses while enjoying tax benefits.

When you contribute to an FSA, the money is taken from your paycheck before taxes are removed and is never taxed. The Federal FSA Program estimates that those with an FSA [save 30 percent](#) on healthcare expenses on average.

## How Does an FSA Work?

- **Contributions:** You contribute a portion of your pre-tax salary to your FSA. You set a contribution amount to be deducted from each paycheck, up to the federal limit, which for 2024 is \$3,200.
- **Rollovers, etc.:** Employers have the option of allowing employees to roll over up to \$640 in 2024 or they can provide a 2 ½ month grace period during which employees can spend their remaining contributions, but they can't offer both.
- **Reimbursement:** Use your FSA funds to pay for qualified medical expenses. You typically submit receipts for reimbursement.
- **Tax Benefits:** Contributions are made with pre-tax dollars, reducing your taxable income.

## What Can You Spend Your FSA Money On?

- **Medical expenses:** Doctor's visits, prescriptions, dental care, vision care, and mental health services
- **Over-the-counter medications:** Many OTC medications, like pain relievers and allergy medications
- **Medical equipment:** Items such as crutches, wheelchairs, and diabetic supplies
- **Dependent care expenses:** Childcare or elder care costs, which can include before and after school care, preschool, and adult day care. In 2024, employees may contribute up to \$5,000 if filing jointly or \$2,500 if filing taxes separately.

## Key Points to Remember:

- **Use-It-or-Lose-It:** Generally, any unused FSA funds at the end of the year are forfeited. However, some plans offer a grace period or carryover options.
- **Contribution Limits:** There are annual contribution limits for FSAs, set by the IRS.
- **Dependent Care Expenses:** If you have dependent care expenses, you can use your FSA to pay for them up to a certain limit.

## Is an FSA Right for You?

Opening an FSA is a great way to save money on taxes and prepare for healthcare costs. As with other types of savings accounts, it allows you to contribute and stash away money, but in this case, that money is taken out of your paychecks in a set amount and is nontaxable. Check to see if your employer matches contributions as well.



Understanding the rules, benefits, and limitations of these accounts will allow you to maximize their value and ensure you're making the most of this valuable employee benefit.

