

FLEXIBLE SPENDING ACCOUNTS



WHAT IS A FLEXIBLE SPENDING ACCOUNT?

Your employer understands that everyone could use some help managing personal expenses. That's why your company is offering you the opportunity to enroll in Health Care and Dependent Day Care Flexible Spending Accounts (FSAs). Here is all the information you need to understand FSAs, along with the materials you'll use to enroll in your employer's FSA program. Administered by Stanley, Hunt, DuPree & Rhine (SHDR), long-time providers of benefits programs, FSAs can provide significant advantages, such as:

- Immediate tax savings: Contributions to your FSAs are made on a before-tax basis, which lowers your taxable income and therefore may decrease the amount you pay in federal, state, local and FICA taxes.
- Increased spendable income: Because FSA contributions lower your taxable income and may reduce the amount you pay in taxes, your net income may increase every month.
- Greater control over your benefits dollars: More money to spend means more flexibility in how you manage your health care and dependent day care issues.

Simple access to your FSA account

You can use your SHDR Benefit Access Visa® Debit Card, submit claims by completing an online form and attaching receipts, or submit a claim form for reimbursement of eligible expenses. Because your FSA is administered by the highly experienced staff at SHDR, submitting claims and receiving reimbursements is easy and convenient:

- Your claims are received via fax, mail or online, and are promptly entered into SHDR's recordkeeping system for dependent day care or health care claims.
- Emails are sent to confirm receipt and status of your claim.
- Claim reimbursements are distributed via direct deposit or a check sent directly to your home address.
- Benefit representatives are available Monday - Friday, 8 a.m. - 6 p.m. to answer your questions.
- You can access account information 24 hours a day at our website -- SHDR.com -- or by calling our toll-free number at 800-768-4873 or 800-930-2441.

Accessing your account information online

In addition to our toll-free call center, our interactive website is available 24 hours a day, 7 days a week. The site allows you to:

- Receive automatic notification of funding status.
- Sign up for automatic claims status updates.
- Enter a claim online.
- Access frequently asked questions, forms, eligible expenses list, and your company's plan document.

Know your plan's details

To maximize the financial potential of FSAs, it's to your advantage to understand FSA regulations and make decisions about your FSA accounts carefully. For example, you should be aware that FSA elections can only be made at specific times:

- During your company's annual enrollment period
- When you join your company
- If you experience a "qualifying event," such as marriage, divorce, birth or death of a dependent, or a change in employment status for you or your spouse

Three convenient reimbursement options

To make your FSA program as user friendly as possible, we provide three easy methods for reimbursement of your eligible expenses: our convenient SHDR Benefit Access VISA Debit Card, online claims submission and hard-copy claims forms.

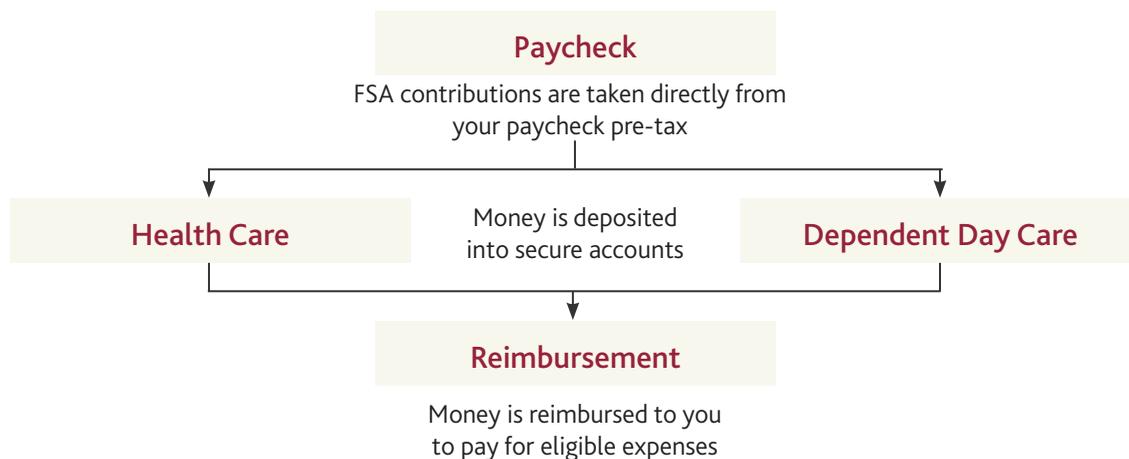
The debit card functions like a debit VISA, and can be used to give you immediate, electronic access to funds stored in your health care or dependent day care accounts. The debit card can be used at supermarkets, pharmacies and department stores that can identify FSA eligible expenses at the checkout. It eliminates the need for filing claims forms. (Itemized receipts still need to be submitted for co-pay or deductible payments.)

How Flexible Spending Accounts work

There are two types of FSAs: One covers eligible dependent day care expenses; the other pays for eligible health care costs. Through your company's FSA program, you set aside a certain amount of your paycheck, before taxes are deducted.

Limits on dependent day care FSAs are established by federal policy and are the same for every company. However, the maximum amount you can contribute each year to your health care FSA is set by your employer; your employer will provide you with the limits of your plan.

If you wish to participate in one or both types of FSAs, you decide how much to contribute annually. This annual election total is divided into equal amounts each pay period, and contributions are placed into your accounts. The dollars remain in your account until you request reimbursement for eligible expenses.



Why you should participate in an FSA

By reducing your taxes, FSAs can help you increase your monthly spendable income and budget for health care and dependent day care expenses. Here's an example of how you could save through an FSA.

	With FSA	Without FSA
Monthly gross pay	\$2,500	\$2,500
Pre-tax contributions to FSA		
Dependent day care	\$300	\$0
Health care	\$100	\$0
Taxable Income	\$2,100	\$2,500
Less federal, state, FICA taxes	\$790.65	\$941.25
After-tax monthly pay	\$1,309.35	\$1,558.75
After-tax expenses		
Dependent day care	\$0	\$300
Health care	\$0	\$100
Net spendable income	\$1,309.35	\$1,158.75
Monthly savings	\$150.60	\$0
Annual Savings	\$1,807.20	\$0

This example is for illustrative purposes only and is not intended to represent any specific benefits plan or potential plan savings. Hypothetical plan savings are based on the employee's federal, state, local and FICA taxes totaling 37.65% of annual income. Your tax rates and actual savings are likely to be different.

Flexible Spending Account limits

Dependent Day Care FSA

Maximum Annual Contributions	Eligible Expenses	Eligible Dependents
<ul style="list-style-type: none"> ■ \$5,000 if you are head of household or are married filing a joint return ■ \$2,500 if you are married filing a separate return ■ Reimbursement is limited to the current balance in the Dependent Day Care Account 	<ul style="list-style-type: none"> ■ Reimbursable expenses generally are those that would be deductible on your tax return, such as child care (including some types of nonresidential summer camps) and elder care that you find necessary in order to go to work. ■ More details are available in IRS Publication 503, Child and Dependent Day Care Expenses 	<ul style="list-style-type: none"> ■ A child under 13 that you can claim as a dependent ■ A spouse or other dependent who is physically or mentally incapable of caring for himself or herself

Health Care FSA

Maximum Annual Contributions	Eligible Expenses
<ul style="list-style-type: none"> ■ Your company will set your Health Care FSA plan limit. You will be advised of the Health Care plan limit during your enrollment period. ■ Your entire annual contribution is available at the start of the plan year 	<p>During the year, you have access to health care FSAs for reimbursement of expenses that insurance does not cover, including:</p> <ul style="list-style-type: none"> ■ Deductibles, co-pays and other eligible expenses not covered by insurance ■ Prescription drugs and medical supplies ■ Dental services, orthodontics and dentures ■ Eyeglasses, contacts, solutions and eye surgery ■ Weight-loss programs (associated with treatment of a specific disease) ■ Chiropractic services ■ Psychiatric care and psychologist's fees ■ Smoking cessation programs ■ A more complete list of eligible expenses is available in IRS Publication 502, Medical and Dental Expenses



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The SHDR Benefit Access Visa® Debit Card is issued by Branch Banking and Trust Company, Member FDIC. Insurance products are offered by BB&T Insurance Services, Inc., a subsidiary of BB&T Insurance Holdings, Inc.

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