

The Pierce Group WEB PRESS

WINTER 2010

A NEWSLETTER TO KEEP YOU IN THE KNOW

THE IMPACTS OF PRE-TAX

Some of us clip coupons. Others reuse dryer sheets as dusting cloths. Some ride a bike or carpool whenever possible. However, when it comes to healthcare, most of us are willing to open up our wallets before considering ways to save. But with all the PPOs, HMOs, FSAs, HSAs, HDHPs, and millions of other acronyms explained with legal jargon and fine print, it's no wonder a lot of us don't know even where to start. To help clear the air, one of the best and most efficient ways to significantly save on healthcare costs and increase your spendable income is by taking advantage of pre-tax benefits.

So, I Have Pre-Tax Benefits. What Exactly Are They?

In a nutshell, pre-tax benefits allow you to pay for certain expenses through deductions taken from your pay before any taxes are taken out. Those pre-tax deductions work by discounting the amount of taxable wages you owe taxes on, so your take home pay ultimately ends up being more than if you were to pay for the same benefits on a post-tax basis.

What Kinds of Pre-Tax Benefits Are Out There?

In recent years, tax laws have been created that permit certain benefits to be paid with pre-tax money. One of the most popular types is known as Flexible Benefits which are governed by section 125 of the Internal Revenue Code. Flexible Benefits, commonly referred to as "Cafeteria Benefits" or "Flex Benefits," work much like a cafeteria where you have the option to pick and choose which items you'd like. This allows you to select the benefits that are of most value to you and forgo those benefits less important to you. While every benefit an employer offers under a Flexible Benefits Plan may not be offered on a pre-tax basis, many of the benefits to choose from are. For example, dental, vision, cancer, medical bridge, accident and intensive care benefits are commonly offered on a pre-tax basis.



Other common pre-taxed benefits offered in Flexible Benefits packages are Flexible Spending Accounts. Flexible Spending Accounts essentially work to help you pay out-of-pocket medical costs while increasing spendable income by electing a specified amount of pre-taxed money to be deducted from your paycheck each pay period. These dollars are then set aside in a reimbursement account and subtracted from your gross earnings before any taxes are taken. The two most popular components of Flexible Spending Accounts are Healthcare Flexible Spending Accounts and Dependent Care Flexible Spending Accounts. Healthcare Flexible Spending Accounts set aside money to be used to pay for out-of-pocket medical expenses including deductibles, co-payments, dental costs, vision costs, prescriptions and some other healthcare costs not covered by health insurance. Dependent Care Flexible Spending Accounts set aside money to be used to pay for expenses including childcare, eldercare, or services for a disabled dependent.

How Do Flexible Spending Accounts Work and How Do They Benefit Me?

When you contribute pre-tax dollars to a reimbursement account, you lower your taxable income. Therefore, you pay less in taxes and increase your spendable income.

For example, John has a daughter who needs braces that will cost \$1,200 over the next year. He also has a \$250 major medical coverage deductible. Plus, he needs glasses costing \$230. That totals up to \$1,680 for the year, or \$70 per bimonthly pay period. With a Healthcare Flexible Spending Account, John can increase his spendable income. See the chart below to see how.

	Before FSA	After FSA
Gross pay	\$1000.00	\$1000.00
Pre-tax Healthcare FSA	-0-	-\$70.00
Taxable Income	\$1000.00	\$930.00
FICA, fed & state taxes	-\$296.50	-\$275.75
Net pay	\$703.50	\$654.25
Healthcare FSA reimbursement		+70.00
Spendable income	\$703.50	\$724.25

After being reimbursed from the healthcare FSA, John's spendable income increases \$20.75 per pay period. Annually, he has increased his spendable income by \$498.00!

In Conclusion

Fact of the matter is we all need healthcare. Unfortunately, there is no way for us to control the actual cost of that care. However, pre-tax benefits allow us to save money for healthcare by lowering our taxable income and increasing our spendable income.

Meet the Team: IT Department

Next time you are importing payroll files or wondering how all those numbers came nicely packaged on a CD for you, remember that it's this database-building, number-crunching, and spreadsheet-making group of IT professionals behind the scenes making it all possible. Their in-depth experience and extensive knowhow make up the perfect recipe for impeccable results.

Samantha Duckworth:
I have been with PGB for:
About 10 months

Favorite part about your job:
Manipulating data (taking raw data and putting it into a useful and understandable format)

Favorite Office Supply:
Post-its

Favorite piece of technology:
My Roomba vacuum

If I were an animal I would be:
A duck

Matt Kulp
I have been with PGB for:
4 years

Favorite part about your job:
The free snacks

Favorite Color:
Green

If I could be one superhero, I'd be:
Batman

Favorite Pastime:
Disc Golf

Clint Schaefer
I have been with PGB for:
6 years

Favorite Color:
White

Favorite Office Supply:
White Out

I never leave home without:
Keys

Favorite holiday:
Thanksgiving

REMINDER: Important Medical Reimbursement Flexible Spending Account Changes for 2011

Beginning on January 1, 2011 changes will go into effect on how Medical Reimbursement FSA participants are reimbursed for certain types of over-the-counter (OTC) healthcare expenses.

Beginning January 1, 2011, over-the-counter drugs and medicines will no longer be eligible for reimbursement under a health FSA without a prescription from a provider. This means that a participant will NOT have the ability to use their Flex Card for the purchase of these items. To be reimbursed for these items, a participant will need to file a manual claim along with a prescription.

What IS considered an OTC "medicine or drug" that would require a prescription?

While the IRS did not provide specific guidance of what is considered an OTC medicine or drug, we are reasonably certain that the following items WILL require a prescription in order to be eligible for FSA reimbursement beginning January 1, 2011.

- Antacids
- Allergy and sinus medications
- Anti-diarrheals
- Anti-gas
- Anti-itch and insect bites
- Baby rash ointments and creams
- Cold sore remedies
- Cough, cold and flu medication
- Digestive aids
- Feminine anti-fungal/anti-itch
- Laxatives
- Motion sickness medication
- Pain relievers
- Respiratory treatments
- Sleep aids and sedatives
- Stomach remedies

What IS NOT considered an OTC "medicine or drug" and is still eligible for purchase using a Flex Card without a prescription?

While the IRS did not provide specific guidance of what is not considered an OTC medicine or drug, we are reasonably certain that the following items WILL NOT require a prescription in order to receive reimbursement from an FSA. Therefore, participants can still use their FSA debit card to purchase these items.

- Acne creams
- Anti-fungal foot medication
- Antiseptics and wound cleaners
- Band Aids
- Condoms
- Braces and supports
- Catheters
- Denture adhesives
- Diabetic testing and aids
- Diagnostic tests and monitors
- Elastic bandages and wraps
- Eye care and contact lens supplies
- Family planning kits
- Fiber laxatives
- First aid supplies
- Hearing aid batteries
- Infant electrolytes and dehydration solutions
- Infant teething pain supplies
- Insulin and diabetic supplies
- Nebulizers
- Orthopedic aids
- Ostomy products
- Reading glasses
- Smoking deterrents
- Syringes
- Thermometers
- Wheelchairs, walkers, and canes

CONTACT US!

Want to learn more about a particular product? Have any questions or comments about this newsletter or have suggestions for future issues? Maybe you'd just like to tell us your thoughts. We'd love to hear from you! Give us a call at 1.866.662.7500 or email us at jwelle@piercегroupbenefits.com.

YEAR END REVIEW

Can you believe it's almost the end of 2010? It's been a tough year for us all and has presented many challenges to small, large, private and public businesses alike. Fortunately, 2010 has also brought blessings and opportunities to many. For Pierce Group, we have been extremely fortunate over the past year in that our client base and office team has continued to grow and strengthen despite a struggling economy.

New in 2010: NC Schools Utilizing Pierce Group Benefits Services:

Effective in 2010:
Alpha Academy
Craven Community College
Edgecombe County Schools
Mountain Island
Perquimans County Schools
Scotland County Schools
Surry Community College

New 2010 Hires/Promotions:

DeVan Barbour – Promoted to Benefits Consultant
Jim Dubovec – Promoted to Benefits Consultant
Samantha Duckworth – IT Operation Specialist
Samantha Hall – Account Executive Administrative Assistant
Mindy Nieters – Executive Assistant
Janice Wagstaff – Service Specialist