



Preferred Group Plans, Inc.



I.R.S. Section 125 FLEXible Benefit Plans.

PREFERRED  
The  
FLEXible Benefit Plan:

A benefit tailored to YOUR needs

CHOOSE your benefits and savings!

Preferred Group Plans, Inc.

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LOOK Inside for  
TAX Savings!



## to Pay for Your Payroll Deducted Insurance Costs with FLEX!

Pay for your share of your employer-sponsored medical = dental = vision = hearing = drug insurance policies with *pre-tax* dollars

- **NO** change in current insurance coverage
- Change **HOW** you pay for your premiums
- Money deducted *pre-tax* in the exact amount of your premiums
- **SAVE up to 30% - 35 %** or more
- Increase your spendable income
- No calculating required
- Sign up today!



## to Use FLEXible Spending Reimbursement Accounts and SAVE!

Pay for eligible medical = dental = vision = dependent day care = private insurance premiums with *pre-tax* dollars

- Three separate Accounts that help you **SAVE up to 30% - 35 %** (or more depending on your tax bracket)
- Expenses for you, your spouse, and any dependents you claim on your Federal Income Tax Return, are eligible
- Enroll in any or all Accounts that your employer offers
- Select an Annual Target Amount that you expect to spend on eligible expenses during your Plan Year for each Account
- Set aside money *before* the taxes are taken out of your paycheck
- Submit claims for reimbursement as you incur eligible expenses
- **Same day** reimbursement for eligible claims
- 90-day Grace Period following the end of the Plan Year to submit vouchers for expenses that occurred *within* the Plan Year

### The Unreimbursed Medical Account

- Pay for medical, dental, hearing, and vision co-pays and deductibles with *pre-tax* dollars.
- Pay for out-of-pocket costs including eligible expenses **NOT** covered by your insurance.
- Immediate reimbursement *up to* your Annual Target Amount.
- Cosmetic procedures and insurance premiums are **NOT** eligible for this Account.

### The Dependent Day Care Account

- Pay with *pre-tax* dollars, for day care services that allow you and your spouse to work.
- Expenses for children up to age 13, disabled and elderly dependents are eligible.
- Dependents receiving services must spend at least 8 hours a day within your household.
- Overnight camps and medical costs are **NOT** eligible for this Account.

### The Premium Expense Account

- Pay for privately held, health-related insurance premiums with *pre-tax* dollars
- COBRA
- Contact Lens Insurance
- Disability Insurance (not recommended - benefits become *taxable* when premiums are paid on a *pre-tax* basis.)
- **NO** employment related spousal/dependent premiums.

**Q. What is a FLEXible Benefit Plan and how can it benefit me ?**

**A.** A FLEXible Benefit Plan allows you to pay for necessary eligible expenses with *pre-tax* dollars. When you set aside money *before* the government deducts taxes from your paycheck, you save up to 30%- 35% (or more depending on your tax bracket) on expenses that you already have. These expenses can include medical, dependent day care costs and health insurance premiums. The Plan is designed to allow you to participate in any, or all, of the benefits **that your employer offers**, to any degree (see below for limits). This means that you can *tailor* the Plan to suit your needs.

**Q. If I set aside part of my paycheck before taxes, will I make less money ?**

**A. No.** Your spendable income should remain the same or show an increase for your Plan Year. Here is an example of a married individual earning \$35,000 and paying \$1,500 in out-of-pocket medical expenses and health insurance premiums:

	Using After-Tax Dollars	Using Pre-Tax Dollars
Income	\$35,000	<b>\$35,000</b>
Eligible Expenses	0	<b>-1,500</b>
Taxable Income	35,000	<b>33,500</b>
Estimated Taxes	-9,905	<b>-9,458</b>
Income After Taxes	25,095	<b>24,042</b>
Eligible Expenses	-1,500	<b>0</b>
Spendable Income	23,595	<b>24,042</b>
Difference	0	<b>447</b>

**The \$447 shows this individual's 30 % savings in paying for eligible services of \$1,500 with *pre-tax* dollars.**

**Q. Is there any limit to the amount of money that I can set aside in a FLEXible Spending Account ?**

**A. Yes.** Your employer sets a maximum (and sometimes a minimum) amount that you can set aside in the Unreimbursed Medical Account. The maximum amount for the Dependent Day Care Account is set by the I.R.S. at \$5,000 (or \$2,500 if married and filing separate tax returns). There is no limit on the Premium Expense Account.

**Q. Once I set aside money before taxes, how do I get it back ?**

**A.** You are reimbursed for eligible expenses that occur within your Plan Year. In order to be reimbursed from any FLEXible Spending Account, you submit a *signed and completed* reimbursement voucher with third-party receipts to support your claim. You also have a 90-day *Grace Period* following the end of the Plan Year to submit vouchers for expenses that occurred *within* the Plan Year. Please see PGP's Reimbursement Voucher for more details on each Account.

**Q. What if I have to pay for expenses during the Plan Year, even though the services did not occur during the Plan Year?**

**A.** Reimbursement is made based on *dates of service*, not dates of payment. As a result, previous balances cannot be reimbursed.

**Q. What if I submit an amount for reimbursement that exceeds my payroll deductions at the time my voucher is received ?**

**A.** The Unreimbursed Medical Account allows you to be reimbursed *up to the annual amount that you set aside* at any time during the Plan Year, regardless of how much you have deposited in your Account.

The Dependent Day Care and Premium Expense Accounts are *different* than the Unreimbursed Medical Account. For these Accounts, you can only be reimbursed *up to your deposits* at the time that your voucher is received. The portion of your claim that is not reimbursed at the time that your voucher is received will be reimbursed as further payroll deductions are deposited in your Account.

**Q. What if there is money left in my FLEXible Spending Account(s) at the end of the Plan Year ?**

**A.** Any money left in your FLEXible Spending Account(s) at the end of the Plan Year is forfeited to your employer. Preferred Group Plans provides Quarterly and End-of-Year Account statements to help you keep track of the status of your Account(s). You will receive information with each reimbursement check on the Account(s) from which you were reimbursed. *In addition*, PGP counselors are available by phone from 8 AM - 6 PM Monday through Friday to review your Account(s) and answer any questions you may have. PGP encourages all of its participants to be conservative in their elections, especially during the first Plan Year.

**Q. Which I.R.S. rules apply to the FLEXible Spending Reimbursement Accounts ?**

**A.** The I.R.S. has established a few rules that participants in a FLEXible Spending Account need to be aware of. Your employer establishes a Plan Year. To participate in one or more FLEXible Spending Accounts, you must enroll each year. The elections you make at the time you enroll cannot be changed until the following year, unless you experience an I.R.S. defined *change in status*:

- Legal marital status
- Number of dependents
- Employment status
- Residence
- Cost of coverage for some benefit options

The change in election must be consistent with the change in status.

Funds in one FLEX Account cannot be transferred to another Account during the Plan Year.

**Q. Will my retirement benefits be affected by a FLEX Plan?**

**A. No.** Most retirement systems' benefits, such as the NY State Employees' and Teachers' Retirement Systems, are not affected by a FLEXible Benefit Plan and will continue to be based on your Gross Income.

**Q. Will my Social Security be affected by a FLEX Plan ?**

**A. Yes.** Because you do not pay Social Security taxes on the part of your income that you set aside, your Social Security benefits will be *only slightly* reduced. However, the reduction of benefits is *minimal*, and the advantages of the tax savings from a FLEXible Benefit Plan outweigh the reduced Social Security payments.

**Q. Can I be reimbursed for an expense that is not covered by my insurance carrier ?**

**A. Yes.** The Unreimbursed Medical Account can reimburse you for many eligible expenses that are not covered by your health insurance plan. In general, expenses that are medically necessary to treat or cure a specific condition are reimbursable. There are a few exceptions so please be sure to verify the eligibility of known expenses *prior* to the start of your Plan Year.

## Some Examples of Eligible Expenses

(Please Call PGP to Verify the Eligibility of an Expense *Prior To* the Start of Your Plan Year)

### Examples of Eligible Medical Expenses:

- Acupuncture
- Alcoholism Treatment
- Ambulance Services
- Artificial Limbs
- Braille Books
- Chiropractors
- Contact Lenses and Supplies
- Contraceptives (by prescription)
- Co-Pays
- Crowns, Bridges, and Dentures
- Crutches
- Deductibles
- Dental Cleanings
- Dermatologists
- Eye Examinations
- Fillings
- Glasses
- Hearing Aids and Batteries
- Home Health Care
- Home Improvements for Medical Purposes

- Hospital Bills
- Insulin & Syringes
- Laboratory Fees
- Mammography
- Mental Health Care
- Nursing (RN/LPN)
- OB/GYN Examinations
- Orthodontia
- Orthopedic Shoes & Braces
- Physicals
- Physical Therapy
- Prescriptions
- Psychiatric Services
- Radial Keratotomy / Lasik Surgery
- Seeing Eye Dog & Upkeep
- Sterilizations & Reversals
- Substance Abuse Treatment
- Surgical Expenses
- Telephone Equipment for the Deaf
- Transportation for Medical Purposes
- Well-Child Care
- Wheelchairs
- X-Rays

### Examples of Eligible Dependent Day Care Expenses:

- Babysitters (Daytime Only)
- Before/After School Programs
- Day Care
- Elder Care Centers
- Nursery School
- Summer Day Camps

### Examples of Eligible Privately Held Insurance Premium Expenses:

- COBRA
- Contact Lens Replacement
- Dental
- Disability (not recommended - benefits become **taxable** when premiums are paid on a **pre-tax** basis)
- Supplemental Health
- Vision

If a specific item or service is not listed,  
please contact Preferred Group Plans for verification of eligibility.  
(518)641-0321 ☎ (800) 573-7474

## Your FLEXible Spending Account Worksheet:

This will help you determine your annual out-of-pocket costs for each Account

Unreimbursed Medical Account		Annual		Annual		Dependent Day Care Account		Annual		Premium Expense Account		Annual	
Deductible(s)	\$ _____	Check-up/exam	\$ _____	Day Babysitters	\$ _____	Non-Employer	\$ _____						
Co-Pays	\$ _____	Orthodontia	\$ _____	Day Care Centers	\$ _____	Non-Employer	\$ _____						
Co-Insurances	\$ _____	Monthly	\$ _____	Elder Care	\$ _____	Non-Employer	\$ _____						
Prescription Drugs	\$ _____	Dentures	\$ _____	Day Camp	\$ _____	COBRA	\$ _____						
Special Equipment	\$ _____	Bridgework	\$ _____	Afterschool Programs	\$ _____	Contact Lens Plans	\$ _____						
Physicals	\$ _____	Partial Plates	\$ _____	Nursery School	\$ _____	Disability	\$ _____						
Medical Travel	\$ _____	Eye Exams	\$ _____	Other	\$ _____	Supplemental Health	\$ _____						
Hearing Aids	\$ _____	Contacts & Supplies	\$ _____		\$ _____	Other	\$ _____						
Other	\$ _____	Other	\$ _____		\$ _____		\$ _____						
<b>Total Medical, Dental &amp; Vision:</b>	<b>\$ _____</b>			<b>Total Dependent Care:</b>	<b>\$ _____</b>	<b>Total Premium Expense:</b>	<b>\$ _____</b>						