

Limited Purpose Flexible Spending Accounts

What is the Limited Purpose Flexible Spending Account?

A Limited Purpose Flexible Spending Account (LPFSA) is available to employees who are enrolled in a consumer-driven health plan with a Health Savings Account (HSA). The LPFSA lets you set aside money on a pre-tax basis - for both you and your dependents - the same way a regular FSA does, **except it is limited to dental and vision expenses so that it complies with IRS requirements.**

Should I enroll?

If you are enrolled in a consumer-driven health plan with an HSA and expect to have dental and/or vision expenses this year, you should consider enrolling in the LPFSA.

How does the Limited Purpose FSA save me money?

The LPFSA lets you set money aside for eligible dental and/or vision expenses before taxes are taken out of your paycheck. Here's an example:

Annual Savings*	With LPFSA	Without LPFSA
Annual Pay	\$50,000	\$50,000
LPFSA pre-tax contribution	(\$2,000)	\$0
Taxable income	\$48,000	\$50,000
Federal income, Social Security & Medicare taxes	(\$10,066)	(\$11,616)
After-tax dollars spent on eligible expenses	\$0	(\$2,000)
Real spendable income	\$37,034	\$36,384
Savings with the LPFSA	\$650	

* Sample tax savings for single taxpayer with no exemptions. Actual savings will vary based on your individual tax situation. Please consult a tax professional for more information.

How much should I contribute to my LPFSA?

That's up to you! Contributions are unique to your healthcare situation. Look at what you typically spend each year on out-of-pocket dental and vision expenses. Use the contribution calculator at www.spendingaccounts.info to help you estimate the amount that's right for you. (Annual contributions are subject to Plan or IRS limits, whichever is less.)

Note: Check with your human resources department for the current LPFSA annual contribution limits.

What is use-it-or-lose-it?

Because FSAs have tax benefits, the IRS places guidelines on them. As a general rule, any funds left in your account at the end of the plan year cannot carry into a subsequent year or be used to reimburse you for expenses you incurred after the end of the plan year. So, plan carefully when determining how much to contribute. **However, the IRS does allow employers to offer one of two options to help you avoid forfeiting funds - a 2 1/2 month extension (also called a "grace period") or a \$500 carryover. Check with your employer to see if either of these options are available to you.**

What are eligible expenses?

Dental and vision out-of-pocket expenses **only**. All other expenses that are normally eligible under FSAs are not eligible under the LPFSA. Also, cosmetic services, whether vision or dental, are not eligible.

How do I enroll?

First, be sure you are enrolled in a high-deductible health plan with an HSA. Once you have determined eligibility, estimate what you typically spend each year on qualified dental and vision expenses and elect that amount during Annual Enrollment. Remember, you must re-enroll for the LPFSA each year.

How do I get reimbursed from my LPFSA?

- Pay for an eligible expense out of your pocket.
- Submit online or use a claim form to fax/mail your expense information, along with appropriate documentation (e.g., receipts, EOB).
- Spending Accounts by WageWorks™ processes your request and, if it's eligible, reimburses you by check or direct deposit to your checking or savings account.

Where can I learn more?

Visit www.spendingaccounts.info for more information about FSAs, including a list of eligible expenses. To speak with an FSA specialist, call **1-800-228-5762**.