



insurance

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How to Increase Your Employees Take Home Pay and Increase Your Cash Flow



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At first blush this sounds too good to be true, yet thousands of employers around the country do this every pay period.

In this economy outright wage increases are not always possible as employers face declining cash flows. They'd like to see their employees earn more-they just can't afford increase their wages.

Some of you may have guessed the answer- Flexible Spending Accounts (FSA) under IRS Section 125. If your organization is already utilizing this tax advantage then you understand the benefits. You have given your employees the ability to use pre tax dollars to pay for medical bills and expenses not covered by their insurance.

Employers love this arrangement because they save on taxes; Social Security (FICA), as well as federal unemployment taxes (FUTA) and generally, state unemployment taxes, on the money employees contribute.

The savings on these taxes help the employer increase their cash flow and the employee effectively increases their take home pay. So if you are not taking advantage of the Section 125 opportunities it makes sense to take a harder look right now.

The FSA is a budgeting tool that can help take care of out-of-pocket expenses such as dental and optical care, insurance deductibles, co-pays, and prescription drugs.

Here's how it works:

An employee decides how much of their earnings should be set aside before taxes are calculated. This amount is automatically deducted from their paycheck every pay period, just like any other payroll deduction, and is deposited into their Health FSA account.

The employees would pay their out-of-pocket expenses up-front, then submit a claim and documentation and a reimbursement is made from their own account.

Out-of-pocket expenses include:

Eyeglasses and contact lenses
Medical insurance deductibles
Prescriptions
Co-payments
Orthodontia
Chiropractic services
Dental treatments
X-ray and laboratory services

The plan can be drafted to include Day or Dependent Care expenses, for those employees paying for this expense this can be a large part of their household budget.

The flexibility of an FSA plan makes it the best option for small to medium sized businesses.

Employer tax savings can average 7 to 10 percent of employee contributions.

Example:

20 Employees contributing \$100 per month = \$24,000 per year.

FICA Savings alone at .0765 x \$24,000 = \$1,836 in FICA Savings

Savings for Employees:

Premium contributions are automatically deducted from employee salaries before taxes are taken out. Because their taxable income is reduced by the amount they contribute, employees pay less tax on the money they earn. Employees see a savings in their FICA, federal, and, in most cases state, income taxes.

When employees become more aware of how they spend money on benefit items, they also tend to practice more cost-containment, resulting in savings for everyone.

If you would like to better understand how these savings would apply you contact us to receive our report on Section 125-Flexible Spending Accounts or call us to schedule a consultation.

Trivia Time

Here is your chance to be a winner! Reply to this email if you can correctly answer this question.

? Patients and/or their employers pay a regular amount each month to the insurance company regardless of whether or the patient is receiving any medical treatment. What is it called? ?

A: Deductible B: Bribery C: Coinsurance D: Premium

The first 2 people to answer correctly will receive a \$5 Starbucks Gift Card.

Good luck! Winners will be announced in the March issue of *Insurance Insider*.

Wellness

It's Heart Health Month and National Cancer Prevention Month

We have tools and resources that can help your employees take care, for themselves and those they love.

National Health Observances:

Click on the below links for more information

[Heart Health Month](#) – Learn the various ways you can take good care of your heart!

[Warning Signs of Heart Attack and Stroke](#) – Learn what to look for!

[National Cancer Prevention Month](#) – Learn ways to lower risk and stay healthy!

This material is for informational purposes only.

Thanks for reading *Insurance Insider*

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