

KNOW YOUR BENEFITS.

From [Your organization]

Dear employees:

It seems like health care costs are rising every day, adding to your financial burdens. But what if you could reduce that stress by planning ahead? That's what a flexible spending account (FSA) is for. Proactively saving money in an FSA will help you save on taxes while keeping a reserve of money available for qualified medical expenses. Ultimately, we are offering this FSA to help you and your family achieve and maintain your health potential.

When you participate in an FSA, you must decide at the beginning of the plan year how much to contribute for that year. This is important because you will generally lose what you don't use by the end of the year. However, FSAs still offer more value than paying for medical costs out of pocket, as FSA contributions are tax-free.

The following are some more advantages of using an FSA:

- **Tax reductions**—The amount you contribute to a health FSA is not subject to federal income or Social Security taxes—effectively adjusting your annual taxable salary. The taxes you pay each paycheck and collectively each plan year can be reduced significantly.
 - [Your organization] can also contribute to your FSA, and this amount is not considered taxable income to you.
 - You can withdraw money from your FSA to pay for qualified medical expenses and your withdrawals are not taxed.
 - You do not have to report FSA amounts on your income tax return.
- **Convenience**—After the initial election at the beginning of the year, [Your organization] will take care of transferring the allotted amount into your FSA through salary deferral.
- **Flexibility**—You can withdraw health FSA funds at any time (for qualified medical expenses), even if the amount has not yet been deposited into the account, as long as the amount is no more than your elected annual deferral amount minus any amount already used.

You will receive more information about the FSA plan as we get closer to our annual open enrollment period. We are pleased to be able to offer you this exciting new alternative for our employee health benefits plan.

Sincerely,

[Insert name]

[Insert title]