Flexible Spending Accounts (FSAs) allow you to pay for out-of-pocket health care and dependent day care expenses with tax-free money. You deposit a set amount out of your paycheck into these accounts before any taxes are calculated. Throughout the year, you are reimbursed from the accounts for eligible health care and dependent day care expenses. This is a great way to increase your spending power and decrease your taxes!

**Example:** Using the FSA for her health care expenses, Laura increased her spending power by $650 per year. Here's how she did it:

<table>
<thead>
<tr>
<th></th>
<th>Without FSAs</th>
<th>With FSAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual pay</td>
<td>$36,000</td>
<td>$36,000</td>
</tr>
<tr>
<td>Contribution to FSAs</td>
<td>N/A</td>
<td>$2,000</td>
</tr>
<tr>
<td>Taxable income (W-2 earnings)</td>
<td>$36,000</td>
<td>$34,000</td>
</tr>
<tr>
<td>Federal and state income taxes</td>
<td>$5,200</td>
<td>$4,700</td>
</tr>
<tr>
<td>FICA (Social Security + Medicare)</td>
<td>$2,750</td>
<td>$2,600</td>
</tr>
<tr>
<td>Total taxes</td>
<td>$7,950</td>
<td>$7,300</td>
</tr>
<tr>
<td>After tax expenses</td>
<td>$2,000</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Net spendable income</strong></td>
<td><strong>$26,050</strong></td>
<td><strong>$26,700</strong></td>
</tr>
<tr>
<td>Tax savings with FSAs</td>
<td>N/A</td>
<td>$650</td>
</tr>
<tr>
<td><strong>Increase in spendable income:</strong></td>
<td>N/A</td>
<td><strong>$650</strong></td>
</tr>
</tbody>
</table>

**Example:** Andrew uses the FSA for both dependent care and health care expenses. He has a three-year-old in preschool and his day care expenses are $5,000. Andrew wears contact lenses and needs to have two dental crowns done. He estimates his out-of-pocket medical expenses at $2,000 for the year. Andrew gives himself an instant 3.5% "raise" by using the FSA. Here's how:

<table>
<thead>
<tr>
<th></th>
<th>Without FSAs</th>
<th>With FSAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual pay</td>
<td>$65,000</td>
<td>$65,000</td>
</tr>
<tr>
<td>Contribution to FSAs</td>
<td>N/A</td>
<td>$7,000</td>
</tr>
<tr>
<td>Taxable income (W-2 earnings)</td>
<td>$65,000</td>
<td>$58,000</td>
</tr>
<tr>
<td>Federal and state income taxes (25% bracket)</td>
<td>$16,250</td>
<td>$14,500</td>
</tr>
<tr>
<td>FICA (Social Security + Medicare)</td>
<td>$4,972</td>
<td>$4,437</td>
</tr>
<tr>
<td>Total taxes</td>
<td>$21,223</td>
<td>$18,937</td>
</tr>
<tr>
<td>After tax expenses</td>
<td>$7,000</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Net spendable income</strong></td>
<td><strong>$36,777</strong></td>
<td><strong>$39,063</strong></td>
</tr>
<tr>
<td>Tax savings with FSAs</td>
<td>N/A</td>
<td>$2,286</td>
</tr>
<tr>
<td><strong>Increase in spendable income:</strong></td>
<td>N/A</td>
<td><strong>$2,286</strong></td>
</tr>
</tbody>
</table>

The information in this brochure is summary in nature and is intended for educational purposes only. For specific information about your FSA Plan, please refer to the Summary Plan Description and/or Plan Document. In the event that this brochure is not in accordance with the official Plan documents, the official Plan documents shall prevail.
About Your Plan Summary

Plan details vary from company to company. Once you have enrolled, you will have access to it on TRI-AD’s FSA Participant Toolkit. The Plan Summary contains an overview of important plan features, such as:

- **Contribution limits:** The maximum amount you can contribute to the accounts is determined by your employer and is listed on the Plan Summary.

- **The plan year:** Plan years vary from company to company and may not be a calendar year. It’s important that you know the plan year dates so you can estimate expenses properly.

- **The debit card:** Some companies offer a debit card as a reimbursement method. If the debit card is available, you should also have a separate insert with this brochure that describes the debit card.

- **The grace period:** Many plans also offer a short period of time after the end of the plan year in which you can continue to use up your prior year’s account balance. You must be participating at the end of the plan year to take advantage of the grace period. This grace period is typically a couple of months or so.

- **The claim deadline:** The deadline for submitting claims is the end of the “run-out period.” Claims received after the end of the run-out period will be denied.

A Few FSA Ground Rules

Flexible Spending Accounts are allowed by the IRS as long as certain rules are followed. Some of the rules apply to both types of accounts and are given here. Some important things to keep in mind are:

- **There are two separate accounts:** Please remember that the Health Care and Dependent Care FSAs are two separate accounts. You cannot use money deposited in the Health Care FSA to pay dependent day care expenses, or vice versa.

- **You have to substantiate your claims:** The IRS requires certain documentation to prove that your claim is legitimate. If you provide this documentation, your claim will be reimbursed promptly, and without it your claim will be denied.

- **You will only be reimbursed for eligible expenses incurred during plan participation:** Each account has specific rules for what is considered eligible. Those rules are given under the discussion for each type of account later in this brochure.

- **You must use all the money – or you will lose it:** Any money left over in either account at the end of the plan year run-out period cannot be rolled over to the next plan year or paid to you in cash.

- **If you terminate employment, this is considered the end of your plan year:** You may be able to make arrangements with your employer to continue coverage.
The Health Care FSA allows you to use tax-free dollars for eligible health care expenses that are not covered by insurance for you, your legal spouse* and your eligible dependents. You determine the amount of money you would like to deposit and it is deducted before any taxes are taken from your paycheck. You can then use that money to pay for eligible health care expenses.

Your entire annual election amount is available on the first day of the plan year. If you submit a claim for more than your current balance, you will be reimbursed for up to your annual election amount. This allows you more flexibility in how you incur and claim expenses.

Your plan year is the period of time you are participating in the plan. It begins whenever you enter the plan. You cannot be reimbursed for expenses incurred before you entered the plan.

Eligible Dependents
The IRS specifically defines who is considered to be an eligible dependent for the Health Care FSA. You may only submit expenses for yourself and your eligible dependents. A dependent is eligible whether or not he/she is covered on your health plan, as long as he/she is:

- your spouse*; or
- your child who is age 26 or younger.

You may also use the FSA for eligible health care expenses for any other person who resides in your home for at least six months of the year and for whom you claim a dependency deduction on your federal income taxes. (For example, if you have a domestic partner, unless he/she meets the criteria for being a tax dependent, you would not be able to claim health care expenses through the FSA for your domestic partner. This applies even if your domestic partner is covered on your health insurance.)

* Note: FSA Plans are governed by federal law, which generally does not allow same-sex spouses to be classified as dependents unless they also meet tax dependent requirements.

Here’s an example of how a Health Care FSA claim might work. Because the entire annual election amount becomes immediately available, Liz can go “into the red” on her account.

Liz

January 1, annual election amount .................................................. $1,500
Biweekly paycheck deductions .................................................... $62.50
January account balance .............................................................. $125
January 31, submits claim for doctor visit ...................................... $500
Reimbursement amount ............................................................... $500
Account Balance ........................................................................ $375

Helpful Hint
Your dependent does not have to be covered on your health insurance for you to run their out-of-pocket expenses through the Health Care FSA. As long the person is an eligible dependent, their eligible expenses qualify for reimbursement.
Partial List of **Common Eligible and Ineligible Expenses**

The list of expenses for which you can claim reimbursement from the Health Care FSA is extensive. This section provides just a few of the most commonly-claimed expenses so that you can get an idea of how you might use the account.

If you are considering budgeting for an expensive procedure like LASIK, major dental work or orthodontia, have an evaluation and receive your cost estimates before you set the money aside.

Please keep in mind that the list of eligible expenses is determined by the Internal Revenue Service (IRS) Code Section 213, and is not at your employer’s or TRI-AD’s discretion. The IRS also requires you to provide documentation proving that your claim is eligible. This is discussed more in the section titled “Submitting Your Claims.”

*This list is a general guideline and is not intended to be a guarantee of reimbursement or eligibility. Please review your employer-sponsored benefit plan descriptions and enrollment materials for specific information, or consult your personal tax advisor.*

### Helpful Hint

Access to an extensive list of eligible items is available on TRI-AD’s FSA Participant Toolkit, or by logging in to your FSA account at www.tri-ad.com/fsa

### Some Common Eligible Expenses

<table>
<thead>
<tr>
<th>Expense Description</th>
<th>Your estimated expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acupuncture, acupressure, and other therapies for specific medical conditions</td>
<td>$</td>
</tr>
<tr>
<td>Chiropractic visits</td>
<td>$</td>
</tr>
<tr>
<td>Contraceptives</td>
<td>$</td>
</tr>
<tr>
<td>Dental care</td>
<td>$</td>
</tr>
<tr>
<td>Drug and medical supplies</td>
<td>$</td>
</tr>
<tr>
<td>Eye care: exams, prescription glasses and sunglasses, contact lenses and solutions, LASIK procedures</td>
<td>$</td>
</tr>
<tr>
<td>Fertility treatments</td>
<td>$</td>
</tr>
<tr>
<td>Hearing aids</td>
<td>$</td>
</tr>
<tr>
<td>Insurance copays and deductibles</td>
<td>$</td>
</tr>
<tr>
<td>Orthodontia (including prepaid arrangements)</td>
<td>$</td>
</tr>
<tr>
<td>Physical therapy for a specific medical condition</td>
<td>$</td>
</tr>
<tr>
<td>Prescription drugs and <strong>prescription</strong> vitamins</td>
<td>$</td>
</tr>
<tr>
<td>Psychology, psychiatry care and fees</td>
<td>$</td>
</tr>
<tr>
<td>Reconstructive surgery related to a medical condition</td>
<td>$</td>
</tr>
<tr>
<td>Smoking cessation programs</td>
<td>$</td>
</tr>
<tr>
<td>Treatment for alcoholism and drug addiction</td>
<td>$</td>
</tr>
<tr>
<td><strong>Annual Total</strong></td>
<td>$</td>
</tr>
</tbody>
</table>

### Items that may be eligible under specific conditions

- Family counseling is eligible if it is related to a medical condition (for example, counseling associated with a cancer diagnosis or drug addiction treatment). General marital and family counseling is not eligible.

- Retin-A for a specific medical condition

- Weight loss programs – if prescribed by a doctor (Note: food is not reimbursable)

- Over-the-Counter Items – The IRS requires a prescription for over-the-counter (OTC) drugs and medicines to be considered eligible expenses in your FSA.

### Common ineligible expenses include

- Premiums for other health plans, including COBRA

- Cosmetic procedures (teeth whitening/veneers, liposuction, Botox, etc.)

- Fitness programs

- Vitamins and supplements used for general wellness

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**Learn More Online!**

www.tri-ad.com/fsa
The Dependent Care FSA lets you use tax-free dollars to pay for child and elder day care costs incurred so that you and your spouse may work or attend school full-time. (This account is not to cover your dependents’ health care expenses. Use the Health Care FSA for that.)

The IRS allows a family maximum contribution of $5,000 per calendar year to the Dependent Care FSA. If your spouse also participates in a Dependent Care FSA, your combined contributions cannot be higher than the family maximum. If you are married and file separate tax returns, the maximum amount you can contribute is $2,500. Special rules apply for determining the earned income of a spouse who is disabled, a full-time student or unemployed. Please contact TRI-AD or your tax advisor for more information.

Unlike the Health Care FSA, the amount available for reimbursement from your Dependent Care FSA is the amount you have contributed to date. If a claim exceeds the amount currently in your account, you will receive partial payments based on your account balance until the expense is fully paid or your contributions for the plan year cease.

### Eligible Dependents

The dependent must live in your home for at least eight hours a day to qualify for Dependent Care FSA expenses. The dependent must also meet at least one of the following requirements:

- Under age 13 who you claim as a dependent on your income tax return or if you are legally separated or divorced, for whom you are the custodial parent.
- A child, spouse or other dependent who is physically or mentally incapable of self-care, and for whom you claim a dependency deduction on your federal income taxes.

### IRS Guidelines

- Dependent care expenses paid to one of your dependents are not reimbursable. For example, money you pay to your 17-year-old to watch your 12-year-old cannot be claimed.
- Day care centers that care for more than six children must be licensed.
- Expenses can only be reimbursed after they have been incurred. If you prepay your day care, you may not submit it for reimbursement until after the service has been rendered. For example, if you pay for the entire month of July on July 1, you may not submit your reimbursement request until July 31.

### Dependent Care FSA or Federal Income Tax Credit: Which is Right for You?

The IRS allows a tax credit for dependent care. You cannot claim the same expenses for both the Dependent Care FSA and Federal Income Tax Credit, so you need to decide which is better for you. In general, higher wage-earners and those with one eligible dependent benefit more from the Dependent Care FSA, and lower wage-earners and those with more than one child may benefit more from the tax credit. Your situation is unique, so we suggest you consult with your tax advisor before making your choice.

---

**Eligible Expenses**

<table>
<thead>
<tr>
<th>Eligible Expenses</th>
<th>Your estimated expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Care in or outside your home</td>
<td>$</td>
</tr>
<tr>
<td>Related incidental household services</td>
<td>$</td>
</tr>
<tr>
<td>Preschool tuition, if part of the total dependent care</td>
<td>$</td>
</tr>
<tr>
<td>Before and after school care</td>
<td>$</td>
</tr>
<tr>
<td>Many summer day camps, including activity-based camps where the activity and day care fees are integrated. For example, if your child goes to football camp, the day camp costs would be eligible but sports equipment would not. Overnight camps are not eligible. Summer school programs whose primary purpose is education rather than day care are not reimbursable. Equipment costs are also not reimbursable.</td>
<td>$</td>
</tr>
<tr>
<td><strong>Annual Total</strong></td>
<td><strong>$</strong></td>
</tr>
</tbody>
</table>
Enrolling in the Plan

Once you have estimated your expenses, you are ready to enroll. You can enroll at the following times:

- During your company’s annual open enrollment
- Within 31 days of the date you first become eligible to participate
- Within 31 days of the date a “qualified status change” occurs, if permitted by your company’s plan.

Changing Your Election

Once you enroll, your election will remain in effect for the entire plan year. Your company’s plan may allow you to change your elections if you have a status change such as marriage, birth or divorce. Election changes made because of a qualifying event must be consistent with the status change. For example, if you have a baby, you may increase your Health Care FSA election, but you may not decrease it.

Your annual election will be divided by the number of pay periods in the plan year. For example, if you have 26 pay periods per year and you elect $2,600, your per-pay-period deduction would be $100.

Employers have different methods for accepting enrollments. Some use automated enrollment systems and others use enrollment forms. Please follow your employer’s instructions for successfully enrolling in the plan.

Frequently Asked Questions

Can I participate if I’m not enrolled in my company’s health plan?
Yes. You can still participate in one or both FSA plans.

Why should I participate if I have health care coverage?
You could significantly increase your spendable income! The amount you elect to contribute is deposited into the FSA before taxes are deducted from your paycheck, so you pay your eligible expenses with tax-free dollars. This can mean as much as a 30% to 35% discount on those expenses.

What happens if I terminate my participation or employment, or my position is reduced to part-time during the year?
Health Care FSA—Once your employment is terminated, or if you have a qualified status change that permits you to terminate your plan participation, or if you no longer meet eligibility requirements, your plan year is over. The only expenses that you may submit are those you incurred from your entry date through your date of termination. If you elect COBRA, you can continue to submit expenses until your account balance is zero.

Dependent Care FSA—You can still be reimbursed for expenses you incur after your termination/reduction in hours date until the end of the plan year. Continue submitting the eligible expenses you have before the last day of your company’s run-out period for the plan year. You will be reimbursed all the money you have contributed to your account if your claims meet or exceed your contributions.

What happens if I have money left in my account at the end of the plan year?
Due to current IRS regulations, any money left in your FSAs at the end of the plan year must be forfeited. You cannot roll your money into the next plan year or be paid in cash. However, if you plan properly, you most likely will not forfeit any money. There are many ways to spend any unused balance before the end of the plan year. (Note: your employer may have adopted the grace period for your plan. If you are participating in the plan the last day of the plan year, you have until the end of the grace period to spend your remaining balance. Please check your Plan Summary to see if the grace period applies.)

During what timeframe are expenses eligible for reimbursement?
An expense is “incurred” on the date you receive the service or treatment, not the date you are billed or when you paid for the service. Only eligible expenses that you incur during the plan year (and any applicable grace period) will be reimbursed. You will have a “run-out period” after the end of the plan year during which you can submit claims for expenses incurred during the plan year. This run-out period varies from company to company, so please check your Plan Summary for information.

How do I get reimbursed?
You must submit a claim form and attach the required documentation. Details about necessary information are on the claim form. Your personalized claim form will be available on TRI-AD’s Web site once you enroll. (Note: check your Plan Summary to see if your plan also includes the debit card feature.)

How will I know how much money I have in my account(s)?
You can check your account balance 24 hours a day, seven days a week on TRI-AD’s Web site or by calling the Voice Response Unit. You will also receive an account statement with each reimbursement check and direct deposit advice.

Learn More Online!
www.tri-ad.com/fsa
As you incur eligible expenses during the plan year, submit your receipts and a claim form to TRI-AD. See the "Tips for Successfully Filing a Claim" for further information.

About the Personalized Claim Form

Once you enroll, you will receive a Welcome Kit that contains the information you need to access TRI-AD's FSA Participant Web site. If you log into the site, you can pull down a personalized claim form.

The top portion of the form is pre-completed so that you don't have to enter your name, address, and other personal information. The information that displays is provided to us by your Human Resources department, so please contact your HR department if there is an error.

You can also receive confirmation of receipt of your fax when you use the personalized claim form. Once you have provided your e-mail address on your online account profile, you will receive an e-mail confirmation of receipt any time you fax in a claim submitted on your personalized claim form.

The confirmation e-mail simply confirms that TRI-AD has received your fax and the number of pages received. It does not confirm that your claim is eligible or that it will be reimbursed.

(Note: if you update the e-mail address and submit a claim that same day, you will not receive an e-mail confirmation on that first fax transmission. If you use the general company bar-coded claim form, there will be several days’ delay before you receive a receipt confirmation because you did not use your personalized claim form.)

Tips for Successfully Filing a Claim

1. Complete your form legibly. If we can't read it, we can't process it. The best way is to log into the TRI-AD FSA Web site and use your personalized claim form.

2. Provide the supporting documentation. IRS rules say that your documentation must show:
   • The date the service was incurred (not the date you paid the bill)
   • The service provider’s name
   • To whom the service was provided
   • The price paid
   • A clear and detailed service description

   Acceptable documentation: Examples of acceptable documentation are insurance company Explanation of Benefit forms (EOBs), receipts showing the above information, and “bag tags” for prescriptions.

   Unacceptable documentation: Bank card statements, canceled checks, estimates of expenses and balance forward statements are not valid documentation.

3. Sign your form. An unsigned form will stop your reimbursement!

4. Submit your claim: Fax or mail us your claim. If your Plan allows, you can also submit your claim online.

Helpful Hint

Using the personalized claim form is easy and it speeds up the reimbursement process. Just log in to your account to access the form.
TRI-AD’s FSA participant Toolkit is designed to put you in control of your FSA, at your convenience. The information is available 24 hours a day, 7 days a week, and is updated daily.

Go to www.tri-ad.com/fsa to access the site. There are many tools you can use without even logging in just by clicking on the “FSA Tools” link. You can access this brochure, an online educational presentation, frequently asked questions, the list of eligible expenses, the expense estimation worksheet, a tax savings calculator, and other helpful items.

You will need to register the first time you access your account. After that, you will log in to your account using the Username and Password you established when you registered. Once you log in, you can submit claims online (if your plan allows), access your claim and payment history, see your plan summary, and more.

Customer service representatives are available Monday through Friday from 5:00 a.m. to 6:00 p.m. Pacific Standard Time.

Local San Diego: (760) 743-7555
Outside the San Diego area: (888) 844-1FSA(1372)
Voice Response Unit: (888) 844-1372
FSA Fax: (866) 233-4741
Web: www.tri-ad.com/fsa

Learn More Online!
www.tri-ad.com/fsa

Click any of the links in this area to learn more about FSAs.

Before you log in the first time, you will need to register to create your Username and Password

Once you have registered, enter your Username and Password to access your account. You can submit claims online, check claim status, view claim and payment history, and more.

Click here for help if you forget your Username and/or Password

Scroll down to access additional tools and calculators and the list of eligible expenses.