Important Items

- Reduce your concern about "use it or lose it".
  - Expenses can be incurred between January 1, 2014 and March 15, 2015, provided you remain active for all of 2014. All claims must be filed by April 30, 2015.
  - Go to www.ncflex.org and review HOTTOPICS "OTC Eligible Items".
  - Review IRS publications 502 for eligible expenses.
- Tax-free contributions may slightly reduce your Social Security benefits; however, the value of your tax savings with an FSA should more than offset the slight reduction in Social Security benefits in the future years. Ask your Tax Advisor.
- Consider investing the additional savings. Ask your Tax Advisor.
- Be creative—find a way to start a second stream of income.

HBRs – You are Important!

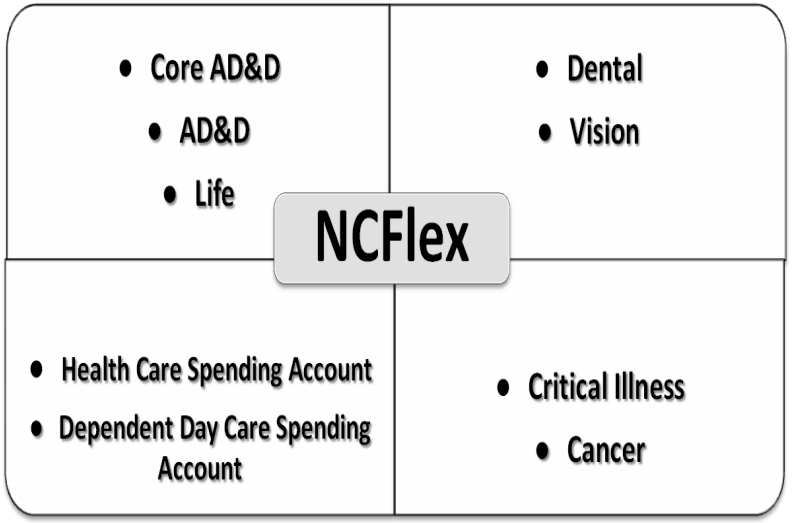
- Lastly HBRs, we want to THANK YOU for your continued support in the NCFlex Benefit Programs.

- Employees look to you for help. Our goal was to help you better understand Pre-tax Benefit Plans and provide you an additional visual tool to use in discussing this with employees.

Thank You!

NCFlex
Pre-Tax Benefits

The Pre-Tax Advantage



The NCFlex Program is administered through the Office of State Human Resources

Prepared by: Judy G. Reed, CHC
Updated: August 28, 2013

Understanding Pre-Tax Benefits

- Convenience and Tax Savings—Contributions for NCFlex benefits are made through payroll deduction **before taxes** are withheld. ***Savings is realized each pay period with increased Take Home Pay***.

- Two ways to save:
  - Save pre-tax dollars on premiums you pay for: Dental, Vision, Voluntary AD&D, Cancer, Life and Critical Illness Plans.
  - Health Care Spending Accounts and Dependent Day Care Spending Accounts. Save pre-tax dollars on out-of-pocket eligible expenses (medical, dental, pharmacy, day care costs, and other eligible expenses).

- NCFlex is an employer-sponsored benefit pre-tax program, meaning that if you transfer to another agency, university or select community college you can take the same benefits with you.

How Pre-tax Savings are Generated!

- The following two slides are based on a 43 year old Employee with an income of $40,020.
- Slide ① will be a married employee with a spouse and 3 children and has day care expenses, annual out-of-pocket medical/ pharmacy costs and cost of insurance premiums.
- Slide ② will be a single employee with no children; however, does have annual out-of-pocket medical/pharmacy costs and insurance premiums.
- In both slides we have used an estimated 30% tax base.
- **The out-of-pocket expenses are the same regardless of whether the money was After Tax or NCFlex Pre-tax.** The employee's take-home pay is more with NCFlex Pre-tax as the employee is not paying tax on their eligible out-of-pocket expenses.

Employee keeps the savings!

①

EMPLOYEE - 43 years old
ANNUAL INCOME: $40,020
MARRIED
Spouse & 3 CHILDREN

AFTER TAX EXAMPLE		NCFlex PRE-TAX EXAMPLE	
GROSS PAY - Monthly	$3,335.00	GROSS PAY - Monthly	$3,335.00
*TAXES	$1,000.50	DAYCARE SPENDING ACCOUNT	$400.00
		MEDICAL SPENDING ACCOUNT	$200.00
		**NCFlex Plans - Total Premium	$187.70
ADJUSTED GROSS PAY	$2,334.50	ADJUSTED GROSS PAY	$2,547.30
DAYCARE EXPENSES	$400.00	*TAXES	$764.19
MEDICAL EXPENSES	$200.00		
**Insurance Premiums	$187.70		
TAKE HOME PAY	$1,546.80	TAKE HOME PAY	$1,783.11

*TAX ESTIMATED AT 30%
** For comparative - NCFlex & After Tax Premiums based on the following:

Enhanced Vision - Family	$23.22
AD&D $200,000 - Family	$6.00
Dental FAMILY (High Op)	$132.42
Cancer FAMILY (High Op)	$26.06
TOTAL Premiums **	$187.70

- Monthly Income Saved by Pre-Taxing Benefits/Expenses = $236.31
- Annualized Savings: $2,835.72

②

EMPLOYEE - Age 43
ANNUAL INCOME: $40,020
SINGLE

AFTER TAX EXAMPLE		NCFlex PRE-TAX EXAMPLE	
GROSS PAY - Monthly	$3,335.00	GROSS PAY - Monthly	$3,335.00
*TAXES	$1,000.50		
		MEDICAL SPENDING ACCOUNT	$200.00
		**NCFlex Plans - Total Premium	$69.54
ADJUSTED GROSS PAY	$2,334.50	ADJUSTED GROSS PAY	$3,065.46
MEDICAL EXPENSES	$200.00	*TAXES	$919.64
**Insurance Premium	$69.54		
TAKE HOME PAY	$2,064.96	TAKE HOME PAY	$2,144.28

*TAX ESTIMATED AT 30%
** For comparative – NCFlex & After Tax Premiums based on the following:

TERM LIFE -	$100,000	$12.00
Enhanced Vision - Single		$ 8.64
AD&D $200,000 - Single		$3.80
Dental Single (High Op)		$ 37.40
Critical Illness - Single		$7.70
TOTAL Premiums **		$ 69.54

- Monthly Income Saved by Pre-Taxing Benefits/Expenses = $79.32
- Annualized Savings: $951.84