

Stretch Your Benefit Dollars

Voluntary benefits provide vital options for today's employee benefit programs, but there are additional ways to offer your employees greater choices and value.

If you're not familiar with Section 125¹, or flexible benefit options, consider how they could help you enhance your benefits program.

Premium Only Plan (POP) Administration

A POP plan helps enhance your employee benefits package while reducing taxes. The premiums for benefits under a POP plan are deducted from an employee's gross earnings. Through a POP plan you can:

- Reduce employees' taxable income, which also means reduced taxes for you and increased take-home pay for them.
- Enable your employees to choose the benefits that best fit their needs and pay for them with pretax dollars.

Through our marketing alliances, Colonial Life can provide you with POP administration and help ensure you are in compliance with Section 125 regulations — at no direct cost to you.

Premium Only Plans offer significant savings.

Company Size	Estimated Tax Savings
5 Employees	\$2,295
10 Employees	\$4,590
15 Employees	\$6,885
20 Employees	\$9,180
35 Employees	\$16,065
50 Employees	\$22,950

For illustrative purposes only. Taxes may vary by state. Deductions may vary by individual.

How much can an employer really save?

$$\begin{array}{r}
 \$500 \text{ Employee's monthly insurance cost deducted from payroll.} \\
 \times 12 \text{ Months} \\
 \hline
 \$6,000 \text{ Employee's payroll deduction per year} \\
 \times 7.65\% \text{ (7.65\% in FICA Taxes)} \\
 \hline
 \$459 \text{ Annual Employer savings per employee}
 \end{array}$$

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Flexible Spending Accounts (FSAs)

With the overall cost of living increasing, every dollar counts for your employees. By offering FSAs, you can help them decrease their taxable income and increase their take-home pay, while they pay for essentials such as out-of-pocket health care charges or dependent care. Because they reduce the employees' taxable income, FSAs can reduce the taxes you pay, as well.

Through an FSA, employees elect to have a specified amount of pretax money deducted from their paycheck each pay period. These dollars are set aside in a reimbursement account and deducted, pretax, from the employees' gross earnings.

They can then use money in their account to pay for qualified medical expenses.

Dependent Care Flexible Spending Account

With this plan, employees use the pretax money they set aside in their reimbursement account to pay for eligible expenses such as daycare, preschool or after-school care for a qualified dependent.

Health Care Flexible Spending Account

Even the best health care plans can't cover everything. A health care flexible spending account enables employees to use the pretax money in their reimbursement account to pay for qualified medical expenses such as out-of-pocket medical charges, deductibles, prescription co-pays, and dental and vision expenses.

\$770	
- \$750	
\$20	in pretax savings per paycheck
x 26	paychecks per year
+\$520	in additional annual take-home pay

Sample paycheck	Before health care FSA reimbursement	After health care FSA reimbursement
Gross pay	\$1,000	\$1,000
Pretax reduction (major medical)	0	-\$70 (Set aside until you use it)
Taxable income	\$1,000	\$930
FICA, federal and state taxes	-\$180	-\$160
Net pay	\$820	\$770
Health care expenses	-\$70	0
Take-Home Pay	\$750	\$770

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Talk with us today to learn how flexible benefit options can help stretch benefit dollars for both you and your employees.