



Dependent Care Flexible Spending Account



The Value of Dependent Care Flexible Spending Accounts

A Dependent Care Flexible Spending Account (FSA) provides tax-exempt funds you can use to pay for eligible expenses related to the care and supervision of your child or elder dependent. Whether you're a single parent or you and your spouse work or attend school full-time, providing supervised care for your dependents is essential to your livelihood. Expenses such as day care, before and after-school care or even day camps can amount to significant costs paid directly from your pocket.



Reduce your dependent care expenses by 20% - 40%

Because your FSA contributions are exempt from Federal income tax, Social Security taxes (FICA) and, in most cases, state income tax, you can save 20% - 40% on the child and elder care services you require every working day. While your actual savings is based on your individual tax rate, let's look at a typical scenario for a family of four at a 30% tax rate:



The Johnsons both work and place their two young children in daycare each week day. For the two children, they pay \$250 per week. Although their actual daycare costs are much higher, they take advantage of a Dependent Care FSA account and contribute the maximum amount of \$5,000. Given their 30% tax rate, the Johnson's FSA contributions create a savings of \$1,500 per year. That's like getting six free weeks of daycare every year!

With the cost of living rising every day, think about the impact that kind of savings can have on your household budget.

It's All Yours

There is no cost to you to have and use a Dependent Care Flexible Spending Account... no setup fees, no premiums or membership fees, no hidden fees.



- Save 20% to 40% on your dependent care expenses
- Reduce your income taxes
- Fund your account with simple paycheck deductions
- Receive reimbursement for expenses through simple claims filing

Plan Your Contributions

The key to getting the most from your ADP Dependent Care FSA is to maximize your contributions based on anticipated eligible expenses. To plan your contributions, follow these simple steps.

- Review the list of eligible expenses on the FSA website.
- Review your child or elder care expenses from last year.
- Write down any anticipated changes to your dependent care needs during the benefit year (changes in provider cost, placing a new child in daycare, requiring daycare for an elder dependent.)
- Estimate your cost for each dependent care item.

The total of your individual estimates is what you should contribute to your Dependent Care FSA.

Remember, the more you need to spend on eligible expenses, the greater the value and savings you will realize from your Dependent Care FSA.

It is also important to remember that an FSA is not a savings account. You must use all of your contributions each year or risk losing any unused balance at the end of the benefit plan year. If needed, contribution planning assistance can be located on the FSA website.

Remember, you must actively re-enroll in your Dependent Care FSA each benefit plan year.

Eligible Expenses

Because the Dependent Care FSA is funded with pre-tax dollars, the Internal Revenue Service determines the expenses that are eligible for reimbursement. If you are uncertain about whether or not an expense qualifies for reimbursement, you should verify its eligibility before incurring the expense. A comprehensive list of IRS-approved expenses can be located on the FSA website. Some of the eligible expenses include:

- Care at licensed nursery schools or child centers
- Care provided in or outside your home during your working hours
- Before and after-school care
- Day camps
- Eldercare

Note: \$5,000 is the annual regulatory maximum per household for Dependent Care FSA contributions. Your employer determines the minimum amount you may contribute to the Dependent Care FSA. Your employer's plan documents may also define the types of expenses covered under the plan. Be sure to review your employer's plan documents before enrolling in the plan.

Opening Your Account

It's as simple as 1-2-3 to begin contributing to your new Dependent Care FSA:

- 1** Plan your contributions. Use the *More On Dependent Care* link on the FSA website for contribution planning assistance.
- 2** Enroll in the Dependent Care FSA during your annual enrollment or new hire election period.
- 3** Review your account through the FSA website soon after the plan year begins and at least monthly thereafter.

Your payroll contributions to your new FSA account will begin with the new benefit year or according to your employer's plan documentation.

Learn more about Flexible Spending Accounts at www.flexdirect.adp.com.



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