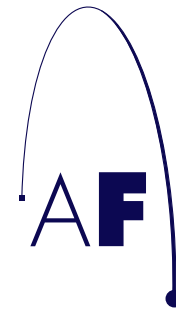


# A Quick Reference

## PREMIUM ONLY PLAN



www.flex125.com

AMERIFLEX 700 East Gate Drive, Suite 510, Mount Laurel, NJ 08054 Toll-Free: 888.868.FLEX (3539) E-mail: info@flex125.com

### Without a Premium Only Plan

Monthly Compensation	\$ 2,000.00
Flexible Benefits Purchased	N/A
Taxable Salary	\$ 2,000.00
Federal Income Tax (20%)	\$ 400.00
State Income Tax (3%)	\$ 60.00
Social Security Tax (7.65%)	\$ 153.00
Salary After Taxes	\$ 1,387.00
After-Tax Expenses	\$ 200.00
Net Take-Home Pay	\$ 1,187.00

### With a Premium Only Plan

Monthly Compensation	\$ 2,000.00
Flexible Benefits Purchased	\$ 200.00
Taxable Salary	\$ 1,800.00
Federal Income Tax (20%)	\$ 360.00
State Income Tax (3%)	\$ 54.00
Social Security Tax (7.65%)	\$ 138.00
Salary After Taxes	\$ 1,248.00
After-Tax Expenses	N/A
Net Take-Home Pay	\$ 1,248.00

**NET SAVINGS** with the flex plan is \$61 (\$1,248.00 vs. \$1,187.00).

### A Plan That Enhances Your Benefits

Wouldn't you like to make your benefits more affordable? You can with a Premium Only Plan (often referred to as a POP), and it's available through your employer.

*Premium Only Plans are made possible by Internal Revenue Code Section 125.*

### How It Works

If you participate, you may choose qualified insurance coverage and pay the premiums with pretax dollars. These pretax dollars are subtracted from your gross earnings before taxes are taken out. Thus, when you pay qualified insurance premiums before taxes, you lower your taxable income.

#### With a premium only plan:

- Your benefits are more affordable.
- Your spendable income increases.
- You pay less in taxes.

### Once Enrolled, Can I Make a Change?

To comply with IRS requirements, you may make a change in your election only at the beginning of each plan year. The latest set of cafeteria plan regulations develops a two-step process for determining if a participant is allowed to make a change in election during the plan year:

#### 1) A change in status must have occurred. A change in status has occurred if the event falls into one of the 14 events recognized under the final permitted election change regulations. These include:

- Change in employee's legal marital status
- Change in number of dependents
- Change in employment status, if it affects eligibility
- Dependent satisfies (or ceases to satisfy) dependent eligibility requirements
- Change in residence, if it affects eligibility
- Commencement or termination of adoption proceedings
- Cost or coverage changes under any plan that the employee, spouse or dependents are covered under
- Other laws or court orders (COBRA qualifying events, Judgments, Decrees, Orders, Medicare or Medicaid Entitlement or FMLA Leaves of Absence)

#### 2) The participant's election change must be consistent with the status change event. The change is consistent with the event for accident or health coverage if the following occurs:

- The employee, spouse, or dependent is gaining or losing eligibility for health coverage.
- The election change corresponds with that gain or loss of coverage.

### Will Pretaxing Have an Impact on Social Security Benefits?

The Social Security benefit is based on total wages accumulated during your lifetime, and the government has a formula it uses to calculate these benefits that is always subject to change. Any reduction in your taxable pay may also lead to a reduction in your Social Security benefits; however, for most employees, the reduction in Social Security benefits is insignificant when compared to the value of paying lower taxes now.

POP

AMERIFLEX®