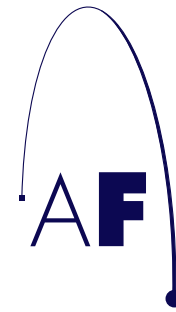


# A Quick Reference

## PREMIUM ONLY PLAN



www.flex125.com

AMERIFLEX 302 Fellowship Road, Ste. 100, 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 pre-tax dollars. These pre-tax 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®