

The following example shows how a single employee with gross W-2 earnings of \$30,000 per year can save over \$1800 in annual taxes by contributing \$550 per month to a flexible spending account.

SAMPLE Tax Savings Illustration

	Without Flexible Benefits Plan	With Flexible Benefits Plan
Gross Monthly Salary	\$2,500.00	\$2,500.00
Qualifying Insurance Premiums	\$0.00	\$100.00
Qualifying Health Care Expenses	\$0.00	\$100.00
Qualifying Dependent Care Expenses	\$0.00	\$350.00
Total Qualifying Expenses	\$0.00	\$550.00
Gross Taxable Income	\$2,500.00	\$1,950.00
Income Tax @ 20%	\$500.00	\$390.00
*S.S. & F.I.C.A. @ 7.65%	\$191.25	\$149.18
Net Income	\$1,808.75	\$1,410.82
Post-tax Insurance Premiums	\$100.00	\$0.00
Post-tax Health Care Expenses	\$100.00	\$0.00
Post-tax Dependent Care Expenses	\$350.00	\$0.00
Total Post-tax Expenses	\$550.00	\$0.00
Net Disposable Income	\$1,258.75	\$1,410.82
Monthly Disposable Income Increase	N/A	\$152.07
Annual Disposable Income Increase	N/A	\$1,824.84

As you can see, by enrolling in this plan, with only \$550 in monthly qualified expenses this employee would have an extra \$152.07/month (\$1,824.84/year) of disposable income, the amount he/she would otherwise pay in taxes.

* -- indicates tax savings for the company, as well as the employee