

## Using FSAs In Conjunction With HSAs

*Why should an Employer offer Flexible Spending Accounts if they are offering a HSA option for Employees?*

(1) FSAs assist employees with cash flow concerns. Flexible Spending Accounts often help employees with cash-flow concerns, since the Health FSA is annualized (employees can be reimbursed for expenses incurred even before they have made equivalent contributions to the account). For employees with large health expenses early in the year, the HSA may be less convenient and effective than an FSA. HSA contributions work as traditional accounts do – you can be reimbursed only for what you put in. By giving the employees an option to contribute to a FSA, this can alleviate those issues and allow employees to have maximum flexibility according to their personal preferences.

(2) FSAs often create more tax savings in a particular year. Health FSAs typically have higher annual maximums than HSAs, allowing many employees a higher level of tax savings in a particular year. There is no IRS limit to the annual maximum on a Health FSA (max set by Employer). HSA contributions are limited to \$2850 per year for those with individual health coverage and \$5650 for those with family health coverage.

It has been said that if you are a spender, the Health FSA may be the better choice. If you are a saver, then a Health Savings Account may be the better choice.

(3) Limited FSA option for dental/vision expenses and can be used with HSA. Even employees who are enrolled in an HSA are still eligible to use a Limited FSA for reimbursement of dental and vision expenses. This benefit can be especially helpful for employees who have significant dental/vision expenses for their family (including orthodontia, glasses, contacts, Lasik surgery, etc). This benefit is also helpful for employees of employers who do not have a dental insurance or vision plan, since this option allows employees to fund a pre-tax account to offset those expenses.

(4) Dependent Care FSA is a significant benefit. Even for plans that have the HSA and do not elect to have a Health FSA option, those employers should still strongly consider offering a Dependent Care FSA. The Dependent Care FSA does not conflict with the HSA in any way and is a terrific benefit for employees. Given the expense of work-related childcare for employees, the Dependent Care FSA offers a significant way for employees to save 25-35% on those expenses.

(5) Employer tax savings increased with all of the above! If the employer utilizes an FSA plan in conjunction with an HSA plan, each of the 4 categories above will contribute to additional tax savings for the employer. Since the employer is exempt from the FICA match (7.65%) for all expenses contributed by employees to an FSA, allowing employees additional options for funding their expenses through Health FSAs and Dependent Care FSAs boosts employer tax savings in addition to providing tax-favored benefits to the employees.

*If you have any questions about FSA plans or wish to have a plan administered by ProBenefits, please contact one of our Benefit Consultants: Charles Crabbe (888-722-8382, ext. 125, email: [Charles@ProBenefits.com](mailto:Charles@ProBenefits.com)) or Jamie Rorrer (888-722-8382, ext. 136, email: [Jamie@ProBenefits.com](mailto:Jamie@ProBenefits.com)).*