

FLEXIBLE SPENDING ACCOUNT (FSA) LIMITED PURPOSE FSA

How does a Limited Purpose FSA work?

A limited purpose Flexible Spending Account (FSA) allows you to set aside pre-tax dollars for dental and vision expenses for you and your dependents, even if they are not covered under your primary health plan. You are eligible to open a limited purpose FSA if you are enrolled in a health savings account (HSA).

At the beginning of the plan year, annual elections are made that must comply with IRS limits. Accounts are pre-funded and your full contribution is immediately available. Your contribution is then deducted from your paychecks in equal amounts throughout the year.

Why should I enroll in a Limited Purpose FSA?

Almost everyone has some level of predictable and non-reimbursable dental and vision needs. If you're enrolled in an HSA and expect to incur dental and vision expenses that won't be reimbursed by another plan, you'll want to take advantage of the savings a limited purpose FSA offers.

By using your limited purpose FSA, you'll be able to preserve your HSA funds for other purposes, including saving for the future. And just like an HSA, money contributed to a limited purpose FSA is free from federal and state taxes and remains tax-free when it is spent on eligible expenses. On average, participants enjoy a 30% tax savings on their annual contribution. This means you could be saving on dental and vision expenses!

More information about eligible expenses

Typical qualifying expenses for a limited purpose FSA include:

- **Dental** – dental exams, x-rays, fillings, crowns, and orthodontia.
- **Vision** – vision exams, frames, contact lenses, contact lens solution, and laser vision correction.

How do I use my Limited Purpose FSA to pay for dental and vision expenses?

If provided by your employer, you can use a smart debit card to pay for eligible dental and vision expenses. Or you can pay with your personal funds and submit a claim for reimbursement.

Simple to use and easy to save

A limited purpose FSA is easy to use and simple to understand. Here are some helpful hints to know before you take advantage of your tax savings.

- Your full election amount is available on the first day of the plan year, which means you'll have access to the money you need, when you need it.
- Save your receipts when you spend your limited purpose FSA dollars. You may need itemized invoices to verify the eligibility of expenses or for reimbursement requests.
- You cannot change your election amount during the plan year, unless you experience a change in status or qualifying event (like a marriage, divorce, etc.).
- Unless your employer allows, any unused funds that remain in your account at the end of the year will be forfeited. Plan carefully and use all the money in your limited purpose FSA by the end of the plan year.
- If your employer allows, you may carry over unused funds per IRS limits to the next plan year, allowing you to enjoy tax savings without risk.

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