

**Acme Inc., Cafeteria Plan**

Would you like to pay for out of pocket medical and prescription drug expenses, over-the-counter medication, dental, vision, hearing as well as dependent day care expenses with pre-tax dollars?

This can be done by using the Acme Inc. Cafeteria Plan's flexible spending and dependent care account.

Here is an example of what this could mean to you. If you have a family of four with \$50,000 in taxable income, filing with a head of household status, and \$2,000 of FSA and \$5,000 of DCA expenses per year, the following would apply to you.

Without the Flexible Spending Account			With the Flexible Spending Account	
Gross Pay	\$ 50,000.00	→	Gross Pay	\$ 50,000.00
Less Pre-Tax Deduction	\$ -		Less Pre-Tax Deduction	\$ 2,000.00
Taxable Pay	\$ 50,000.00		Taxable Pay	\$ 48,000.00
<i>Less:</i>			<i>Less:</i>	
Federal Tax	\$ (7,997.00)		Federal Tax	\$ (7,662.00)
FICA	\$ (3,825.00)		FICA	\$ (3,672.00)
After Tax Pay	\$ 38,178.00		After Tax Pay	\$ 36,666.00
Less Medical Expense	\$ (2,000.00)	←		\$ -
Take Home Pay	\$ 36,178.00			\$ 36,705.00
				An increase of \$527 in take home pay!

**Now Add the Dependent Care Account**

Without FSA and Dependent Care			With FSA and Dependent Care	
Gross Pay	\$ 50,000.00	→	Gross Pay	\$ 50,000.00
Less Pre-Tax Deduction	\$ -		Less Pre-Tax Deduction	\$ 7,000.00
Taxable Pay	\$ 50,000.00		Taxable Pay	\$ 43,000.00
<i>Less:</i>			<i>Less:</i>	
Federal Tax	\$ (7,997.00)		Federal Tax	\$ (6,372.00)
FICA	\$ (3,825.00)		FICA	\$ (3,290.00)
After Tax Pay	\$ 38,178.00		After Tax Pay	\$ 33,338.00
Less Medical Expense	\$ (2,000.00)	←	Less Medical Expense	\$ -
Less Dependent Care	\$ (5,000.00)	←	Less Dependent Care	\$ -
Take Home Pay	\$ 31,178.00			\$ 33,338.00
				An increase of \$2,160 in take home pay!

**Rules:**

A. The Plan Year for your Flexible Spending and Dependent Care account is January 1, 2009 to March 15, 2010

**B. Flexible Spending Account**

1. You may fund up to \$\_\_\_\_\_ per calendar year.
2. Your election is an annual election and in most circumstances can not be changed.
3. Your contribution will be deducted from your paycheck in equal installments.
4. Your total annual FSA election is available immediately.
5. You must use all FSA contributions or they will be forfeited.

**C. Dependent Care Account**

1. You may fund up to \$\_\_\_\_\_ per calendar year.
2. Your election is an annual election and in most circumstances can not be changed.
3. Your contribution will be deducted from your paycheck in equal installments.
4. Your Dependent Care Account is available only as funded and when services are completed.
5. You must use all DCA contributions or they will be forfeited.