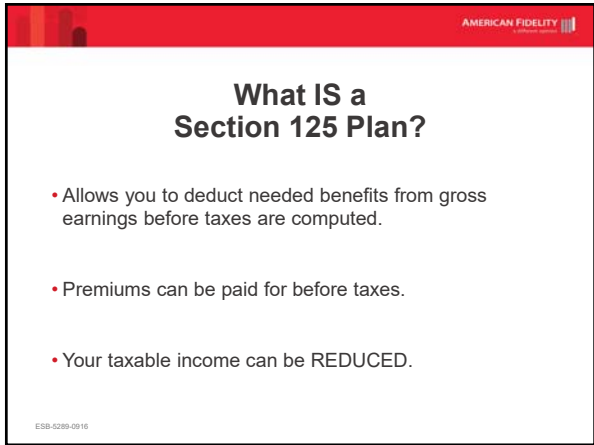


**SECTION 125
Employee Benefit Plan**

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a different opinion

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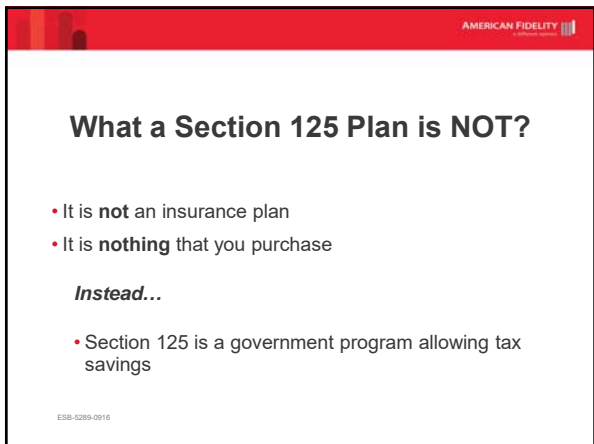


**What IS a
Section 125 Plan?**

- Allows you to deduct needed benefits from gross earnings before taxes are computed.
- Premiums can be paid for before taxes.
- Your taxable income can be REDUCED.

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What a Section 125 Plan is NOT?


- It is **not** an insurance plan
- It is **nothing** that you purchase

Instead...

- Section 125 is a government program allowing tax savings

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Saves Money on Premiums

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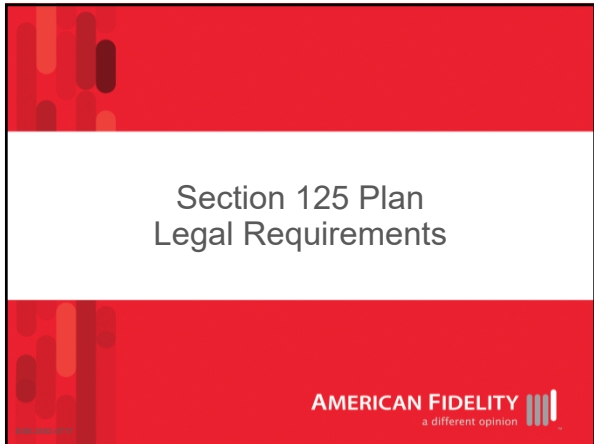
Without A Section 125 Plan		With A Section 125 Plan	
\$2,000.00	Pay Period Salary	\$2,000.00	Pay Period Salary (26 pay)
N/A	Insurance Premiums and Out-of-Pocket Expenses	-\$436.15	Insurance Premiums and Out-of-Pocket Expenses
\$2,000.00	Taxable Gross	\$1,563.85	Taxable Gross
-\$500.00	Tax (Federal & State @ 20%)	-\$390.96	Tax (Federal & State @ 20%)
-\$153.00	Less Estimated FICA (7.65%)	-\$119.63	Less Estimated FICA (7.65%)
-\$436.15	Insurance and Out-of-Pocket Expenses (After Tax)	N/A	Insurance and Out-of-Pocket Expenses (After Tax)
\$910.85	Estimated Adjusted Take Home Pay	\$1,053.26	Estimated Adjusted Take Home Pay

ESB-0209-0016



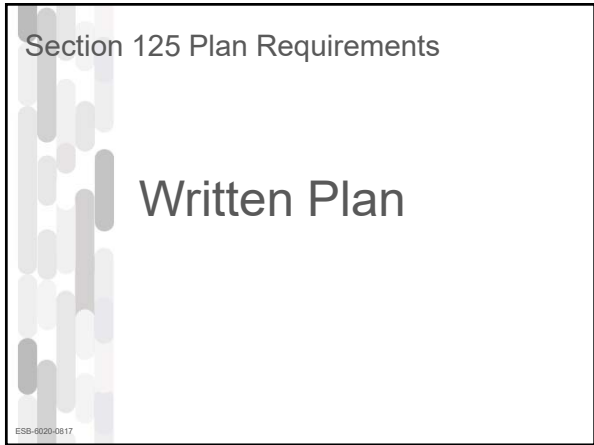
Saves Money on Payroll Tax

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Section 125 Plan
Legal Requirements

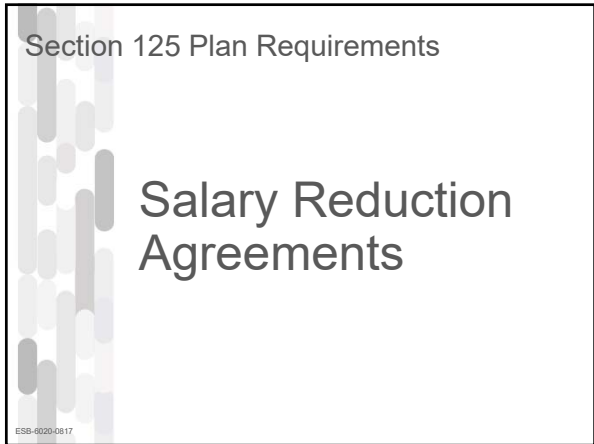
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Section 125 Plan Requirements

Written Plan

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Section 125 Plan Requirements

Salary Reduction
Agreements


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Section 125 Plan Requirements

Nondiscrimination Testing

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Compliance Requirements to Consider



- 
Plan Documents
- 
Election Forms/Salary Reduction Agreements
- 
Non-discrimination testing

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Available Benefits

- Medical
- Cancer
- Dental/Vision
- Disability
- Life
- Flexible Spending Accounts
 - Health Flexible Spending Account
 - Dependent Day Care Flexible Spending Account

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How Do I Enroll?

- Before the beginning of each plan year
- Must re-enroll every plan year
- Sign election form to confirm enrollment

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Once I elect, can I change my election?

Yes, but only if experience a qualified event such as:

- Change in legal marital status
- Change in number of dependents
- Termination or commencement of employment
- Dependent satisfies or ceases to satisfy dependent eligibility requirements

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Plan Carefully!

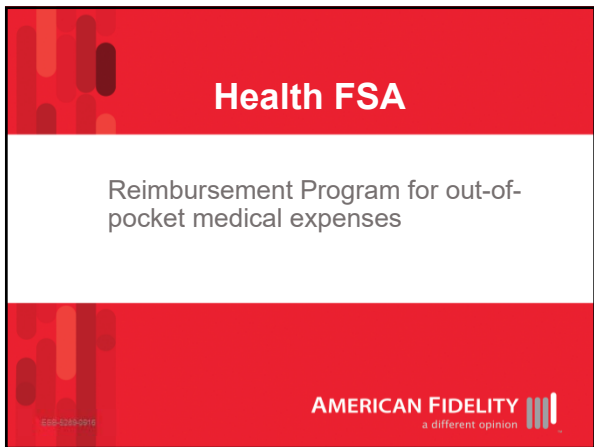
Once you elect, you are locked in until:

- The new plan year; or
- State qualified election change events

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Health FSA

“Carryover Provision”

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What is a Qualified Medical Expense?

- Deductibles
- Co-pays
- Vision Care
- Dental Care
- Routine Physicals
- Contacts, Eyeglasses, & Contact Solution
- Prescription
- Stop Smoking Treatment & Prescriptions;
- Monthly Orthodontia Treatment
- And much more!

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Dependent Day Care FSA

Reimbursement Program for dependent care expenses

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Who is a Dependent?

- Any dependent under the age of 13

or

- Your dependent or spouse who is physically not able to care for himself or herself
 - Can include Adult Daycare

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Dependent Day Care FSA

Determining your election amount:

- Calculate dependent care expenses per pay period
- Don't forget to skip summer leave, vacations, etc.

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Dependent Day Care FSA

- Minimum and maximum contributions
- Consult with tax advisor which option is best

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Other Important "Flex Tips"

- "Carryover Provision" & "Use it or Lose It"
- You cannot be reimbursed from any other source
- All expenses must be incurred in the plan year your contributions are made
- Health FSAs allow you to spend up to election
- Dependent Day Care FSAs allow you to spend what you have contributed
- Consult with your tax advisor concerning participation

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More Dollars For You

- Increase your spendable income
- Buy other needed benefits
- Increase existing benefits
- Start a retirement plan

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403(b) Plan

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What is a 403(b) Plan?

- Opportunity for personal savings under Employer-Sponsored Retirement Plan
- IRC Code 403(b) that allows you to defer a portion of your taxable income for retirement purposes
- Perfect chance to save money with before-tax dollars

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Contribution Limits

- Year 2018 - \$18,500 deferral limit
- After Age 50 - \$6,000 additional
- Depending on your Employer's plan, there may be additional "catch-up" opportunities

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How To Enroll

1. Choose a 403(b) provider from your district's approved provider list
2. Contact your district or the provider to complete the appropriate forms
3. Complete salary reduction agreement (SRA) and submit to District (or Plan Administrator)
4. Deductions begin upon acceptance of SRA

- This process could take at least 3 weeks!

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Existing Participants

- Your chosen investment provider/vendor must be on the district's approved list
- If existing provider/vendor is not listed:
 - You can leave your existing balance with the vendor
 - Do not move money unless you have reviewed all fees, etc.
 - Choose an approved vendor for new contributions (follow same enrollment process)

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Permissible Distributions

- 403(b) accounts are meant for retirement!
- Generally, a distribution cannot be made from a 403(b) account until the employee:
 - Reaches age 59 ½;
 - Has a severance from employment;
 - Dies;
 - Becomes Disabled; or
 - Has a qualified reservist distribution.

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Hardships

- Some plans may allow for hardship distributions
- Only available if offered through district's plan and also through individual plan provider
- Must prove hardship:
 - Unpaid Medical
 - Higher Education Expenses
 - Prevent Eviction or Foreclosure
 - Purchase of New Home
 - Funeral Expenses
 - Disaster
- Will be subject to 10% penalty tax if prior to age 59 ½
- Ordinary income tax also applies
- Hardships must also cease plan participation for 6 months following distribution

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Loans

- Only available if offered through district's plan and also through individual plan provider
- Must repay loan within 5 years under scheduled payment structure
- Dollar limits and restrictions apply
- Think twice before you borrow - it can dilute your account's ability to grow

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Investment Options in a 403(b)

- Annuity Contracts
 - Fixed
 - Variable
- Custodial Accounts
 - Mutual Funds

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Annuities

- Valuable Savings Vehicle
- Growth Potential and Contribution Flexibility
- Provisions for Guaranteed Lifetime Income
- Two Primary Types
 - Fixed Annuity
 - Variable Annuity

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