

A FLEXIBLE SPENDING ACCOUNT (FSA)

A flexible spending account (FSA) is a tax-advantaged financial account that can be used to pay for certain out-of-pocket healthcare and dependent care expenses. Participating in an FSA can help you save money on taxes and manage your healthcare costs more effectively. Here is a guide to help you participate in an FSA:

1 Determine your eligibility for an FSA. In order to participate in an FSA, you must be enrolled in a qualified healthcare or dependent care plan through your employer. Check with your employer to determine if you are eligible to participate in an FSA.

2 Choose the type of FSA that is best for you. There are two types of FSAs: a healthcare FSA and a dependent care FSA. A healthcare FSA can be used to pay for qualifying out-of-pocket healthcare expenses, such as deductibles, copays, and prescription drugs. A dependent care FSA can be used to pay for qualifying dependent care expenses, such as childcare or elder care. Consider your specific needs and financial situation when deciding which type of FSA is right for you.

3 Enroll in an FSA. Once you have determined that you are eligible for an FSA and have chosen the appropriate type of account, you will need to enroll in the FSA through your employer. Follow the enrollment instructions provided by your employer to complete the process.

4 Contribute to your FSA. In order to participate in an FSA, you will need to make contributions to the account. The amount you contribute is up to you, but keep in mind that the maximum contribution limits for FSAs are set by the IRS. For the 2022 tax year, the maximum contribution limit for healthcare FSAs is \$2,750, and the maximum contribution limit for dependent care FSAs is \$5,000 per household. You may choose to contribute a fixed amount each pay period or a percentage of your salary to your FSA.

5 Use your FSA funds to pay for eligible expenses. Once you have enrolled in an FSA and made contributions to the account, you can use the funds to pay for eligible healthcare or dependent care expenses. Keep in mind that you must use your FSA funds within the plan year, or you may forfeit any remaining balance.

6 Keep track of your FSA expenses. In order to claim reimbursement for your FSA expenses, you will need to keep track of your receipts and other documentation. Be sure to save receipts for all eligible expenses, and keep a record of the date, amount, and purpose of each expenditure.

By following these steps, you can successfully participate in an FSA and take advantage of the tax savings and cost-management benefits it offers.