

# Flexible Savings Accounts

Flexible spending accounts allow you to set aside pretax money to pay for medical costs that aren't covered by insurance. Many people use them to cover the increasing share of costs they have to pay for things like doctor visits or medical tests.

To get the most out of an FSA:

1. Consider the expenses for which your insurer is reducing reimbursements and
2. Consider medical expenses your insurer would never consider covering.

## What Expenses Qualify?

To find out exactly what qualifies as an eligible expense, check with your employer, especially in the case of a major expense. The IRS provides guidance on what is and is not a deductible medical expense for FSA accounts, but in many cases the descriptions are broad enough to leave doubt about whether specific expenses are eligible. As a result, companies often establish stricter or more precise limits than the IRS, so they don't have to worry about what the IRS will or won't rule to be eligible expenses.

Aside from the rules established by the company, the main consideration in determining eligibility is whether or not it's medically necessary.

Examples of what is normally covered include:

1. Non prescription drugs
2. Lead based paint removal
3. Acupuncture
4. Stop-smoking programs
5. Sterilization (including birth control pills and condoms)
6. Fertility enhancement
7. Long-term care for a parent that you pay for
8. Hospital services
9. Eyeglasses
10. Dental expenses
11. Home care
12. Lodging
  - 12.1. when it's "primarily for and essential to medical care"
  - 12.2. Up to \$50 per person per night for lodging outside a medical facility if it's essential to medical care at a licensed facility
  - 12.3. And if there's no significant vacation or recreation aspect to the time away from home
13. Drug addiction-cessation programs
14. Weight-loss programs that are used to treat specific diseases, such as obesity or heart disease
15. Attendance at a medical conference related to a condition that you or someone in your family has

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16. If there is a disability involved, there are many expenses for which FSA money can be used. Braille books and magazines, tuition for special education, expenses for a wheelchair or a guide dog, are examples.

Examples of what is not going to be covered include:

1. Swimming lessons
2. Health club dues
3. Funeral expenses
4. Veterinary care
5. Health insurance premiums
6. Maternity clothes
7. Cosmetic surgery
8. Teeth whitening
9. Hair transplants
10. Hair removal

### **How Much Should You Put In To An FSA?**

There is no regulatory limit on the amount that can be put into an FSA. However, companies often impose such limitations.

So, first understand the limit that you will have to stay within. Next, understand that any unused dollars in an FSA typically go back to the company. Normally there is a grace period after the end of a calendar year so that employees can use up their FSA balances. For example, a company may permit employees to use leftover 2005 funds up until the end of February 2006.