

Aflac Benefit Services

A Leading Provider of Cafeteria Plan Services



Saving Tax Money

On dependent day-care expenses ... through your company's new cafeteria plan

IT'S YOUR MONEY Dependent day care for children is expensive, but you may save tax money on this cost by participating in your company's cafeteria plan. This program may help you save taxes by establishing a flexible spending account (FSA) for you.* Here's how it works:

SAVINGS EXAMPLE

Per \$1,000 in Salary

Without Flex Plan		With Flex Plan	
\$ 1,000	Gross Income	\$ 1,000	Gross Income
- 250	Taxes	- 100	Insurance Premiums
750	Paycheck	- 200	Dependent Care
- 100	Insurance Premiums	700	Adjusted Gross Income
- 200	Dependent Care	- 175	Taxes
\$ 450	Net Spendable Income/Paycheck	\$ 525	Net Spendable Income/Paycheck

\$75 TAX SAVINGS!

This example is for illustration only and assumes a combined tax rate (income, FICA, Medicare) of 25 percent. Your own personal tax situation may differ.

IT'S YOUR CHOICE!

Aflac's Cafeteria Plan Program gives you a choice:

- Potential tax savings
- More complete coverage

Without an FSA, you pay taxes on every dollar you earn—then you pay for dependent day care. With an FSA, you can set aside a portion of each paycheck for dependent day-care expenses. This amount is deducted from your paycheck before taxes are calculated, so the taxes you owe should decrease. In other words, you won't pay taxes on the money you spend on qualified dependent day-care expenses!

YOU CAN BENEFIT!**

The potential tax savings you gain from paying for dependent day-care expenses with pre-tax money may give you the choice between adding to your benefits package or receiving a higher paycheck.

A dependent care reimbursement account covers the cost of day care for:

1. Dependent children under age 13 who qualify as tax dependents.
2. Anyone claimed as a tax dependent because of physical or mental inability to care for himself/herself.

Note: Day-care expenses must be incurred to allow you to work. If you are married, day-care expenses must be incurred to allow you and your spouse to work (unless your spouse is a full-time student or incapable of self-care).

* For more specific details on the tax implications of using a dependent care reimbursement plan, contact your tax advisor. Some individuals may be better off using the dependent care tax credit due to recent tax changes and an increase in the amount of eligible child and dependent care expenses under the tax credit beginning in tax year 2003.

** Cafeteria plan elections are generally irrevocable for an entire plan year and reduce Social Security compensation. Prior to participation, carefully review your summary plan description, salary redirection agreement, summary of tax rules, and reimbursement procedures for additional terms and conditions.

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URM
UNREIMBURSED MEDICAL

Saving Tax Money

On out-of-pocket medical expenses ... through your company's new cafeteria plan

IT'S YOUR MONEY How much do you spend on medical and dental expenses every year? Sure, you may have a major medical plan that helps, but what about deductibles and copayments? Aflac's program may help you save tax dollars on these expenses by establishing a flexible spending account (FSA) for you.

SAVINGS EXAMPLE Per \$1,000 in salary EMPLOYEE SAVINGS EXAMPLE

Without Flex Plan		With Flex Plan	
\$ 1,000	Gross Income	\$ 1,000	Gross Income
- 250	Taxes	- 100	Insurance Premiums
750	Paycheck	- 50	Medical Expenses
- 100	Insurance Premiums	850	Adjusted Gross Income
- 50	Medical Expenses	- 213	Taxes
\$ 600	Net Spendable Income/Paycheck	\$ 637	Net Spendable Income/Paycheck

\$37 TAX SAVINGS!

This example is for illustration only and assumes a combined tax rate (income, FICA, and Medicare) of 25 percent. Your own personal tax situation may differ.

IT'S YOUR CHOICE!

Aflac's Cafeteria Plan Program gives you a choice:

- Potential tax savings
- More complete coverage

Without an FSA, you pay taxes on every dollar you earn—then you pay for medical expenses. With an FSA, you can set aside a portion of each paycheck for medical expenses. This amount is deducted from your paycheck before taxes are calculated, so the taxes you owe should decrease. In other words, you won't pay taxes on the money you spend on qualified out-of-pocket medical expenses!

YOUR BENEFITS*

The potential tax savings you gain on medical expenses may give you the choice between adding to your benefits package and receiving a higher paycheck.

Use the money in your FSA for expenses such as:

- Insurance copayments and deductibles.
- Vision care (eye exams, eye glasses, contact lenses and solution, and corrective eye surgery).
- Drugs, legally obtained by prescription, or insulin.
- Service fees for medical care (consultations, diagnostic lab work, etc.) provided by physicians, surgeons, specialists, or other medical providers.
- Diabetic supplies (blood sugar monitor, syringes, test strips, etc.).

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