



Open an ADP Dependent Care Flexible Spending Account



The Value of a Dependent Care Flexible Spending Account

An ADP Dependent Care Flexible Spending Account (FSA) allows you to pay for dependent care expenses at a special tax advantage. By contributing a portion of your payroll dollars into your account on a pre-tax basis, you can save 20% to 40% on the cost of eligible dependent care.



Reduce your dependent care expenses by 20% to 40%

Your savings will be based on your individual tax rate. FSA contributions are exempt from Federal income tax, Social Security taxes (FICA/FUTA) and, in most cases, state income tax. The tax exempt status for FSA contributions is the mechanism that allows you to save money on your dependent care expenses.



It's All Yours

There is no cost to you to have and use a Dependent Care Flexible Spending Account...no setup fee, no hidden fees.

Purchasing with Pre-Tax Dollars

As an example of the value of using pre-tax dollars to pay for dependent care, consider this scenario. The Johnsons have two young children who are placed in regular day care. The annual fee for the day care is \$5,000. Assuming the Johnsons have a tax rate of 30 percent, they will save \$1,500 by using a Dependent Care FSA to pay for their dependent care expenses!



- **Save 20% to 40% on your dependent care expenses**
- **Reduce your income taxes**
- **Fund your account with simple paycheck deductions**
- **Receive reimbursement for expenses through simple claims filing**

Plan Your Contributions

The key to getting the most from your ADP Dependent Care FSA is to maximize your contributions based on anticipated eligible expenses. To plan your contributions, follow these simple steps.

- Review the list of eligible expenses.
- Review your dependent care expenses from last year.
- Write down any changes to your previous dependent care expenses, for example, a fee increase or any new expenses, such as an additional child entering dependent care.
- Estimate your cost for each dependent care item.

The total of your individual estimates from above is what you should contribute to your Dependent Care FSA.

Keep in mind that the more you need to spend on dependent care expenses, the greater the value you will realize from your Dependent Care FSA.

It is also important to remember that an FSA is not a savings account. You must use all of your contributions each year or risk losing any unused balance at the end of the benefit plan year.

Please remember that you must actively re-enroll in your Dependent Care FSA each benefit plan year.



Eligible Expenses

Following is a partial list of eligible dependent care expenses. If you are uncertain about whether or not a dependent care expense qualifies for reimbursement, you should determine its eligibility before incurring the expense. Also, your employer's plan document may limit eligible expenses for which you may receive reimbursement.

- Care at licensed nursery schools
- Day care in your home or outside
- Before and after school care
- Day camps
- Child care centers
- Babysitter or *au pair*
- Eldercare

Note: \$5,000 is the annual regulatory maximum for dependent care FSA contributions for a household.

Opening Your Account

It's as simple as 1-2-3 to begin contributing to your new Dependent Care FSA Account.

- 1 Plan your contributions.**
- 2 Complete the enrollment form with your contribution elections.**
- 3 Return your signed enrollment form to your employer.**

Your payroll contributions to your new FSA account will begin with the new plan year or according to your employer's plan documentation.

Learn more about Flexible Spending Accounts at www.flexdirect.adp.com



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