

Flexible Spending Accounts



How do you **FLEX**?

Simple steps to tax-free savings



What's all this FLEXing about?

Sign up for a Flexible Spending Account and find out how fiscally (and medically) fit you can be. You will be surprised how easy it is to get into shape!

With a Flexible Spending Account, you can save up to 30% on hundreds of items and services. Contributions to your FSA are pre-tax, so 100% of the money you contribute equals greater spending power to pay common health care and dependent care expenses. Qualified expenses cannot be covered under another health plan or claimed on a tax return.

Saving up to 30% with a Flexible Spending Account is easy, and getting started is even easier. Calculate how much money to place in your FSA. Use the worksheet in this brochure to make your estimate – or call your BMO Client Service Representative at 1-800-236-3539. Once the plan year starts, you can begin submitting easy proof of claim forms that generate check or direct deposit reimbursement.

Using your BMO Qualified Expense Card at approved retailers saves you money and time. Some retailers make FLEXing with an FSA even easier. At participating “no receipt” retailers, eligible purchases will automatically be deducted from your FSA account, which means no paperwork for you! A complete list of eligible items and services is available for your review at bmoflex.com.

Get fiscally fit today! Have more questions?
Visit bmoflex.com or call your BMO Client Services Representative at 1-800-236-3539, available 7:30 a.m. - 5:30 p.m. CT.

Choose your plan. It's easier than you think.

Use Flexible Spending Accounts to pay less for certain everyday health care and day care expenses. FSAs give employees the option to use pre-tax dollars to pay common out-of-pocket expenses from these tax-favored accounts.

Health Care Flexible Spending Account – This account pays qualified health care expenses not covered under another health plan or claimed on a tax return.

Dependent Care Flexible Spending Account – This account covers the cost of providing care for a child or other qualified person who requires supervision while you are at work.

Because you do not pay taxes on FSA contributions, you have more money to spend. The chart below demonstrates the potential monthly tax savings an individual could achieve when using FSA plans.

Estimated tax savings with FSA participation ¹	FSA plan	No FSA plan
Monthly income	\$4,000.00	\$4,000.00
Monthly health care FSA election	\$100.00	
Monthly day care FSA election	\$200.00	
Taxable income	\$3,700.00	\$4,000.00
Estimated taxes withheld (28% Taxes, FICA & Medicare)	\$1,036.00	\$1,120.00
Health care expenses after tax	\$0.00	\$100.00
Day care expenses after tax	\$0.00	\$200.00
Net income	\$2,664.00	\$2,580.00
Estimated tax savings per month	\$84.00	
Estimated tax savings per year	\$1008.00	

¹ Actual tax savings may vary based on your individual tax situation. If you earn less than the Social Security wage base and contribute to an FSA, your retirement benefits may be slightly lower. Possible reductions vary by individuals.

Health care FSA

Do you or your qualified dependents pay deductibles or co-insurance; wear eyeglasses or contacts; go to the dentist; or wear braces? Wouldn't it be great to decrease your taxes to help pay for those expenses?

If you answered yes to any of these questions, you should consider using the Health Care FSA. The Health Care FSA pays medical, dental, vision and prescription drug expenses with pre-tax income. Significant tax savings are available to help pay your out-of-pocket health care expenses when:

- the product or service is primarily for health care to diagnose, alleviate or treat injuries, illness or sickness.
- you receive the service or purchase the product for use during your coverage period.
- the cost will not be waived, paid by another source or claimed as a medical tax deduction on your income tax return.
- the service/product is not received or purchased for cosmetic or general well-being.



Examples of eligible health care expenses:



Acupuncture
Alternative practitioners
Birth control pills/contraceptives
Breast pumps and lactation supplies
Chiropractic care
Co-pay/co-insurance/deductibles
Contact lenses/supplies
Dental care/dentures/bridges
Dermatologist fees
Diabetic supplies
Diagnostic/screening tests
Doctor fees
Fertility treatments
Hearing aid/batteries/exams
Hospital services
Laser eye surgery (Lasik, PKP, etc.)
Mammograms
Massage therapy for medical condition
Organ transplant
Orthodontic services
Over-the-counter supplies/equipment
Prescription drugs (non-cosmetic)
Prosthetic devices
Psychiatric care/psychoanalysis
Rental of medical equipment
Smoking cessation programs
Therapy for health/mental disorder
Vaccinations/flu shots
Vision care (exam, reading and prescription eyewear)

Ineligible expenses include:



Cosmetic treatments/surgeries/drugs
Elective counseling¹
Excessive purchasing/stockpiling
Exercise classes/equipment/health club memberships/weight-loss programs¹
Finance charges
Food/beverage (even as part of a qualified weight-loss program)
Illegal treatments/operations/drugs
Imported prescription drugs
Insurance premiums (COBRA, long-term care, Medicare, personal, etc.)
Over-the-counter drugs/medicine²
Over-the-counter vitamins/herbs/dietary supplements²
Physician retainer/royal treatment fees
Service contracts (dental/vision)
Smoking cessation drugs²
Warranties/protection

¹ Ineligible unless prescribed to treat (or due to) a specific medical condition.

² Ineligible unless prescribed, meeting the prescription requirements of applicable state law, to treat (or due to) a specific medical condition.

Dependent care FSA

Contributions to this spending account are used to pay for qualified Dependent Care expenses while you (and your spouse, if married) work; this account does not pay medical costs for dependents. A qualified dependent is generally defined as your child until age 13, your disabled spouse or child of any age, or another qualified relative or non-relative.

Dependent care expenses are eligible for reimbursement at dependent day-care providers and centers, day camps and after school programs that comply with applicable state or local laws and regulations.

You can contribute the following amount to your Dependent Care FSA for any tax year:

- If single: \$5,000 (or your earned income if less than \$5,000).
- If married:
 - \$5,000 (or the lesser of your or your spouse's earned income if less than \$5,000) if filing a joint return. This \$5,000 family maximum is reduced by contributions your spouse makes to a dependent care plan.
 - \$2,500 (or the lesser of your or your spouse's earned income if less than \$2,500) when filing separately.
 - \$250 per month for one qualified dependent and \$500 per month for two or more qualified dependents (\$5,000 maximum) if your spouse is a full-time student or disabled.

Your tax advisor can help you determine which dependent care benefits and income tax credits are most beneficial for you by reviewing your income, filing status, tax liability, care expenses and qualified dependents.



Qualified dependent care expenses:



Before/after-school care
Care facility for disabled/elder
Care supplied by a relative
Care while seeking employment
Care provider billed transportation
Day camp (no overnight stays)
In-home care
Licensed day care center
Nanny/au pair
Nursery school
Payroll taxes you pay a service provider
Preschool (education secondary)
Registration fees
Sick-child facility

Ineligible dependent care expenses:



Kindergarten
Late payment fees
Meals, entertainment and supplies
Non-work related care (personal outings and volunteer time)
Overnight camps
Placement fees to find a provider
Schooling, education or summer school
Services provided by a spouse, ex-spouse, parent of the dependent or your child under age 19, or for whom you (or your spouse) can claim as an exemption
Transportation costs to and from day care center by the parent or a transportation company

NOTE: You may participate under the dependent care FSA or claim a dependent care tax credit. Contact your tax advisor for more information.

Simple steps to tax-free money

Saving money through your FSA is not complicated – just follow these simple steps:

Calculate your FSA election(s) – Calculate expected costs for you, your spouse and eligible dependents. FSA elections are generally irrevocable, so make a reasonable election based on expenses you are likely to use during your coverage period. A conservative calculation reduces potential for loss under the IRS “use-or-lose” rule requiring forfeiture of unused FSA contributions. Maximize your savings by carefully estimating FSA election amount(s).

If you, your spouse or qualified dependent plan to contribute to a Health Savings Account (HSA) in the next plan year, you must choose a Limited-Purpose Health Care FSA for dental and vision expenses. Contact your BMO Client Service Representative or your benefits department to determine whether this option is available through your employer.

Make FSA election(s) – Make health care and/or dependent care election(s) during your plan’s open enrollment period. Watch for enrollment announcements prior to the start of the new plan year.

Your FSA will be funded through equal payroll deductions throughout the plan year, beginning the first payroll of the plan year. Verify deductions against your election(s) early in the plan year and notify your employer immediately if you believe an error was made.

Claim your funds – FSA funds are paid for services received during your coverage period. Simply use your BMO qualified expense card at approved merchants or submit a proof of claim online, by fax or mail.

The coverage period for current employees making elections during open enrollment begins the first day of the new plan year and generally continues until the last day of the plan year. The coverage period may be extended only if your plan offers a grace period. A run-off period follows your coverage period and provides sufficient time to file unclaimed expenses from the coverage period against your FSA.

Estimate expenses.

Ready to save money on the cost of out-of-pocket health care and dependent care expenses? Use the list of eligible expenses in this brochure and on bmoflex.com to estimate expenses for services you expect to receive during the next Plan Year.

Health care FSA

Deductibles/co-insurance	\$ _____
Co-pays (office/Rx)	\$ _____
Dental/orthodontia work	\$ _____
Vision (exam, eyewear, etc.)	\$ _____
Hearing aids/batteries/exams	\$ _____
Labs/X-rays/diagnostics	\$ _____
Prescription drugs (non-cosmetic)	\$ _____
Eligible over-the-counter supplies	\$ _____
Other items	\$ _____
TOTAL	\$ _____

Dependent care FSA

Licensed or in-home day care	\$ _____
Nursery school	\$ _____
Before/after-school care	\$ _____
Summer care (not schooling)	\$ _____
Day camp (no overnight stays)	\$ _____
Disabled care facility	\$ _____
Other	\$ _____
TOTAL	\$ _____

Keeping track is easy.

You can track FSA account activity and balances on bmoflex.com.

Health Care FSA eligible expenses are paid up to the account election throughout the plan year, regardless of your contribution balances. Dependent care FSA eligible expense payments are paid based on your contribution balances. The BMO qualified expense card allows you to pay expenses directly from your FSA account balances. Details about using the card are included in the terms and conditions brochure sent with the card.

Questions? We can help.

Make an informed decision about FSA participation. Learn more about eligible expenses and how the plan works by reviewing your summary plan description, talking to your benefits department or by calling your BMO Client Service Representative at **1-800-236-3539**, available Monday - Friday from 7:30 a.m. to 5:30 p.m. CT.



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