

24 WAYS TO SPEND YOUR FLEX FUNDS

Many employers now give employees until mid-March to spend the funds in their flexible spending accounts.

You can save big by paying for your out-of-pocket health care costs with pre-tax dollars in an FSA. Salary that goes into these reimbursement plans dodges federal income and Social Security taxes. For example, put \$3,000 in an FSA to pay health care bills that you have to pay anyway and you would save more than \$1,100 in taxes (assuming a 25% federal brackets, 5% state bracket and 7.65% Social Security tax).

Until recently, employees had until December 31 to spend the money in their FSAs or lose it. But in mid-2005, the Treasury Department issued a notice allowing employers to extend the flexible spending account deadline for up to ten weeks, giving employees until mid-March to clean out their accounts for the prior year.

Although you can use your health-care FSA for almost any health-related expenses that aren't covered by insurance, including deductibles and co-payments, at this late date you'll want to concentrate on stocking your medicine cabinet, scheduling routine dental and eye exams, and updating eyeglasses, contact lenses and prescription sunglasses. Generally, medically necessary costs qualify. Cosmetic procedures do not. So Lasik eye surgery is covered by an FSA. Liposuction is not. Yes to dental crowns; no to teeth whitening.

Here are two dozen ways to spend your health care FSA dollars:

Dental work	Chiropractic care
Orthodontia	Doctor-recommended weight-loss programs
Eyeglasses	Hearing aids and batteries
Contact lenses	Medical equipment, such as wheelchairs, crutches or oxygen equipment
Prescription sunglasses	Assistance for the disabled, including guides, Braille books, seeing-eye or hearing-trained animals, note takers, etc.
Laser eye surgery	Birth control pills, devices and procedures
Psychotherapy, psychiatry, psychology	Acupuncture or related procedures to treat a medical condition
Drug and alcohol treatment	Medically necessary prescriptions
Smoking cessation programs & prescriptions	Vaccinations
Medically necessary cosmetic surgery	And now you can also use flex funds for medications that don't require a prescription, such as allergy and cold medications, antacids and pain relievers.
Massage therapy to treat an injury	
Physical therapy	
Speech therapy	
Out-of-pocket expenses for fertility Treatments	

Advantages of leftover funds

Having leftover funds from last year can have some advantages. For example, say you have \$200 left over from your 2006 account and you plan to buy a pair of prescription glasses that cost \$300. You can cover the full cost with pre-tax dollars by submitting a \$200 reimbursement claim to cleanout your 2006 account and the remaining \$100 cost to your 2007 account. The key is to incur the cost before March 15. Most plans will allow you an additional few weeks to submit your reimbursement request. Check with your plan administrator for claims processing details and deadlines.

You can apply the same double-up strategy when you're estimating how much to set aside for health-care expenses next year. If, for example, you anticipate an expensive dental procedure early next year, you could combine leftover 2007 funds with 2008 FSA money to cover the entire out-of-pocket cost. One of the key advantages of a health-care FSA is the full amount you allocate for the year is available immediately.

For example, if you contribute \$100 a month (\$1,200 a year) to a health care FSA in 2008 and then spend \$500 on dental work in January that is not covered by insurance, you can get reimbursed for the full \$500 in January even though you have not yet contributed that much to the FSA.