

FSA



A flexible spending account (FSA) is a pre-tax benefits plan that lets your employees save on a variety of healthcare expenses, depending on the type of FSA. FSAs are subject to the IRS' use-or-lose rule, meaning all funds must be spent within the plan year or be forfeited to the plan.

Perks for employees

- Their funds are contributed tax-free.
- Their funds are available on the plan year's first day (except with a dependent care FSA).
- They can pair a limited FSA or dependent care FSA with an HSA.

Perks for employers

- Your employees' contributions reduce your payroll taxes.
- You own the account.
- You can choose to offer a grace period or carryover, which can make FSAs more appealing to employees, as they give employees more time to use their funds.

The four most popular types of FSAs

Medical FSA

Covers eligible medical, dental and vision expenses.

Dependent Care FSA

Covers eligible day care expense for children under age 13 or expenses related to care for a disabled spouse or dependent.

Combination Medical FSA

Starts as a limited FSA (covering dental and vision expenses) but can become a medical FSA.

Limited Medical FSA

Covers eligible dental and vision expenses. A limited FSA can be paired with an HSA.