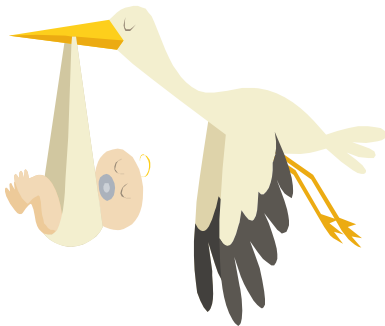


# SECURITY FLEX 125 PROGRAM



## Medical Expense Reimbursement Flexible Spending Account

(Maximum Annual: \$3,000.00)



## Dependent Care Reimbursement Flexible Spending Account

(Maximum Annual: \$5,000.00)

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## Security Flex 125 Program®



Employee Brochure

**Save Money on FICA and Income Tax**

**Handy Flex Card for Easy Payments**

**Instant Access to 100% of Medical Account Value**

## Advantages To You:

1. Save money on taxes by contributing to your account with pre-tax dollars.
2. Security Benefit funds 100% of your medical expense account from day one, so you don't have to wait for the benefits of participating.
3. Avoid the hassle of paperwork by using the handy Flex Card to pay for eligible medical expenses like prescriptions or co-pays.



## Do You Want To Take Home More Money From Your Paycheck?

Security Flex 125 Program helps you save by paying less in taxes and taking home more of your hard-earned income. It allows you to set aside part of your earnings, before paying taxes, for dependent care and/or medical expenses that you'll incur during the year. Because your money goes into the Security Flex Program on a pre-tax basis, you have less taken out of your paycheck for taxes.

Here is an example of how the Security Flex 125 Program can save you money.

	Without Security Flex	With Security Flex
<b>Gross Pay</b>	<b>\$36,000.00</b>	<b>\$36,000.00</b>
Medical and Dental Plan Premiums	\$700.00	\$700.00
<b>Security Flex 125 Program</b>		
Dependent Care Expense Account	\$ -	\$2,500.00
Medical Expense Account	\$ -	\$1,000.00
<b>Total Taxable Income</b>	<b>\$35,300.00</b>	<b>\$31,800.00</b>
<b>Tax Deductions From Pay</b>		
Federal Withholding @ 15%	\$5,295.00	\$4,770.00
State Withholding @ 5%	\$1,765.00	\$1,590.00
FICA and Medicare @ 7.65%	\$2,700.45	\$2,432.70
<b>Total Taxes</b>	<b>\$9,760.45</b>	<b>\$8,792.70</b>
<b>Take Home Pay</b>	<b>\$25,539.55</b>	<b>\$23,007.30</b>
Unreimbursed Dependent Care Expenses	\$2,500.00	\$ -
Unreimbursed Medical Expenses	\$1,000.00	\$ -
<b>Take Home Pay After Unreimbursed Expenses</b>	<b>\$22,039.55</b>	<b>\$23,007.30</b>

**With Security Flex you can increase your take home pay by approximately \$80 monthly. That's an annual increase of over \$965.**

Participants in the Security Flex 125 Flexible Benefits plan can experience the following tax savings by funding their medical and dependent care expenses with pre-tax dollars:<sup>1</sup>

Federal Income Tax (Filing jointly, taxable income not over \$61,300)	15.00%
+ Social Security	7.65%
+ Estimate of State Tax Savings <sup>2</sup>	5.00%
<b>Total Savings</b>	<b>27.65%</b>

<sup>1</sup> FICA withholding may vary by state and employer. State income tax savings vary by state and are not applicable in states without income tax and in PA and NJ.

<sup>2</sup> Based on estimated rates.

# EMPLOYEE BENEFIT WORKSHEET

Planning to save is easy! This simple worksheet helps you estimate your expenses for the plan year.

## Estimated Dependent Care Expenses:

Dependent care required for you and your spouse to continue working.

Total Estimated Dependent Care Expenses for this plan year: \$ \_\_\_\_\_

## Estimated Out of Pocket Medical Expenses (for you, your spouse and any tax dependents):

### Medical

Insurance Premiums of any kind are not covered

Medical Co-pays: \$ \_\_\_\_\_/plan year  
Coinsurance \$ \_\_\_\_\_/plan year  
Prescription Drugs \$ \_\_\_\_\_/plan year  
Over-the-counter Medication \$ \_\_\_\_\_/plan year

### Dental

Coinsurance \$ \_\_\_\_\_/plan year  
Orthodontia \$ \_\_\_\_\_/plan year  
Non-covered (major services) \$ \_\_\_\_\_/plan year

### Hearing

Coinsurance/Exams \$ \_\_\_\_\_/plan year  
Hearing Aid \$ \_\_\_\_\_/plan year

### Vision

Coinsurance/Exams \$ \_\_\_\_\_/plan year  
Glasses \$ \_\_\_\_\_/plan year  
Contact Lenses \$ \_\_\_\_\_/plan year  
Corrective Eye Surgery \$ \_\_\_\_\_/plan year

### Other

Miscellaneous Over-the-counter \$ \_\_\_\_\_/plan year  
\_\_\_\_\_ \$ \_\_\_\_\_/plan year  
\_\_\_\_\_ \$ \_\_\_\_\_/plan year  
\_\_\_\_\_ \$ \_\_\_\_\_/plan year

Total Estimated Medical Expenses for this plan year: \$ \_\_\_\_\_

# Rules For IRC Sec. 125 Flexible Benefit Plans

The Security Flex 125 Program qualifies under Section 125 of the Internal Revenue Code, which allows employers to set up Flexible Spending Accounts (FSA) for dependent care and/or medical expenses as part of their cafeteria plans. These expenses can be paid with “before-tax” dollars. Below are the rules that the plan must adhere to:

## Plan Year Rules

- **During the plan year**, you are only allowed to make changes in the benefits selected if there is a family status change. (For example marriage, divorce, birth, death, etc.)
- All dollars set aside in an FSA plan must be used during the plan year. **Any dollars not spent by the end of the plan year must be forfeited.**
- Only charges for services provided or expenses incurred during the designated plan year are eligible for reimbursement.
- Amounts paid under the plan are not eligible as tax deductions on your Federal Income Tax Return.

## Maximum Contributions

- The maximum allocation to your Medical Reimbursement account may not exceed the annual plan maximum determined by your employer.
- The maximum dependent care expense allowed is \$5,000 per calendar year per household (\$2,500 in the case of a separate return filed by a married person).

## Eligible Expenses

- Expenses for you, your spouse and any taxable dependents are eligible.
- The Dependent Care FSA allows expenses for: (a) your dependent under age 13 for whom you may claim an exemption deduction, or (b) your dependent who is physically or mentally not able to care for himself or herself and who relies on you

for the majority of his or her support, or (c) your spouse who is physically or mentally not able to care for himself or herself.

## Examples of Eligible Medical Expenses

Medical expenses not paid by your health insurance including (but not limited to):

- Co-pays and deductibles for health, dental and vision
- Prescriptions
- Orthodontia
- Over-the-counter medications like band-aids, cough drops, allergy medications, etc.
- Prescription eyewear including: eyeglasses, sunglasses, contacts and solutions associated with their care.

Under the IRC Sec. 125 Flexible Benefit plan, you designate the amount of dollars that you plan to use at the beginning of the plan year. These dollars are applied to the appropriate account (Medical or Dependent Care) each month. You may submit claims for payment (subject to a minimum reimbursement of \$25). You may submit with each claim as many bills or receipts as you have accumulated. Qualifying medical expenses will be reimbursed up to your annual election upon receipt of proper documentation, regardless of your account balance. Dependent Care expenses are reimbursed as funds are available in the account. Your reimbursement may not exceed your account balance.



**SECURITY BENEFIT**<sup>SM</sup>

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910A (4-07) 22-09103-04

# Flexible Spending Accounts

## Medical Expenses

Medical expenses include payments you make for the diagnosis, treatment or prevention of disease or for treatment affecting any part or function of the body and the amounts you pay for transportation to get medical care.

The following is a partial listing of medical expenses, which are allowed and disallowed through your Flexible Reimbursement in general; the medical expenses that are allowable deductions on your federal income tax (IRC Section 213(d)) are also reimbursable expenses through your flexible spending account.

It is possible that changes in the IRS rules can affect the Allowed and/or Disallowed Expenses categories.

<i>Allowed Expenses</i>	<i>Disallowed Expenses</i>
<ul style="list-style-type: none"> <li>• Acupuncture</li> <li>• Ambulance</li> <li>• Chiropractor fees</li> <li>• Coinsurance (co-pays &amp; deductibles for health, dental, &amp; vision)</li> <li>• Corrective eye surgery</li> <li>• Crutches (purchase or rental)</li> <li>• Hearing aids &amp; hearing aid batteries</li> <li>• Hospital services</li> <li>• Immunizations</li> <li>• Insulin &amp; equipment needed to inject the insulin</li> <li>• Laboratory fees</li> <li>• Massage therapy with letter stating medical necessity</li> <li>• Medicines (prescriptions)</li> <li>• Nursing services-connected with caring for the patient</li> <li>• Organ donation/transplantation</li> <li>• Orthodontic fees</li> <li>• Over the counter medicines</li> <li>• Prescription eyeglasses, sunglasses, Contact Lenses, &amp; solutions associated with their care</li> <li>• Physical, Dental, &amp; Eye exams</li> <li>• Prosthesis</li> <li>• Psychoanalysis, Psychiatric &amp; Psychological treatment/fees</li> <li>• Reading glasses</li> <li>• Surgery/operations</li> <li>• Transportation-amounts primarily for &amp; essential to medical care</li> <li>• Weight-loss program &amp;/or drugs to induce weight loss when prescribed for a specific diagnosis</li> <li>• Well-child care</li> <li>• Wheelchair</li> <li>• X-ray fees</li> </ul>	<ul style="list-style-type: none"> <li>• Breast Pumps</li> <li>• Chapped lip treatment</li> <li>• Cosmetic surgery (unless procedures are necessary to ameliorate a deformity arising from congenital abnormality, personal injury from accident or trauma, or disfiguring disease)</li> <li>• Dancing lessons, swimming lessons, etc. even if recommended for the general improvement of your health</li> <li>• Diaper service</li> <li>• Electrolysis or hair removal</li> <li>• Face creams, moisturizers, suntan lotions</li> <li>• Funeral Expenses</li> <li>• Hair transplant (i.e. Rogaine, Propecia)</li> <li>• Health Club dues</li> <li>• Household help</li> <li>• Insurance premiums for individual &amp;/or spouses health, dental, &amp;/or policies covering loss of earnings, loss of limb or eyesight</li> <li>• Maternity clothes</li> <li>• Medicated shampoos &amp; soaps (unless prescribed by a doctor)</li> <li>• Psychoanalysis received as a part of training to be a psychoanalyst</li> <li>• Sunscreen</li> <li>• Teeth Bleaching</li> <li>• Toiletries such as eye &amp; facial makeup, hair colors, deodorant, moisturizing lotions, sunscreen</li> <li>• Toothbrushes, toothpaste even when prescribed for specific diagnosis</li> <li>• Vitamins &amp; supplements for maintaining general good health</li> </ul>

### **Dependent/Daycare Expenses**

Dependent/daycare expenses include payments you make for the care of a child under 13 &/or dependent regardless of age who requires care due to an inability to care for himself/herself, to enable you (&, if married, your spouse) to remain gainfully employed. Those dependents unable to care for themselves must spend at least 8 hours a day in your home for the care to be eligible, & you must declare them as a dependent (or have the ability to declare them as a dependent except for their level of gross income) on your Federal tax return. Reimbursement for amounts cannot be claimed if paid to your spouse, anyone you claim as a tax dependent, or your child under age 19. Any expenses reimbursed through your account cannot be claimed for income tax purposes.

<i>Allowed Dependent/Daycare Expenses</i>	<i>Disallowed Dependent/Daycare Expenses</i>
Licensed day care facility Preschool program In-home child & dependent care services Day camp expenses Elder care Any other qualified dependent care expenses as defined by the IRS	Overnight camp Services solely for the purpose of household cleaning Daycare for the children pas their 13 <sup>th</sup> birthday

#### **How to File a Claim:**

To received reimbursement for eligible expenses, mail OR fax (not both) a completed claim form along with IRS-required documentation of the expenses which will include all of the following:

1. Date of service/purchase
2. Name of provider of service
3. Amount charged for each service/supply or the amount not reimbursed by insurance
4. Name of person receiving services
5. Type of service/supply provided

You can locate a claim form at [www.securityflex.com](http://www.securityflex.com). All individual receipts should be taped on an 8 ½ x 11 piece of paper to expedite claim processing. \*Cancelled checks do not qualify as third-party documentation & are not accepted by the IRS. Be sure to provide all information requested on the form. The form must be signed or it will be returned.

Please remember day care expenses must be incurred to be eligible for reimbursement.

**Reimbursable Over-the-Counter Medications  
Under the Section 125 Plan**

Antacids  
Allergy medication  
Anti-diarrhea medication, laxatives  
Band-aids, bandages, gauze pads, first aid kits  
Bug bite medication  
Calamine lotion  
Cough drops, throat lozenges, sinus medication, nasal sinus spray  
Cold medication, pain reliever  
Cold/hot packs for injuries, crutches  
Contact lens solution, cleaners  
Carpal tunnel wrist supports  
Condoms, spermicidal foam  
Diaper rash ointment  
Eye products (such as Visine or saline wash)  
First aid creams & ointments, liquid adhesives, topical ointments  
Glucosamine/chondroitin for arthritis or other medical condition (requires doctor's statement)  
Hemorrhoids creams  
Incontinence supplies  
Joint/muscle pain medication  
Lactose intolerance pills  
Menstrual cycle products for pain & cramp relief  
Motion sickness pills  
Nicotine gum or patches for stop-smoking purposes  
Nasal strips for snoring  
Orthopedic shoe inserts  
Over the counter hormone therapy & treatment for menopausal symptoms (hot flashes, night sweats, etc.- requires doctor's statement)  
Pedialyte for ill child's dehydration  
Pregnancy test kits  
Prenatal vitamins during pregnancy (requires doctor's statement)  
Reading glasses  
Rubbing alcohol  
Sleeping aids  
St John's Wort for depression (requires doctor's statement)  
Suppositories  
Sunburn cream or ointment  
Supplements, vitamins or herbal treatments to treat medical condition (requires doctor's statement)  
Thermometer (ear or mouth)  
Wart remover treatments  
Weight loss drugs to treat medical condition or obesity (requires doctor's statement)

**Not Reimbursable:**

Chapped lip treatments  
Sunscreen  
Face creams, moisturizers, suntan lotions  
Medicated shampoos & soaps (unless prescribed by a doctor)  
Toiletries  
Toothbrushes & toothpaste  
Vitamins & supplements for maintaining general good health

# Security Benefit's Flex Convenience Card

## What is the Mbi Benefits Card®?

The Mbi Benefits Card® is a debit card that can simplify the process of paying for eligible expenses. It is an alternative to the traditional method of filing claims. You can use the card at qualifying merchant locations wherever MasterCard is accepted – from physician and dental offices to pharmacies and vision service locations.

## Exactly what is the “convenience” of the card?

The card allows you to pay for eligible expenses at the point of service. The convenience is:

- Immediate access to FSA account – you avoid paying with cash or check
- Immediate payment of the expense – you avoid waiting for a reimbursement check
- Claim form for documentation provided to you by mail or e-mail

The ease of use at the point of sale and the reduced burden of having to pay money out-of-pocket, completing a claim form and waiting for a reimbursement has proven to be extremely convenient for plan participants.

## How does the Mbi Benefits Card® work?

The Mbi Benefits Card® is accepted only at certain merchants. This includes physician offices, hospitals, dental offices, pharmacies (including mail order), hearing/vision care providers, etc. As you incur health care expenses, you present your card for payment. The card system will validate that your coverage is active and that you have available funds to cover the transaction. You must retain documentation of the expense, as you may be required to substantiate transactions in some cases by providing copies of the documentation. We recommend that you keep all documentation in a separate envelope for the entire plan year in the event the information is requested. For example, itemized receipts listing the merchant name, name of the item/product, date and amount will be requested for all over-the-counter purchases. Use the card only for qualifying expenses, otherwise, you'll have to write a check back to the plan or the card will be deactivated. The card works great for prescription drug or office visit co-pays. If you purchase a prescription drug along with non-qualifying items, be sure to ask the merchant to ring up the prescription separately so that you can use the card. You can use the card for other health expenses, including medical, dental, vision and hearing. The card is valid for a three-year period and will contain information regarding your current plan year election. Each year when you re-enroll, the card will reflect that plan year election amount(s).

## Is this process paperless?

No. Although there is no requirement for you to complete conventional claim forms, additional documentation will be required in order to meet IRS guidelines. Therefore, you must keep copies of all receipts and itemized statements (not the credit card receipt) for each purchase for the entire plan year. You'll receive a letter, or email, requesting the documentation and you will be required to submit this information to substantiate the expense according to IRS regulations. You will need to return the signed letter, or email, along with the documentation. **DO NOT SEND IN THE REQUESTED INFORMATION ON A REGULAR CLAIM FORM.** In some cases, you will not need to send in documentation. This occurs when your expense matches a copay that is preset to match copays that may apply to your employer's health insurance.

## What type of additional documentation is required?

The documentation is the same information required for traditional paper claim forms. You must keep copies of all transaction receipts for each card purchase so that these can be provided to the administrator upon request. This includes itemized cash register receipts that list the merchant name, name of the item/product, date and amount (for items such as hearing aid batteries, contact lens solutions or over-the-counter medicines/drugs), insurance plan Explanation of Benefit (EOB) statements, and itemized statements (for vision or other health care expenses). (It does not include the credit card receipt.) For prescription drugs purchased at a pharmacy, this would include the pharmacy receipt (or you can request a printout from your pharmacy). Whenever possible, however, you should purchase prescriptions through any available mail-order service as this not only reduces your costs, it can also help reduce or even eliminate the documentation requirements! We recommend you keep all documentation in a separate envelope at home or work for the entire plan year. **REMEMBER, THIS DOCUMENTATION NEEDS TO BE RETURNED ALONG WITH THE SIGNED LETTER, OR EMAIL.**

# Security Benefit's Mbi Benefits Card®

## **What happens if I forget to reply to the letter requesting additional documentation?**

In the event the request for additional information is ignored, a second letter is generated giving you additional time to respond. If there is no reply to the second request, collection procedures will begin. The card will be deactivated and you will be required to make reimbursement to the plan by personal check.

## **What happens if I accidentally use the card for ineligible or non-qualifying expenses?**

Be sure to have merchants ring up your qualifying expenses separately from your other personal items so you can use the card. In the event the card is misused, you will be required to write a personal check back to the plan. If you do not reimburse the plan, the card will be deactivated and collection procedures will begin. In addition, your employer will be contacted.

## **Are there any limitations on the usage of the card?**

Aside from the specific merchant codes and the plan year election amount, there are no limitations. There are no transaction fees, and you have unlimited use of the card. Remember, though, that you must use the card for qualifying items only!

## **Will I receive a cardholder agreement?**

Yes, you will receive a Fund Transfer Disclosure Statement (cardholder agreement) that you should carefully read and must abide by. You must also read the back of your convenience card, and sign it. By using the card, you agree to the provisions of the cardholder agreement. That is, you agree to use the card only for qualifying expenses, and to provide documentation upon request.

## **Must I use the card for all expenses I incur?**

No. During the plan year, you can file traditional paper claims or use the Mbi Benefits Card®. Remember, the card is valid for a three-year period, so if you choose not to use it at all, we recommend you keep the card in a safe and secure place in the event you wish to use it in future years.

## **Will I receive a statement or an accounting of my Mbi Benefits Card® transactions?**

All transactions, whether they are paper claims or card transactions, will be reflected on your periodic statements provided by Security Benefit. You can also access our 24 Hour Interactive Voice Response System or our web site at [www.securitybenefit.com](http://www.securitybenefit.com)

## **How do I report a lost or stolen card?**

Lost or stolen cards must be reported as soon as possible. During our normal hours of operation, contact us at 1-888-662-3646. Before or after business hours and weekends, lost or stolen cards may be reported at [www.theflexcard.com](http://www.theflexcard.com). There is a \$10.00 fee for card replacement for any reason.

## **Can I order a card for my dependents?**

Yes. You can order an extra convenience card for your spouse or college student by completing the application provided. Please be certain that your dependent fully understands how to appropriately use the card for qualifying expenses only, and that they retain copies of documentation of each transaction. There is a one-time cost of \$5.00 for one additional card.

## **What happens if I have a \$1,000 limit on my Mbi Benefits Card®, but I have a \$1,500 transaction?**

Transactions exceeding your card limit or available balance will be rejected. For this reason, as you use the convenience card throughout the year, you should check your available balance at [www.securitybenefit.com](http://www.securitybenefit.com). This way you will know how much is available and you can request that the merchant charge only up to the available balance on the card. You may pay for the transaction and file a claim. Your reimbursement would only be for the amount of money you elected, minus the card fee and any other expenses incurred previously. You would not be able to get more reimbursements during the plan year either using the card or by claim forms as you would exceed your election amount.

## **If I terminate employment, can I continue to use the Mbi Benefits Card®?**

No. The card is inactivated at that time. If you have qualifying expenses to submit after your termination of employment, you can use the traditional method of filing a claim form with appropriate documentation. Claim forms are available on the web site. (Remember, though, that your qualifying expenses must be incurred during your period of coverage.)