

Cut your dependent care bills!

Dependent Care Flexible Spending Account

Use pretax dollars to pay for dependent care — and save.

We want you to know[®]



Dependent Care Flexible Spending Account (FSA)

If your family is like many of today's families, the need for dependent care has become a fact of life. You may have dependent children who need day care so you can work. Or perhaps there is another person living with you, such as an elderly parent, whom you claim as a dependent and who is physically or mentally incapable of self-care. This person may also need care so that you can continue working. In cases like these, dependent care costs may add up to be a significant part of your yearly expenses. A Dependent Care FSA offers a way to better manage these expenses and gain real tax savings.

Here's how it works

You'll direct part of your pay, on a pretax basis, into a special account to reimburse yourself for certain dependent care expenses incurred during the year so that you and your spouse can work outside the home. Dependent care expenses that are not work-related, such as the cost of a Saturday night babysitter, cannot be reimbursed.

Because this money goes into your dependent care account before federal income or FICA (Social Security and Medicare) taxes are withheld, you pay less in taxes — which gives you more disposable income. In most cases, your money is also exempt from state and local taxes. Check with your tax advisor for specifics.



Depending on your tax bracket and where you live, it's possible to save up to 40 percent on eligible dependent care services!

Eligible expenses

Money set aside in an FSA can be used to reimburse only those dependent care expenses necessary because you (or if married, you and your spouse) work. Eligible expenses must be incurred for the custodial care of a Qualifying Person (see below). The work-related expenses you can pay through this account include:

- Wages paid to a baby-sitter or a companion in or outside your home, as long as the person providing care is not someone you declare as a dependent, your under-age-19 child, your spouse or your Qualifying Person's parent.
- Services of a day care center and/or nursery school, if the center complies with all state and local laws.
- Cost for care at facilities away from home, such as family day care or adult day care centers, as long as your Qualifying Person usually spends at least 8 hours a day in your home.
- Wages paid to a housekeeper who provides care for your Qualifying Person.
- Services provided for both before- and after-school care (when listed separately); fees or tuition for kindergarten and higher education are not eligible.

Qualified Persons include:

- Your dependent children up to their 13th birthday.
- Any dependent living with you for more than half the year and who is physically or mentally incapable of self-care.
- Your spouse living with you for more than half the year and who is physically or mentally incapable of self-care.
- Someone for whom you cannot claim a dependency exemption on your income tax return. Please refer to Publication 503 on the IRS website at www.irs.gov for the definition of a Qualifying Person.

Estimate and track your expenses easily! Use our online tools at www.aetnafsa.com.

How much can I put away?

For married couples, the Internal Revenue Service (IRS) limits the annual maximum amount for reimbursement to \$5,000. If you file a separate tax return from your spouse, the maximum reimbursement is \$2,500 for each of you.

Keep in mind that if either you or your spouse earns less than these amounts, your maximum annual contribution would be limited to the amount of your earned income or that of your spouse, whichever is less.

You cannot use this account if your spouse has no earned income for a plan year (unless he or she is disabled or a full-time student for 5 months during the year).



Tax credit vs. FSA

The IRS allows you to claim a Child and Dependent Care Credit (CDCC) for work-related dependent care expenses when you file your income tax return. The CDCC amount is calculated by applying a percentage to your total work-related dependent care expenses. The expenses to which this percentage is applied may not exceed \$3,000 for one qualifying person or \$6,000 for two or more.

You can use both a dependent care FSA *and* claim the CDCC — you just can't claim the same expenses for both. If you plan to use both, the IRS requires that you subtract whatever amount you have directed into a spending account from the expenses you use to calculate the CDCC.

If you elect to take advantage of a dependent care FSA, you must complete IRS Form 2441 when you file your income taxes for the year. Form 2441 and instructions are available on the IRS website at www.irs.gov.

What happens to unused funds?

Estimate FSA fund amounts carefully. Unused funds will be forfeited either after the last day of the fund year or up to two months and 15 days into the following fund year, depending on your plan design.



Find everything you need to know about your account. Visit our Aetna Navigator® website at www.aetna.com to view payment information and more!

Does it affect other benefits?

Because you don't pay Social Security taxes on your FSA contributions, those benefits may be slightly less if you retire or become disabled. The impact on your benefit level will depend on a number of factors, including the length of time between now and when you retire or become disabled, and whether your taxable income exceeds the Social Security maximum wage level.

Getting reimbursed from your account

You must "incur" an expense in order to be reimbursed for it from your FSA. Expenses are incurred when the service is rendered — not when they are billed, charged or paid for. Only those expenses incurred during your coverage period (generally your plan year, plus a grace period if elected by your plan) and on or after the effective date of your enrollment in your plan will be eligible for reimbursement.

Claims payments will be made at least once per month — frequency is determined by your employer. An Explanation of Payment (EOP) will be sent with each payment. If you submit a claim and your account balance is less than the amount of the claim, you will be reimbursed only for the amount of money available in your account. The remainder will be reimbursed as additional payroll deductions are deposited into your dependent care FSA. This enables you to submit a claim only once and receive funding on an ongoing basis, rather than be denied payment or be forced to resubmit the claim until it can be paid in full.

To estimate your potential tax savings by using an FSA, please use our FSA Advisor at www.aetnafsa.com and click on “Savings Worksheet.”

Here’s how to enroll!

If you decide to enroll in a dependent care FSA, your employer will provide you with the enrollment procedure.

- **Estimate expenses** — Review your dependent care costs from recent years and consider any changes that may occur during the upcoming year that could affect your expenses or eligibility, such as marriage or the birth or adoption of a child.
- **Determine contributions** — Decide how much of your salary you want to set aside to fund these expenses (i.e., your election amount). The amount you elect will be deducted automatically from your pay throughout the year and credited to your dependent care FSA.
- **Plan carefully** — You cannot change your designated election amount during the year unless you have an ***election change event*** (and your plan permits election changes). Also, remember that funds left over in your account at the end of the year will not be returned to you or rolled over; they will be forfeited.

Typical election change events:

- > Marriage
- > Divorce
- > Birth or adoption of a child
- > Beginning or termination of spouse’s employment
- > Transition from part-time to full-time work, or vice versa
- > Unpaid leave of absence taken by employee or spouse
- > Changing a provider or having a significant increase or decrease in provider payment

Check with your company’s benefits area for a full list of eligible election change events.



Save money on all your dependent care expenses. Enroll today!

Let's do some math!

Need help figuring out how much to contribute to your FSA? This chart can help! As you think about potential expenses for the coming year, it may be helpful to review your dependent care costs for the past year. You should also consider any anticipated changes that might affect your expenses, such as marriage or a new baby.

- Wages paid to a baby-sitter or a companion in or outside your home (not covered if care is provided by someone you claim as a dependent, your child under age 19, your spouse or your dependent child's parent). \$ _____
- Services of a day care center and/or nursery school, if the center complies with all state and local laws. \$ _____
- Costs for adult care at facilities away from home, such as family day care or adult day care centers, as long as your Qualifying Person spends at least 8 hours a day at home. \$ _____
- Wages paid to a housekeeper for providing care for your Qualifying Person. \$ _____
- Other dependent day care services considered tax eligible by the IRS. \$ _____
- **Total Estimated Dependent Care Expense** \$ _____



Aetna is the brand name used for products and services provided by one or more of the Aetna group of subsidiary companies. FSA plans are administered by Aetna Life Insurance Company.

This material is for informational purposes only and, while believed to be accurate as of the print date, it is subject to change without notice.

This brochure describes Aetna's Dependent Care Flexible Spending Account in general terms. Features of this plan may vary based on the specific terms established by your employer. Dependent Care FSA plans are governed by the rules of Sections 125 and 129 of the Internal Revenue Code and will be administered in accordance with those rules. If you are unsure about whether FSA participation is appropriate for you, refer to <http://www.irs.gov> for more information and consult a tax advisor.

