



Flexible Spending Account Rollover

Your employees may carry over up to \$570 of unused funds to the following plan year, allowing them to enjoy tax savings without risk.

What is a flexible spending account?

A flexible spending account (FSA) is a health benefit account that allows your employees to set aside pre-tax dollars for eligible medical, dental and vision expenses that are not covered under their primary health plan.

What is an FSA rollover?

Historically, FSA users would forfeit any unused FSA funds at the end of the plan year as a result of the use-it-or-lose-it rule. While this rule is still in place, the FSA rollover option provides a measure of relief to FSA users by giving them the ability to rollover up to \$570 of unused funds to the following plan year.

Your organization has the ability to select the rollover amount. You can elect to allow less than \$570 to be rolled over, but the same rollover limit must apply to all your FSA plan participants. The rollover amount does not count toward the maximum allowable contribution for the following plan year.

In lieu of the rollover option, you can offer a grace period – a 2 1/2 month period after the end of the plan year in which employees can incur new FSA-eligible expenses and be reimbursed with remaining funds from the prior plan year. You can choose to offer either the FSA rollover option or grace period option, but not both.

How does it work?

- During open enrollment, an employee elects to contribute the maximum allowable amount of \$2,750 to their FSA.
- During the course of the plan year, they spend \$2,180 on eligible healthcare expenses, which means they have \$570 remaining in their account at the end of the plan year.
- The employee chooses to re-enroll in the FSA and expects to incur additional medical expenses in the coming year so once again elects to contribute the maximum allowable amount of \$2,850.
- Thanks to the FSA rollover option, the \$570 of unused funds from the previous year's account is added to the employee's current year account.
- The employee now has \$3,420 available for qualified healthcare expenses for the current year.

What are the benefits of offering an FSA rollover option?

- Your employees have less risk of forfeiting unused FSA funds at the end of the plan year
- Reduces employee stress associated with choosing the "right" FSA election amount
- Helps increase FSA enrollment rates and contribution amounts
- Greater savings – as employee FSA contributions increase, your payroll taxes decrease
- Increases employee satisfaction with your benefit offering