

ALL STAT HOME HEALTH



Cafeteria Plan

All Stat is happy to offer a Cafeteria Plan for all of our employees.

Benefits

A Cafeteria Plan offers pre-Tax savings for expenses such as Medical or Dental Expenses, eyeglasses, prescriptions, hearing aides, physicals, Daycare, etc. (tax savings can be as high as 32%!!!!!!).

Description

A Cafeteria Plan provides pre-Tax savings for employees with Medical or Daycare Expenses which are incurred throughout the year.

How it works

Currently, your withholding and income tax are determined by your gross income and are deducted from your paycheck. After you receive your paycheck, you make payments for medical, dental and child care expenses.

Under a Cafeteria Plan you can identify an amount of money which you intend to use in the coming year for these expenses. Once you have determined an amount which you expect to spend on these expense, you divide that total amount by the number of paychecks you will receive in the coming year (i.e., 52 paychecks). All Stat then withholds a portion that you specify from each paycheck.

Then when you get paid, this amount is subtracted from your gross earnings before your taxes are determined. As a result, you are taxed on a lower amount of earnings and your withholdings and income tax are lower.

At the same time, as you incur medical and/or daycare expenses, you simply submit a voucher requesting reimbursement for your expenses and All Stat issues you a check in the full amount (assuming it does not exceed your annual withholding).

Example 1 - Daycare Expenses

An employee (Mary) joins the plan, earns \$200.00 per week and expects to pay \$50.00 per week for child daycare. Each week, when Mary gets paid, she only pays tax on \$150.00 (not \$200).

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At the same time Mary submits a payment request for \$50.00 for her daycare expenses and receives a second check for \$50.00. She has saved withholding and income tax on the \$50.00 per week that is assigned to the Cafeteria Plan.

Since most people pay roughly 28% income tax, Mary would have saved 28% of her \$50.00 per week. That equals \$14.00 per week in tax that Mary saved — or \$728 per year more that Mary has to spend on other things.

Example 2 - Medical Expenses

An employee (Jane) joins the plan, earns \$200.00 per week and wants to buy contact lenses which cost \$400.00. Jane does not expect to have any other Medical, dental or daycare expenses during the year. All Stat would determine that Jane could deduct \$7.69 per week for 52 weeks to total \$400.00 the cost of her new contacts but Jane cannot wait or save money for that long.

Jane joins the plan and All Stat withholds \$7.69 per week from Jane's paycheck per week. Jane then goes to her eye doctor and gets a receipt for her contacts and submits that receipt to All Stat. All Stat then advances Jane \$400.00 (her identified annual withholding) and gives Jane a check to buy her contacts. Then for the rest of the year, Jane has a small deduction of \$7.69 per week until the amount is recovered.

In addition, Jane does not have to pay withholding or income taxes on the amount which she identifies in her Cafeteria Plan. Jane would therefore save roughly 28% of the \$400.00 it cost her for her contacts ($\$400 \times 28\% = \$112.00!!!!$). In this example, Jane got her contacts a year early, only had to pay a little at a time and saved \$112.00!!!!!!!!!!!!

Example 3 - Prescriptions

An employee (Steve) has an ongoing prescription every month for insulin for his daughter at a cost of \$40.00 per month. Steve joins the plan and earns \$200.00 per week. All Stat determines that Steve should withhold \$10.00 per week. Steve is then taxed for only \$190.00 per week rather than \$200.00. Each month Steve buys his daughter's insulin and submits the receipt to All Stat for reimbursement. Steve receives a check for \$40.00 per month from All Stat, the exact amount which he had withheld.

However, Steve benefits by not having to pay tax on any of the money used to purchase insulin for his daughter — a savings of \$145.60!!!!!!! [$\520 per year x 28% tax savings = \$145.60] which he can then use to buy his daughter a Barbie Dream House with all the trimmings.

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By the way, it's called a Cafeteria Plan because each employee can individually choose those items (i.e., Medical, Dental, prescription, daycare, etc.) which they are interested in utilizing, similar to selecting food in a "cafeteria".

Requirements of Participation

All Employees are welcome to participate. An employee must have worked a total of 1000 hours in a given year to qualify for Employer Matching funds for that year. An employee must be receiving weekly payroll to participate.

Notes

You can talk with an investment counselor, FREE of CHARGE, through All Stat to determine the appropriate amount which you should have withheld.

Contact the office for further information or for an enrollment form.