



Flexible Benefits: Premium Only Plan

Now you can save money while paying for your group insurance coverage.

What You Need to Know----

What is a Premium Only Plan?

A Premium Only Plan is an employee benefits plan that allows you to pay your share of the premium for certain group insurance benefits with pre-tax dollars. Right now, if you pay any portion of your group coverage, chances are the payment comes out of your paycheck *after* taxes. With a Premium Only Plan, your insurance payments are taken out of your paycheck *before* taxes are withheld. Your taxable income is reduced, and it means more take-home pay for you.

Here's how it works.

You're married, have two children, make \$18,000 per year, and pay \$80 a month in insurance premiums. Your take-home pay would be \$1,080.25 per month after taxes and premiums are withheld. Applicable state taxes would drop this take-home figure even more. With a Premium Only Plan, you pay insurance premiums using pre-tax dollars. In this example, you'd save \$18.12 per month — or \$217.44 a year. If you consider state taxes, you could save even more.

Without Premium Only Plan

<i>Gross Monthly Salary</i>	\$1,500.00
<i>Federal Income Tax</i>	- \$ 225.00
<i>Social Security (7.65%)</i>	- \$ 114.75
<i>Pay After Taxes</i>	<u>\$1,160.25</u>
<i>Insurance Premiums</i>	- \$ 80.00
<i>Take-Home Pay</i>	<u>\$1,080.25</u>

With Premium Only Plan

<i>Gross Monthly Salary</i>	\$1,500.00
<i>Insurance Premiums</i>	- \$ 80.00
<i>Taxable Pay</i>	<u>\$1,420.00</u>
<i>Federal Income Tax</i>	- \$ 213.00
<i>Social Security (7.65%)</i>	- \$ 108.63
<i>Take-Home Pay</i>	<u>\$1,098.37</u>

This example is only an estimate and is intended to show you the benefit of using a Premium Only Plan. The level of savings also depends upon other important factors, like:

- Earnings
- Medical coverage costs
- Deductions
- Other income
- Tax status

How do I enroll?

It's as easy as completing the appropriate enrollment form. Take time to read the form, fill in all the information requested, and be sure to sign and date it. Your employer will collect the form, which must be completed before any pre-tax deductions can be made.

Can I enroll later or change my mind?

To gain the tax advantages of this plan, you must enroll before your benefit "plan year" begins. You may then change your election prior to each plan year or when there is a qualifying status change. Qualifying status changes are governed by your plan and may include changes in:

- Marital status (marriage, death, divorce, etc.)
- Number of dependents (birth, adoption, placement for adoption, etc.)
- Employment status (termination, commencement of employment, etc.)
- Dependent ceasing to satisfy eligibility requirements
- Residence

A change must be consistent with the event that is occurring. Please contact your personnel office with any questions you may have as to whether your situation qualifies.

Take action today!

A Premium Only Plan is a great way to put your benefit money back to work for you. Take a moment to complete the enrollment form. The key is to take action today and get your money working for you!

NOTE: A Premium Only Plan is made possible by Section 125 of the Internal Revenue Code.

Keep in mind the potential impact on your post-retirement income. Because your taxable income is less with a Premium Only Plan, it's possible your future Social Security benefits might be a little lower when you retire. Most of the time your tax savings will more than make up for any reduction in Social Security benefits. Consult a qualified tax advisor for more information.