

TOP 10 REASONS WHY AN ARP OUT-PERFORMS YOUR FSA
REASON NO. 5: USE AN ALTERNATIVE REIMBURSEMENT PLAN (ARP) TO
PAY FOR EXPENSIVE DENTAL CARE NEEDS INSTEAD OF A FLEXIBLE
SPENDING ACCOUNT

**UNIVERSAL FINANCIAL
CONSULTANTS'
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"Our mission is to promote the long term financial well being of our clients. It is our intention to pool our talents, resources, and years of experience in order to provide the most comprehensive and objective analysis possible. We will strive to work hand in hand with your existing advisors to build a synergistic effect that will empower you to achieve greater levels of financial freedom by having all of your trusted advisors see your goals and objectives from the same viewpoint, thereby maximizing your potential for financial security and success."

Until it is time to pay federal income tax, dental receipts stay hidden in a box at the back of a closet. Even for those with dental insurance it is likely the employee pays considerable money out of his pocket for dental care. It is easy for one covered person to exceed the annual maximum and often major repairs, like crowns, dentures and bridges leave half the bill to be paid by the employee. Further, many dental plans exclude orthodontic care, or place a dollar limit on braces that both adults and children may require.

Most large C-Corporations know both the employee contribution for dental insurance and the out-of-pocket costs incurred can be paid with wages that are not subject to payroll taxes, which saves the employee 10% or more depending on tax bracket. Employers also enjoy a reduction on their matching payroll taxes, plus a reduction in the Work. Comp. premium they pay because in California all Work. Comp. premium is expressed as a percentage of payroll. But if you are an S-Corps, Partnerships, LLCs and Sole Proprietors present law allows you to provide your employees with *Flexible Spending Accounts (FSAs)*, but not you. Further, smaller corporations often found that annual administrative costs were greater than the savings they derived from their FSAs. A better solution, one in which all types of business owners can participate is the *Alternative Reimbursement Plan* and it has many advantages over traditional Flexible Spending Accounts, including lower cost!

Cost problems impact the results employers achieve with FSAs. FSAs require a separate bank account for each employee that costs money to set up and maintain. The government requires each FSA plan be tested annually to assure participation from by highly compensated employees isn't disproportionate to the rank and file. These tests are expensive and must be conducted annually.

The ARP operates with a completely different platform than an FSA. It attaches as a supplement to the employee's primary health insurance plan. It operates without individual bank accounts and has no requirement to conduct annual discrimination tests, so ARPs costs less to administer. That allows employers of all size to implement one of these very important plans. Employees are able to pay for eligible health, day care and other expenses without the dollars used being subject to payroll taxes. Employers, reduce their payroll tax burden and their Work. Comp. costs just as occurred with an FSA.

However, here is a big difference. Employees don't fear losing any of the money they commit because of the "use it or lose it" rule applicable to FSA. Employers never face advancing money to an employee's FSA account when he or she has the expense but not the money to pay for it. That means employers can stop placing a limit on amounts an employee can commit, which also means limiting the potential savings in lower Work. Comp. premium.

ARP produces these results: Employees on average commit four times more dollars to an ARP than with FSAs. That increase in participation, plus the dramatically lower administration cost, gives employers three or four times the savings!

Our ARP specialist, Scott McKee*, can be reached at (619) 295-5920 Ext. 214. He can explain the variables that affect results your company would achieve with this program and our support plan to remind employees to turn in their receipts.

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