



Cafeteria Plans and the Holston Conference

Coming in October and November during open enrollment...

Why Have It? What Is It?

Officially: A Section 125 Cafeteria Plan is a program a company adopts for its employees. It lets them choose from a menu of benefits, often paying for those benefits with tax-free dollars.

Benefits: Paying for insurance programs along with out-of-pocket medical expenses and child care costs can **lower taxes** and could lower the tax bracket. It will also save the Holston Conference matching FICA taxes on employees.

How It Works:

<u>Paycheck Illustration without A Cafeteria Plan</u>		<u>Paycheck Illustration with A Cafeteria Plan</u>	
Gross Paycheck:	\$1,000.00	Gross Paycheck:	\$1,000.00
Taxes @ 22%:	\$ -220.00	Insurance:	\$ -100.00
Subtotal:	\$ 780.00	Subtotal:	\$ 900.00
Insurance:	\$ -100.00	Taxes @ 22%:	\$ -198.00
Spendable Paycheck:	\$ 680.00	Spendable Paycheck:	\$ 702.00
Increase in Paycheck: \$22.00 per check			

IRS Requirements of the Holston Conference:

- Cafeteria Plan Documents on file
- Resolution (Adoption) of a Cafeteria Plan
- Summary Plan Description showing the benefits being offered
- Employees being made aware of the benefits being offered
- 365-day plan
- Changes made once per year

Aflac representatives will provide the required documentation for free as well as educate each employee on their tax savings and benefits programs.

Coming next week... With what programs can you save tax dollars??