

I.R.C. SECTION 125 FLEXIBLE BENEFIT PLAN

Participation in a Section 125 Flexible Benefit Plan enables employees to increase their spendable income simply by changing the method of payment for personal, "out-of-pocket" expenses such as medical premiums. Qualified expenses, previously paid with "AFTER-TAX" earnings, can now be paid with "PRE-TAX" earnings.

Employee savings are realized by a reduction in mandatory taxes withheld under the following programs:

F.I.C.A. (Social Security-7.65%)	STATE INCOME TAX (5% Average)
FEDERAL INCOME TAX (15% to 28%)	S.D.I. TAX (.5%)

AVERAGE EMPLOYEE SAVINGS = 27% to 40%

A Section 125 Flexible Benefit Plan is not an insurance plan. It is a plan of flexible spending that can be implemented into the company's existing benefit program. It does not require that you have a "Cafeteria" Plan or any type of insurance plan. Section 125 Flexible Benefit is not magic! It simply allows employees to pay qualified expenses with **PRE-TAX** dollars rather than taxed dollars.

The employer's role is to sponsor the program and make **PRE-TAX** payroll deferrals from each employee participant. The amount deferred depends upon the dollar amount elected in any one of the following options:

INSURANCE PREMIUMS

All charges that employees are required to contribute for their own and/or dependent's insurance sponsored by the employer.

GROUP MEDICAL	VISION CARE	GROUP TERM LIFE
GROUP DENTAL	DISABILITY	PRESCRIPTION SERVICE

EMPLOYEE EXAMPLE

	With a Section 125 Plan	Without a Section 125 Plan
Gross Taxable Wages	15,000	\$15,000
Pre-Tax Contribution	525	N/A
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Taxable Wages	\$14,475	15,000
Estimated Taxes*	2,900	3,019
After-tax Contribution	N/A	525
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Take-home Pay	\$11,575	\$11,456

* Joint Return, 15% marginal tax rate

By paying for benefits before taxes are calculated, estimated taxes are reduced by \$119, which is \$9.92 per month more in take-home pay for our example person.

Section 125 of the Internal Revenue Code requires that all eligible employees be given the opportunity to participate in a non-discriminatory manner and the employer to make payroll deferrals as elected by participants. Deductions for insurance premiums are sent to the appropriate insurance carriers. Insurance Premiums paid through the Plan cannot be personally deducted on the Employee's personal Tax Return.

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