

Find out if a Limited Purpose Flexible Spending Account is right for your family!

A limited purpose flexible spending account (LPFSA) allows you to set money aside on a pretax basis (via payroll deduction) to pay for out-of-pocket dental, vision, and preventative care expenses. While you could use your HSA to pay for dental and vision expenses, by fully funding your HSA and using a LPFSA to pay for dental and vision expenses, you will maximize your tax savings while preserving your HSA for the future.

To determine if a LPFSA is right for you, ask yourself these questions:

1. Do I want to grow and preserve my HSA balance for future expenses and retirement?
2. Do I have enough funds to contribute the IRS maximum to my HSA?
3. Will my family have vision and dental expenses this plan year?¹
4. Can I estimate the minimum amount my family will spend on glasses, contacts, corrective vision procedures, dental and orthodontia services this year?
5. Do I have enough discretionary income to deposit funds to a LPFSA?

If you answer “yes” to all five questions, YOU need a LPFSA!

+ More money in your pocket!

Sarah has a HDHP and HSA. She and her spouse want to contribute the IRS annual maximum to her HSA. She already knows her family of three needs three pairs of glasses and one root canal for her husband. She estimates her total out of pocket expenses will be a minimum of \$1,500 for dental and vision this year. She files her taxes jointly with her husband.

Sarah's Family Income (\$50K*2)	\$100,000
Pre-tax deduction LPFSA	- \$ 1,500
Pre-tax deduction HSA	- \$ 6,900
Taxable Income	= \$ 91,600

Estimated Tax Savings*	LPFSA	HSA	TOTAL
Federal Income taxes	\$ 375	\$ 1,725	\$ 2,100
State Income Taxes	\$ 90	\$ 414	\$ 504
FICA	\$ 115	\$ 528	\$ 643
Total Tax Savings*	\$580	+ \$2,667	= \$3,247

Sarah is getting a raise of \$3,247!

And, after Sarah spends her LPFSA, she can spend her HSA for additional dental and vision expenses, tax free. Best of all, her unused HSA balance will roll over and be available for future qualified expenses, tax-free.

* This tax example is illustrative only and savings rates are approximate. This example should not be used to estimate your savings. All mention of taxes is made in reference to federal tax law. States can choose to follow the federal tax-treatment guidelines for HSAs or establish their own; some states tax HSA contributions. Please check with each state's tax laws to determine the tax treatment of HSA contributions, or consult your tax adviser. Neither UMB Bank, n.a., nor its parent, subsidiaries, or affiliates are engaged in rendering tax or legal advice and this document is not intended as tax or legal advice.

¹ LPFSAs are generally subject to “use it or lose it” rules. However, IRS guidance (Notice 2013-71) provides employers the option of allowing employees to roll over unused funds at the end of the plan year. UMB does not administer your LPFSA plan. Please see your employer for your LPFSA plan details.