**Title:** Advantages and disadvantages of Flexible Spending Account

**Short summary:** The knowledge about Flexible Spending account and benefits of using the Flexible Spending account so that you can make hundreds out of it

**Long desc:**

A person can never predict any health or dependent care expense, but can probably estimate most of them, at the one he/she expects. Likewise, the ability to estimate these expenses is the key of your employer offers flexible spending accounts, which can also help you save money and reduce your federal income tax.

**Flexible Spending Account**

A flexible spending account is a special account that lets you set your money aside, tax-free, for out-of-pocket medical, dental and vision expenses or dependent care costs. Employers offer different types of Flexible spending account and the type of choose depends on your healthcare and dependent needs which can help you later.

Sometimes it is also referred to as a cafeteria plan, flex plan, or a Section 125 plan, a Flexible Spending Account (FSA) allows employees to set aside money from each paycheck into an account before paying income taxes for their future.

**What are the types of Flexible Spending Accounts?**

Mainly there are three types of Flexible Spending Accounts. All FSAs are pre-tax benefit accounts that are offered by employers. Here are the three types of FSAs:

1. **Dependent Care FSA:** Employees can use a Dependent Care Flexible Spending account to pay for allowable dependent care services but not the dependents’ healthcare expenses.
2. **Healthcare Flexible Spending Account:** A healthcare Flexible Spending account allows you to save around 30 percent on allowed healthcare expenses of a person. Allowed health FSA expenses include medical, dental and vision expenses not covered by your insurance.
3. **Limited expenses Healthcare FSA:** You caneasilyuse a LEXHFSA for qualified out of pocket dental and vision care expenses. It is usually available for employees enrolled in a Federal Employees Health benefits highly-deductible health plan who have a health savings account or who have spouse enrolled in the same.

**Advantages of Flexible Spending Account**

This can be a good fit in if you anticipate high medical expenses in the coming year, or you care for your dependent. Below we have mentioned some advantages of this plan:

* **Coverage of Family Healthcare:** The best advantage of this plan is that you are not the only person who can take advantage of your HCFSA. Other than you, your spouse, dependents and adult children through age 26 can use it, too.
* **Availability of immediate Funds:** You canspecify your FSA contribution in the beginning of the year, and then you can take it our gradually, with each paycheck that you get from your office. But if you want to get the full pledged amount, then it is also available immediately.
* **Medical Savings:** If you talk about a normal health insurance, then we are aware that a normal health insurance doesn’t always cover auxiliary healthcare costs such as over the counter prescriptions, travel vaccines and diagnostic tests. However with FSA you can pay for these items.
* **Tax Savings:** Normally the employees can contribute to their FSA’s through payroll deductions, so that the money is taken out before tax deductions. This will reduce your taxable income, which clearly means that you will owe less to the IRS.
* **Benefits with Debit Card:** There are many FSA’s which are also connected to debit cards you can use to pay for expenses directly.

**Disadvantages of Flexible Spending Account**

FSA requirements also create some drawbacks to consider when deciding whether an FSA is right for you and your family. We have mentioned some of the negative aspects of these accounts:

* **Lose your Benefits when you lose your job:** FSA’s are tied to your employer; therefore you will lose the benefit if you leave your employer.
* **No Tax Write-Offs:** The worst drawback is that you can’t deduct FSA-reimbursed medical expenses when you file your tax return.
* **Enrollment Period is limited:** You are obliged to sign a FSA during your employer’s open enrollment period. If you miss the deadline then it means you are out of luck until next year unless you experience a qualifying life even such as marriage, birth or any adoption.

At the end, you do not either have to use it or lost it when it comes to your FSA contributions, the accounts can even help you save money. You can even consider enrolling in one of these plans so you and your family can reap the benefits. FSA can be beneficial for you.

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