

How to choose the right amount for your FSA in 2017

2 November 2016, by Lacie Glover



In this Aug. 5, 2010, file photo, a pharmacy tech poses for a picture with prescription medication at a pharmacy in Edmond, Okla. November is typically open enrollment time for millions who get health insurance, disability insurance and other benefits from an employer. If you're one of them, among your important choices is whether you want a flexible spending account and how much money to deposit. You can spend FSA money only on "qualified medical expenses," which are determined by the IRS. The money comes out of your paycheck pretax, in regular increments. (AP Photo/Sue Ogrocki, File)

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FSAs are available through some employers as a part of benefits packages. You can spend FSA money only on "qualified medical expenses," which are determined by the IRS. The money comes out of your paycheck pretax, in regular increments. The full amount you pick is available at the beginning of the year, so if you have big [health](#)

[care expenses](#) in the early months, your total FSA money is already accessible.

Unlike a health savings account, where the money you add is yours forever, the money in an FSA is "use or lose." Any leftover money goes back to the owner of the plan, most likely your employer, "to offset administrative expenses," says Jody Dietel, chief compliance officer at WageWorks, a group that provides employer benefits.

However, IRS rules make the use-or-lose deadline flexible. Many employers let you carry over as much as \$500 in unused funds for up to a year. Other employers might offer a grace period, in which you can spend the unused money in the first 75 days of the next plan year. Ask your benefits administrator whether your employer offers either of these options before deciding on your final contribution.

Deciding how much to put into an FSA each year is important because you risk losing money if you put in more than you can spend. If you undershoot your amount, you lose out on the advantage of having the pretax funds.

DETERMINING YOUR FSA AMOUNT

The FSA contribution limit in 2017 will be \$2,600, or about \$217 per month.

If your medical expenses are straightforward, here are two easy rules of thumb for choosing an FSA amount:

- If your unreimbursed medical bills are typically \$217 a month or more, consider contributing the limit to your FSA.
- If your medical expenses are generally low, contributing your approximate dental and vision expenses for next year is probably enough.

If you don't think your out-of-pocket 2017 medical expenses will be clearly over the FSA limit, add up these three numbers, all of which you can pay with FSA money:

— Your health plan's deductible. In some plans, you have to pay 100 percent for many of your medical costs until you reach the deductible, when the plan starts paying a share. The average [health insurance deductible](#) in employer plans was \$1,478 in 2016 for an individual, according to the Kaiser Family Foundation. If your deductible is more than the annual FSA limit, consider maxing out your FSA.

— How much you expect to spend on copayments and coinsurance. Copays are a set amount you pay at the time of care, and coinsurance is the percentage you pay of the total charge for care.

— Your share of prescriptions, dental visits and vision care.

Check your health plan's summary of benefits to see if your share of costs will rise next year, advises Lea Reyes, vice president of client services at Delta Health Systems, an employer benefits firm. "Typically, employers will increase your share of these costs" each year, Reyes says. If your deductible, copays or coinsurance are going up, adjust your FSA amount accordingly.

WHEN TO ADD MORE

Medical expenses can be unpredictable for those who have a chronic medical condition, a big family or kids in sports, or who may welcome a baby in 2017. Add more to the FSA if you're not already planning to max it out.

WHAT TO DO WITH EXTRA CASH IN YOUR FSA

If it's the end of the year and you have unspent FSA money, here's what you can do:

— If your FSA has the carryover option, leave the extra amount in the account and subtract it from next year's contribution. If your FSA has a grace period into 2017, schedule any medical visits you can during that time and use your surplus to start

paying down your 2017 health insurance deductible.

— Make sure you're using FSA money for everything you can.

— If you and your spouse both have an FSA benefit, you each can contribute and use both accounts for family [medical expenses](#). That results in a total spending limit of \$5,200 for 2017, which can help with large expenses such as braces or childbirth.

— Spend the leftover money on things that you can use throughout 2017. FSA-eligible products include such things as sunscreen, thermometers and blood pressure monitors, says Jeremy Miller, founder and president of FSAstore.com, an online shop that sells only FSA-eligible products.

"Some of our most popular items are topical pain therapies," he says, adding that electrical devices for pain relief are also popular. But note that you can't use FSA money for over-the-counter drugs like Tylenol.

One last reminder: Many FSAs now have debit cards, but save your receipts in case a charge is rejected and you need to prove your expense.

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