

# Save on Orthodontia Expenses with a Flexible Spending Account

Use your tax-free dollars from a Healthcare or Limited Flexible Spending Account to save on orthodontia expenses.

## Orthodontia Claims are Handled Differently

The length of time you pay, negotiations with your orthodontist, and insurance coverage can all affect your savings. Orthodontia expenses are the only FSA claims reimbursed according to your payment plan.

## Here are three examples:

### Example 1—Orthodontia Contract, Paying With Chard Snyder Benefit Card

Thomas does not have orthodontia insurance. His daughter's treatment is \$5,000. He will use his Flexible Spending Account for \$2,650 a year over the treatment period. His contract with the orthodontist is set up to use his FSA over three years of treatment.

Year One	Thomas' Payments	FSA Tax savings*
Treatment starts in the seventh month of the Flexible Spending Account plan year. Thomas makes a down payment using his Chard Snyder Benefit Card	\$800.00	
He makes five monthly payments of \$175 each using the Card	\$875.00	
<b>Total payments for Year One</b>	<b>\$1,675.00</b>	<b>\$630.64</b>
<b>Year Two</b>		
12 monthly card payments of \$175 each	\$2,100.00	\$790.65
<b>Year Three</b>		
Seven monthly card payments of \$175 each	\$1,225.00	\$461.21
<b>Totals over three-year period</b>	<b>\$5,000.00</b>	<b>\$1,882.50</b>

By saving \$1,882.50 in taxes, Thomas has effectively lowered the cost of his daughter's treatment to **\$3,117.50** from **\$5,000.00**.

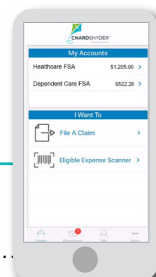


## Orthodontia Contract

Depending on your payment plan, you may need to send in a copy of your orthodontia contract. Your contract must meet these requirements:

- It must be a written business agreement between you and the orthodontist
- The agreement must show
  - Start and end dates of treatment
  - Payment arrangements
  - Total cost

All payments must be made within the contract dates and not total more than the contract amount.



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Email questions to [askpenny@chard-snyder.com](mailto:askpenny@chard-snyder.com)

Savings will vary based on your tax bracket. All examples shown are calculated at 25% Federal, 7.65% Social Security and 5% state income tax savings.

# Two More Ways to Save on Orthodontia Expenses



## Example 2 - No Orthodontia Insurance, Negotiated Savings

Chandra's orthodontist offered a 10% discount if she paid the entire amount at the beginning of her \$5,000 treatment. She will be reimbursed her entire Flexible Spending Account for the current year (\$2,650). Because Chandra paid the full amount in one year, she will not receive reimbursement for any payments the next plan year.

Total cost after discount	Insurance claim	Out-of-pocket expense	FSA Reimbursement	Non-reimbursable expense	Tax savings for year*
\$4,500	\$0	\$4,500	\$2,650	\$1,850	\$997.73

## IRS Regulations

- No matter how you use your FSA funds, the IRS requires proof your claim is for an eligible expense. You will be asked to send us a copy of your receipt, itemized statement, or Explanation of Benefits (EOB) as substantiation for your claim
- If your payment plan is longer than one year, you will be asked to provide a copy of your orthodontia contract
- You must spend and claim your money within your company's plan deadlines
- Only eligible expenses can be refunded
- Once you claim an expense you may not claim it again on your annual taxes

## Example 3 - Orthodontia Insurance and FSA

Sharon has orthodontia insurance which pays up to a lifetime maximum benefit of \$1,000. The cost of her son's treatment is \$5,000 over two years. She has a Flexible Spending Account with an annual maximum contribution of \$2,650.

Year One	Insurance	Sharon
Down payment of 25% (\$1,250.00) split between insurance and Sharon	\$625.00	\$625.00
Four installments of \$156.25 per month split between insurance and Sharon	\$78.13	\$78.12
Insurance lifetime max is met on the fifth monthly payment	\$62.48	\$93.77
Sharon makes seven payments of \$156.25		\$1,093.75
<b>Total Payments for Year One</b>	<b>\$1,000.00</b>	<b>\$2,125.00</b>
Year Two		
Sharon makes 12 monthly payments of \$156.25	\$0	\$1,875.00
<b>Totals paid over two-year period</b>	<b>\$1,000.00</b>	<b>\$4,000.00</b>

Sharon is reimbursed \$1,000 by her orthodontia insurance. She is reimbursed the entire \$4,000 she paid in out-of-pocket expenses through her healthcare Flexible Spending Account over the course of treatment. She has total tax savings of \$1,506. Through insurance and tax savings, her total cost for Bobby's braces has been lowered to **\$2,494** from **\$5,000**.



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