

PERSONAL CHOICE ACCOUNT

Flexible Benefits Administration

What is a Dependent Care Reimbursement Account?

Contact Us

Personal Choice Account

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Did you know that your employer offers a valuable money saving benefit to you called a Dependent Care Reimbursement Account, or DCAP?

DCAP was designed by the IRS to allow you to set aside money in an account that you can draw from for expenses related to care for a child (under age 13) or an incapacitated qualified dependent which enables you, and your spouse if applicable, to work, look for work, or go to school full time.

By participating in this account you'll save money in two ways:

- You're not taxed when you make deposits (*we call them contributions*)
- You're not taxed when you make withdrawals (*we call them reimbursements*)

Here is how you save...

Your Pay <i>Without</i> an Account	
Annual Salary	\$48,000
Taxes	-\$9,600
Dependent Care Expenses	-\$5,000
Net Pay <i>Without</i> an Account	\$33,400

Your Pay <i>With</i> an Account	
Annual Salary	\$48,000
DCAP Contribution	-\$5,000
Adjusted Net Income	\$43,000
Taxes	-\$8,600
Net Pay <i>With</i> an Account	\$34,400
Total Annual Savings	\$1000

That's **\$1000.00** just for participating in a DCAP!

Because you pay less in social security taxes, your social security benefit may be slightly less when you participate in any type of tax savings vehicle. This is an example for illustration purposes only. Savings may vary based on income, tax bracket and other variables. Consult your tax advisor if you have questions regarding your personal savings under this account.

The IRS "Use it or Lose It" Rule

The full amount you choose to set aside for the plan year (*we call that your annual election*) must be used for qualified dependent care services incurred during the plan year or you lose the funds. This is an IRS mandated rule regarding this type of account. To reduce the risk employees should carefully review their estimated dependent care expenses before making the decision to participate. In addition, you must determine if the care that you're paying for is considered "qualified" under the plan.

In all cases, the care must enable you and your spouse (if applicable) to work and it must be care for an IRS defined qualified dependent

Eligible Expenses

Daycare (in your home or at another location). The daycare provider must be over age 19; cannot be the employee's child, step child, foster child or one for whom the employee can claim a deduction on IRS form 1040; cannot be the employee's spouse; or the child's parent.

Nanny Expenses

Nursery School and Preschool

Transportation between one location and the place where care is being provided

Day camps in lieu of daycare

Before and after school care

Care for an incapacitated qualified relative (such as elder care) provided that the relative regularly spends at least 8 hours per day in your home and fees are not associated with medical care

Ineligible Expenses

Care for a child age 13 or older

Care for a child not related to your ability to work (such as for recreation or entertainment)

Educational expenses (including kindergarten)

(see our website for a more complete list)

Changing Your Annual Election

The annual election you choose when you enroll can only be changed if you have a qualified life event. Examples include marriage, birth or changes in the employment status of you or your spouse. Please contact your Human Resources (HR) department for additional information regarding such changes.

Reimbursement Process

To make withdrawals from the account, simply complete a Dependent Care Reimbursement Request form and attach a copy of your dependent care bill. If you do not receive a formal bill you can have your daycare provider fill out the "Affidavit of Dependent Care Services Rendered" portion of the Reimbursement Request form. Reimbursement requests may either be mailed, faxed or emailed as an attachment to the Personal Choice Account (please see the contact information in the sidebar of this brochure).

Reimbursement by this account cannot be made until the contributions are received from your employer (usually 1-2 business days after your pay day), however, requests can be sent at any time after services are incurred and will be processed, awaiting contributions.

Reimbursement checks will either be sent to your mailing address or can be direct deposited into your checking or savings account. Please view our website or contact us for a Direct Deposit Enrollment form.

You'll have a period of time after the end of the plan year to submit expenses to Personal Choice Account. Please contact your HR Department or Personal Choice Account to verify your deadline.

Online Services

You can review your account online through our secure website, www.myflexmoney.com. Here you'll be able to see reimbursement and contribution status as well as monitor the balance in your account. In addition you will find forms, lists of eligible expenses and informational presentations at www.personalchoiceaccount.com.

Termination of Employment

If you terminate employment you will have access to the amount that you have contributed into the account up to that point. The expenses must be eligible as defined by the IRS (see the sidebar on this brochure) and must be incurred within the plan year in which you were participating. You'll have a period of time after the end of the plan year to submit the expenses to Personal Choice Account. Contact your HR department or Personal Choice Account to verify your deadline.

Maximum Contributions & Tax Consequences

The IRS limits your contribution each calendar year to \$5000 for those who are married and filing jointly or those filing as "head of household". The limit is \$2500 for those married but filing separately. If you and your spouse each contribute to a DCAP you cannot contribute more than \$5000 combined. The amount you are reimbursed from a DCAP reduces, dollar for dollar, your federal Child Care Tax Credit. While some employees experience a greater savings by participating in a DCAP, it is not true in all cases. We encourage you to contact your tax advisor for advice specific to your situation.