

What does a Premium Only Plan mean to you?



Your employer is offering you the opportunity to pay your portion of insurance premiums with pre-tax dollars which can lower your taxes and increase your take-home pay.

How Does it Work?

When you participate in a Premium Only Plan, your portion of insurance premiums are deducted from your salary before it is subjected to income tax. When this occurs, you will pay less tax, resulting in a higher take-home pay, as illustrated in the example below.

Employee Benefits	without SBP	with SBP
Employee Income	\$40,000	\$40,000
Less health premiums	\$0	\$2,400
Taxable income	\$40,000	\$37,600
Estimated Federal, State and Social Security Taxes (27%)	\$10,800	\$10,152
Income after taxes	\$29,200	\$27,448
Less health premiums	\$2,400	\$0
Remaining income after taxes and health premiums	\$26,800	\$27,448
Increase in take-home pay...	\$0	\$648 ¹

¹this illustration approximates the employee tax reduction savings. The actual amount may vary depending on the employee's specific tax requirements.

A Premium Only Plan could save you hundreds of dollars a year and it doesn't cost you anything to participate!

What Expenses are Eligible?

Premiums for any of the employer-sponsored insurance plans listed below are eligible under a Premium Only Plan:

- Medical insurance premiums
- Contributions to a Health Savings Account (HSA)
(contributions to an HSA are considered taxable income in CA)
- Dental insurance premiums
- Vision insurance premiums
- Life insurance premiums
(premiums for life coverage in excess of \$50,000 must be paid with post-tax dollars)
- Accidental Death & Dismemberment premiums
- Disability Income insurance premiums
(distributions are taxable income when premiums paid pre-tax)

Since your employer must choose to make these premiums eligible under the plan, please check with your benefit administrator to confirm they are available options.



How Do You Get Started?

It's automatic, unless you say otherwise. Your portion of insurance premiums will automatically be deducted from your paycheck on a pre-tax basis.

If you want to have premiums deducted post-tax, complete the *Waiver of Participation* form and return it to your company's benefit administrator.

PLEASE NOTE: Once you have made your elections, IRS rules only allow you to change your election if you have a change in family status event such as marriage, birth or adoption, death, an unpaid leave of absence, or a spouse's employment termination. The change must be consistent with the election change you submit under the Premium Only Plan.

Questions? Contact your Benefit Administrator.