

SECTION 125 PREMIUM ONLY PLAN (POP) OVERVIEW

WE MAKE
THE COMPLEX
SIMPLE

WHAT IS A SECTION 125 PREMIUM ONLY PLAN (POP)?

A Section 125 Premium Only Plan (POP) allows employees to increase take home pay and improve benefits. A POP allows you to pay for your portion of eligible employer sponsored premiums and benefits - such as health, dental, vision, and health savings account (HSA) contributions - with pre-tax dollars.

WHAT DOES PRE-TAX MEAN?

Pre-tax means your income before federal and state taxes have been deducted. Because you are paying for eligible premiums and benefits with pre-tax dollars, you are lowering your gross income which means you pay less tax. Because you pay less in federal, state, social security and FICA taxes, you take home more money than if you were to pay for eligible benefits post-tax.

HOW DOES A SECTION 125 POP WORK?

At your direction, funds are deducted from your salary. These funds are used to pay your portion of eligible employer sponsored premiums and benefits on a pre-tax basis.

WHAT IF MY PREMIUMS CHANGE MID-YEAR?

You may only change your POP elections mid-year if you have a qualifying event that results in a change of status. Qualifying events include marriage, adoption, death, divorce, or a change in employment status. If there is an increase or decrease in your premium, you can make a corresponding change to your POP election.

HOW MUCH WILL I SAVE?

Savings will vary based on your federal and state income tax brackets and the benefits you choose to pay with pre-tax dollars. Here is an example of tax savings where the employee elected a Healthcare Flexible Spending Account (FSA), one component of a Section 125 POP. This is for illustration only and not intended to provide tax advice or demonstrate actual tax savings.

ANNUAL TAX SAVINGS EXAMPLE	WITH FSA	WITHOUT FSA
IF YOUR TAXABLE INCOME IS:	\$50,000	\$50,000
AND YOU DEPOSIT THIS AMOUNT INTO AN FSA:	\$2,000	-\$0-
YOUR TAXABLE INCOME IS NOW:	\$48,000	\$50,000
SUBTRACT FEDERAL AND SOCIAL SECURITY TAXES:	\$13,807	\$14,383
IF YOU SPEND AFTER-TAX DOLLARS FOR EXPENSES:	-\$0-	\$2,000
YOUR REAL SPENDABLE INCOME IS:	\$34,193	\$33,617
YOUR TAX SAVINGS:	\$576	-\$0-

HOW DO I ENROLL?

POP participation is optional. If you choose to participate, you will need to complete a very simple election form and give it to your employer to participate in the Section 125 Premium Only Plan.