Wespath

1901 Chestnut Avenue
Glenview, Illinois 60025-1604
wespath.org

Flexible Spending Accounts—Health Care and Dependent Care Accounts

Through HealthFlex, actively working participants have the option to elect to contribute a part of their compensation to tax-advantaged (pre-tax) flexible spending accounts (FSAs)—one for health care expenses (health care FSA) and one for dependent day care expenses (dependent care FSA).

If you elect to participate in an FSA, you may contribute part of your compensation, i.e., set aside funds, on a before-tax basis[1] to reimburse yourself for certain eligible health care and dependent care expenses.

Flexible spending accounts can save you significant amounts on the cost of health care and dependent day care by allowing you to pay for qualified expenses on a pre-tax basis. However, the funds you set aside in flexible spending accounts are subject to certain restrictions on their use, as explained below, and are subject to the Internal Revenue Service (IRS) "use it or lose it" rule. Please be sure you understand all the implications of those rules by carefully reading this entire document.

When you elect to contribute to an FSA, you are choosing to contribute that amount over the applicable plan year—which is a calendar year—not a conference or appointment year. If you enroll in the plan mid-year and elect to contribute to an FSA, your election will apply to the remaining portion of the calendar year.

Note: *HealthFlex flexible spending accounts are administered by HealthEquity®.*

The Health Care FSA

If you elect a health care FSA, you can elect to set aside part of your compensation on a before-tax basis[1] to reimburse yourself for certain eligible health care expenses that are not otherwise reimbursed or reimbursable from the group health plan component of HealthFlex or from some other source. The entire amount you elect is available on the first day of the plan year, which can be useful to cover out-of-pocket expenses[2] before the deductible has been met. Paycheck deductions continue over the course of the year.

With a health care FSA, you may submit for reimbursement certain eligible out-of-pocket medical, pharmacy, dental, vision, over-the-counter medication and medical supply, and menstrual product expenses incurred during the plan year. You also may submit for reimbursement through the health care FSA certain expenses incurred by your spouse or dependent children (even for qualified expenses for qualified dependents not covered under the HealthFlex medical plan).

To get an idea of the amount you may want to set aside in a health care FSA, begin with last year's medical, dental and vision expenses. Will any of these recur? If so, add them to your estimate. You may then want to consider what types of expenses you can anticipate for the coming year, such as new eyeglasses, any co-payments or deductibles under the benefit options you elect. This will help you estimate the amount of your compensation that you may want to set aside. For further information regarding eligible expenses, please call HealthEquity at **1-877-924-3967** or log into **BenefitsAccess.org**, select the "**Health Details**" button, then click "**Health & Reimbursement Accounts**."

[1] Salary reduction contributions are not subject to federal income tax or FICA tax withholdings. In some cases, salary reduction contributions may not be subject to certain state and local tax withholdings. Consult your tax advisor and plan sponsor.

[2] With an HSA plan, the health care FSA would be *limited-use, which means it* may be used for dental and vision expenses only, until you notify HealthEquity that you have reached the IRS-defined deductible; then can be used for all eligible health care expenses. (2026 IRS-defined deductible: $1,700 individual coverage/$3,400 family coverage.)

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It is relatively easy to estimate your expenses for a health care FSA since you probably already know the cost of many services in advance. You may set aside $300 to $3,400 (2026 contribution limit) per calendar year.

The Dependent Care FSA

If you elect a dependent care FSA, you may elect to set aside part of your compensation on a before-tax basis[1] to reimburse yourself for certain eligible dependent day care expenses (even for qualified expenses for qualified dependents who are not covered under the HealthFlex medical plan). The dependent care FSA applies only to expenses incurred that calendar year (i.e., **January 1 through December 31**).

With a dependent care FSA, you may submit for reimbursement certain expenses incurred for care of your dependents to enable you and your spouse to be gainfully employed. Dependent day care expenses may include expenses for summer day camp, babysitting services while you work, or a day care center for eligible children or dependent adults.

If you incur dependent day care expenses for your dependent children (age 12 and younger) or for your spouse or other adult dependents who are physically or mentally incapable of self-care, you may be reimbursed for certain eligible dependent day care expenses under the dependent care FSA. Unlike the health care FSA, only the funds that have actually been deducted from your compensation to date are available to reimburse expenses.

Make sure to keep track of your dependent day care expenses and the provider's name, address and tax identification number (Social Security number if it is a home provider). In addition to submitting this information to HealthEquity to request your reimbursement, you may want to save a copy of this information for reference when you prepare your tax return.

Dependent Care FSA Election Limits

In a calendar year, the amount an employee can exclude from his or her income through salary deferrals to the dependent care FSA is limited to the smallest of the following:

1. $7,500 ($3,750 if the employee is married, but filing separately);
2 the employee's earned income if less than $7,500; or
3. the spouse's earned income if the employee is married at the end of the taxable year.

If the employee is married and his or her spouse is either a full-time student or incapable of self-care and has no earned income, the spouse is deemed to have an earned income of $250 per month ($500 per month if there are two or more qualifying individuals) in each month that the spouse is either a full-time student or incapable of self-care.

The Use It or Lose It Rule

FSAs have certain "use it or lose it" rules, based on Internal Revenue Service (IRS) guidelines. This means that account balances not spent by the specified deadline will be forfeited. In other words, if you don't "use" your FSA money by the deadline, you will "lose" it. The "use it or lose it" rule applies to any unspent amount remaining for the dependent care FSA and to any amount over $680 remaining for the health care FSA at the end of the 2026 plan year. *(See details below.)*

Important: *Amounts remaining in health care FSA (over $680) and dependent care FSA (any amount) accounts after the applicable deadlines will be forfeited due to the IRS "use it or lose it" rule. HealthFlex uses such forfeitures to offset the administrative expenses of the program.*

Use it or lose it rules for health and dependent care FSAs are different, as described below.

Health Care FSA (eligible health care expenses)

- You must spend all but $680 of your FSA by **December 31 of the 2026 plan year** or it will be lost. After December 31, 2026, you can carry over **up to $680** remaining in your FSA account into 2027.
  - *If you elect to contribute to a health care FSA in 2027:* You will be able to carry over up to the IRS 2027 carryover limit into the 2028 plan year.
  - *If you do not elect to contribute to a health care FSA in 2027*: You will not be able to carry over any FSA funds into 2028.

  Claims for current plan year FSA expenses submitted after the deadline (**April 30 of the following year**) will not be reimbursed. Claims for the current plan year amount carried over to the following plan year must be submitted by **April 30 of the next following year** or they will not be reimbursed.

Dependent Care FSA (eligible dependent care expenses)

- You must incur all eligible expenses by **December 31** of the FSA year. There is no grace period (deadline extension) or carry-over allowance.

  Claims must be submitted by **April 30** of the following year.

Special Rule for Those Who Retire or Cease Working

If you cease working during the plan year—whether due to retirement, termination of employment or a leave of absence—your coverage under the FSAs cease at the end of the month in which your last day of employment occurs.[3] Only eligible expenses incurred *before the end of the month of your last day of employment* may be reimbursed from your FSA. Expenses incurred after your termination month are not reimbursable. Also, if your coverage terminates during the plan year you will have only **90 days** after the date your coverage ends to submit claims for eligible expenses incurred before your termination date (i.e., before and including the last day of the month in which your employment ends).

Helpful Reminders When Using Your FSA Accounts

1. HealthFlex requires that you affirmatively elect an FSA during the Annual Election period or when you join HealthFlex and elect the amount of funds you wish to set aside for each plan year. If you make no election for the upcoming plan year, your FSA elections for that plan year will be zero.

2. The amount you elect to contribute to each account is for a calendar year, not a conference or appointment year. If you enroll in the plan mid-year and elect to contribute to an FSA, your election will apply to the remaining portion of the calendar year. If you terminate from HealthFlex prior to the end of the plan year (e.g., retiring, terminating employment or leave of absence), **you have 90 days from the end of the month in which your date of termination occurs to submit all claims you incurred while you were a participant (i.e., before your date of termination)**.

3. Provided that you remain eligible to have a health care FSA under the plan, the total annual amount that you elected to contribute for the plan year is available at any time during the plan year (reduced by the amount of prior FSA reimbursements paid to you during the plan year).

4. When you incur an expense eligible for dependent care FSA reimbursement, submit a separate claim form to HealthEquity, along with proof of payment and the provider's tax identification number. Unlike the health care FSA, the amount of dependent care FSA reimbursement available at any time during the plan year is limited to the amount credited to your dependent care FSA as of the date of claim (reduced by the amount of prior dependent care FSA reimbursements paid to you during the plan year).

5. To be considered for reimbursement, you must incur the expenses during the plan year for which your FSA elections are effective. Expenses are considered incurred when services are performed, not when payment is made (subject to certain exceptions for orthodontia and eyeglasses).

6. There is no grace period for health care FSA funds elected. However, you may carry over *up to $680* remaining in your FSA at the end of the 2026 plan year, to be applied to eligible expenses incurred during the following plan year. There is no grace period or carry-over allowance for unspent dependent care FSA funds in any plan year.

7. Funds cannot be transferred between the health and dependent care FSAs. Estimate your expenses so that you do not contribute more than you need. IRS regulations require that any funds remaining in your account after applicable deadlines will be forfeited.

8. The plan administrator uses all amounts forfeited from participant FSA accounts to offset the administrative costs of the plan.

9. Normally, you cannot change the amount that you elected to set aside in your reimbursement accounts (FSAs) during the plan year. The terms of the plan allow you to generally set aside between $300 and $3,400 (2026 plan year) for the health care FSA, and between $300 and $7,500 for the dependent care FSA, to be deducted from your salary/paycheck in prorated amounts throughout the plan year. However, under limited circumstances, certain events (called change of status events, such as marriage or birth of a child) may allow you to make certain election changes during the plan year. Please contact the plan administrator or your plan sponsor for more information about change of status events.

10. If you become ineligible to participate in the FSA (for any reason, including retirement or termination) during the plan year, expenses incurred after your loss of such eligibility are not eligible for FSA reimbursement.

Please note: *There are important tax implications associated with electing to participate in an FSA. Individuals should consult with their legal, accounting, tax and other advisors before electing to participate in the FSA.*

[3] If your last day of employment occurs the first day of the month, your coverage under the FSA ceases at the end of the prior month.

Salary reduction contributions will reduce your compensation for Social Security tax purposes. This means that your Social Security benefits could be decreased because of the decreased amount of compensation, which is considered for Social Security purposes.

For more information and copies of the reimbursement request forms, check the **HealthEquity** website after you log into Benefits Access (**BenefitsAccess.org** > select "**Health Details**," then click on "**Health & Reimbursement Accounts**").

This publication serves to provide you with general information regarding the FSA programs. The actual terms and conditions of the programs are contained in the programs' Plan Document, Summary Plan Description and the HealthFlex Benefit Booklet (collectively, the "Documents") maintained by Wespath. If there is a conflict between the information contained in this publication and the Documents, the terms of the Documents shall control. Wespath reserves the right to amend, modify or terminate part or all of the programs at any time, and Wespath does not make any commitment or guarantee that program contributions or benefits will be excludable from an individual's gross income for federal, state or local tax purposes.