



## **SECTION 125 PRE-TAX PREMIUM PROGRAM**

### **MAKE THE MOST OF YOUR PAYCHECK**

**“It’s not what you earn, It’s what you keep that counts”**

The Section 125 program is a tremendous opportunity for you to enhance your benefits package. Your employer knows that this is a highly beneficial program and wants you to have the opportunity to participate in a Section 125 program.

The **Premium Only Plan** is the building block of the Section 125 Plan. It allows for certain employee paid group insurance premiums (such as Health, Dental, Vision, Cancer, or Accident insurance premiums) if offered by your employer to be paid with *pre-tax dollars*.

When you use pre-tax dollars, you will reduce your taxable income and have fewer taxes taken out of your paycheck as these pre-taxed premiums are exempt from Federal, State, and Medicare & FICA Taxes. Under a Section 125 program, you can actually have more spendable income.

Your employer wants you to fully understand the advantages of your Section 125 program. Following are the most frequently asked questions about Section 125. This information will help you better understand how you can make better use of your paycheck.

#### ***What is Section 125?***

Section 125 is part of the Internal Revenue Code that allows employees to convert a taxable cash benefit (salary) into non-taxable benefits. Under a Section 125 program, you may choose to pay qualified benefit premiums before any taxes are deducted from your paycheck.

#### ***Is Section 125 legal?***

Yes. Even though Section 125 may sound “too good to be true”, the program is legal and beneficial. The United States Congress created Code Section 125 in an effort to make benefit programs more affordable for employees. Code Section 125 was established in the Revenue Act of 1978.

#### ***What are pre-tax dollars?***

Pre-tax dollars are the premiums you pay for qualified benefits under your Section 125 program. These premiums are deducted from your gross earnings – before taxes are taken out.

#### ***How can Section 125 work for me?***

Your Section 125 program can make your benefits plan more affordable. You can pay for your qualified benefits with pre-tax dollars. By paying for qualified benefits before you pay taxes, you actually lower your taxable income, which means you pay less taxes. Paying less taxes usually results in more spendable income. When you take advantage of your Section 125 program, you will actually get “more for your money”.

#### ***Can I enroll in a Section 125 program whenever I want to?***

Your employer's Section 125 plan is an annual plan. You enroll initially in the Section 125 plan during the eligible enrollment period or during the plan year if you experience a qualifying event or change in family status. Participation can continue each plan year unless you opt out at the open enrollment period.

#### ***What do I do to participate?***

If you decide to enroll in the plan, you will simply need to sign the election form to indicate your participation and approval to have your premiums deducted on a pre-taxed basis.

#### ***Do I have to participate?***

No. You are under no obligation to participate in a Section 125 program. However, you are required to sign an election form to indicate your choice.

#### ***Who is offering me this plan?***

Your employer is offering this Section 125 program and has endorsed it to provide you with an enhanced employee benefits package.

#### ***Who can I call if I have a question about this plan?***

Cafeteria Plan Advisors, Inc specializes in pre-tax plans and can be reached at 781-848-9848. Additional information is located on the web at: **[www.cpa125.com](http://www.cpa125.com)**

***The Section 125 Program is a positive step toward making your benefits package more affordable. Your employer offers this program and recommends that you take advantage of this opportunity to make the most of your paycheck.***