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A Qualified Plan Administrator (QPA), LeTourneau was one of the first people in the country to earn the CFCI designation sponsored by the Employer's Council on Flexible Compensation. She is a certified trainer in the Certified in Flexible Compensation Instructor (CFCI) program.

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Flexible Credit Plan: A Perfect Choice For Most Employers

Most of us think of a flexible benefit plan as a voluntary product. Employees estimate their healthcare expenses not paid by insurance and set aside pretax dollars for those expenses through salary redirection. Both the employees and employers save significant tax dollars.

So how can employers get more employees to participate in the plan? They might try an employer flex credit plan. This plan involves some employer funding, but can result in two things: greater employee satisfaction with their benefits package, and greater savings for the employer.

What Is a Flex Credit Plan?

A flex credit plan starts with more employer commitment. The employer makes flex dollars available to employees to augment their salary redirections to the flexible benefit plan. The employer can earmark the flex credits for a specific benefit, like healthcare expenses. Alternatively, the credits can be available for any benefit within the employer's plan. The employer can even allow employees to convert their flex credits to cash.

The employer credits are tax deductible to the business and a non-taxable allowance to employees. However, if an employee chooses to take the credit as cash, that amount is taxable.

Why Implement a Credit-Based System?

Flex credits increase employee awareness of their benefits. When was the last time you saw someone pass up free

money? There's a sudden interest in the flexible benefits plan when the employer gives money away. Now employees are reading about the plan and planning on how to spend the money.

When the employer raises interest in the plan, employees participate in greater numbers and for larger dollar amounts. For the employer it means increased tax savings as more money flows through the plan.

Start Simple

An employer match plan is one of the simplest flex credit plans to install. The employee commits a certain dollar amount to the plan and the employer matches the figure, up to a certain dollar amount. It works much like the employer match in a 401(k) plan. Not only do employees have more choice, but also participation in the flexible benefits plan will soar. Moreover, remember that more salary redirection by employees means bigger savings for the employer.

The employer could also make available a small amount of flex credits as "seed" money. All eligible employees receive this "seed" money at the beginning of the flexible benefits plan year. As participants start to fill out claim forms in order to receive nontaxable payments, they realize how easy it is to participate in the plan.

When the employer "seed" money is gone, they can see how their eligible expenses continue to pile up; expenses they could have paid with untaxed dollars.

Cash Options

The employer credit can also be offered as a cash benefit. However, the sponsor would not want to make this option too tempting. After all, the credits are to encourage participation in the benefits plan,

and that's where the dollars should stay.

A flexible benefits plan is a perfect choice for most employers. Employee approval ratings take off and benefit knowledge accelerates. Alternatively, when an employer takes his flex plans to the next level with em-

ployer credits, both sides gain financially. 🌐

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