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Get Flex!

Helping Your Clients Understand FSAs

Ever wonder why more employers choose not to sponsor flexible spending accounts (FSAs)? Are they afraid they'll lose money? Does it sound too complicated? Maybe if you could just "draw them a picture" they would get it.

What about employees? It's estimated that only one out of every five employees enrolls in an FSA. Why don't they want to save 25 to 40 percent each year on expenses they would have purchased anyway? How do you get more people to enroll?

Here are three ways you can help clients "get flex."

1. Listen. As you make your presentation, encourage questions. Stop and ask if everyone understands what you just said. After the presentation, take time to write down the questions that were asked and your responses. Could the answers have been clearer? Could you have presented the answers in a more positive manner?

As you continue this exercise, you'll end up with a list of commonly asked questions. You'll know which questions employers generally ask, plus the topics that interest employees. The hard part is knowing how to answer each one of these questions with the best possible "spin." That is, giving the best, most positive answer possible, without stooping to lying.

For instance, employers encounter situations in which they get stuck on the fact that they could pay out more money than has been contributed. This occurs when one or more employees terminates employment without contributing the full annual

election, which happens because the health FSA portion of a Section 125 cafeteria plan is a welfare benefit plan that must have the attributions of insurance. For example, an employee has an annual election of \$1,200. During the first month of the plan, this employee contributes \$100 to the plan through salary redirection and also incurs an eligible medical expense for \$800. The plan (i.e., the employer) must pay the \$800 expense in full. That's the attribution of insurance, or risk shifting, which can be pretty intimidating, especially to a small employer.

So how do you combat this type of objection? By using cold, hard facts. You might say, "I administer 500 plans and not one employer lost money on its plan last year when the FICA savings was taken into consideration. Remember, you save 7.65 percent of every dollar put through the plan by not paying the matching FICA. The more employees who participate, the more money you save."

Another possible question could come from an employee in an enrollment meeting who wants to know if he can lose money he has put into the plan. Where does the forfeited money go?

My answer would be, "It would be hard to lose money in this plan. You decide how much to set aside into your account and how to spend it throughout the year. But to be honest—yes, sometimes employees do leave money in a plan. They may terminate employment, or simply forget to file a claim form or save their receipts. In that case, the forfeitures are used on your behalf.

Remember, your employer is paying the setup and administrative fees for your plan. If any money remains in the plan after the end of the plan year, those funds are used to offset administrative expenses."

Once you have a collection of the most common questions and you have formulated your best and brightest answers, don't wait for the question to arise. Ask and answer the typical questions during your presentation. We even made a poster with the 11 most common reasons why employees were hesitant about participating in the plan, and then answered them in a concise, informative manner.

2. Provide educational opportunities in different formats. None of us learn in the same way. Some people may hear something one time and remember it forever; others need to see something concrete; and still others need frequent refresher courses.

You can't be in all places at once or available to answer every question asked by employers or participants. So how can you be in more than one place at a time? By using printed materials, electronic files and the Internet.

Printed materials are best for people who like to read and absorb information at their own speed. They can readily share the news with their family and keep it for future reference. Electronic files can put you and your message on clients' desktops or in their conference rooms without leaving your office. PowerPoint presentations can literally draw pictures and help to deliver your message.

The Internet enables you to provide a "one-stop shop" for referral sources, employers and employees. It empowers the user to get just the right amount of information at a time and place that is convenient for them. The Internet makes it possible for you to give presentations across the country while staying in your own hometown. Just pick up the phone, direct your prospect to your Internet site and talk through your presentation as they sit back and enjoy the show. Interactive activities such as an employee calculator are powerful incentives to encourage participation. Potential par-

Three Simple Selling Points for Employers

- 1. Save money.** Employers will not pay the matching FICA taxes on employee contributions.
- 2. Make your employees happy.** Employees are given choice in their benefits selection. Who wouldn't be happy about savings 30 percent or more on braces for their kids?
- 3. Ease of program installation and administration.** Eliminate the barriers, and make it easy for the employer to say *yes* to your administrative proposal.

Three Simple Selling Points for Employees

- 1. Save money.** Now that over-the-counter drugs may be paid through a Health FSA, there are plenty of savings on items that all households use throughout the year. Encourage employees to think of the FSA as a permanent coupon for 25 to 40 percent savings on eligible expenses such as child and dependent care, eligible healthcare expenses and insurance premiums.
- 2. Budget for big expenses.** The Health FSA will pay out up to the participant's annual election amount for eligible expenses as they are incurred, regardless of how much money they have contributed to the plan. Buy those glasses now and pay for them with regular salary redirections.
- 3. Virtually no out-of-pocket payments.** Claims are reimbursed to participants quickly or by swiping a debit card.

ticipants can estimate how much they will save by using the plan or view extensive lists of eligible expenses. The web makes information easy to access and can deliver a different message to specified groups.

3. Make it simple. Educate in words and examples that ordinary people understand. We no longer talk about taxes and technicalities and now talk about practical use of flex plans. We no longer refer to "use it or lose it." We now emphasize the versatility, flexibility and accessibility of the plan.

Instead of telling employees what they can't do, we tell them what the plan can do for them. We don't leave anything to their imaginations. An interactive calculator allows employees to see how much an average family saves using the plan. Typical expenses are divided into three categories: a single-parent household, a young couple with children, and a mature couple that takes care of a dependent adult. These are real-life examples to which employees can relate.

Employers most likely utilize the employ-

ee website more than reading marketing materials about the program benefits. They can better understand a program by seeing it through the eyes of their employees.

Action Plan

Always close with an action plan. As you finish your client presentation, ask the client to sign your application. You've already filled in most of the blanks, so only a couple of questions remain. The same philosophy works for employees. Instruct each employee to sign his election form immediately after your presentation. By doing so, an initial commitment has been made with a promise to follow through.

By giving employers and employees tools to access knowledge, you empower them to make decisions that are right for them. 🌐

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