

Questions for Employers Considering Adopting a Cafeteria Plan

What is a Cafeteria Plan?

A Cafeteria Plan is an IRS approved way for employees to pay for insurance premiums, out of pocket medical expenses and dependent care costs with pre-tax contributions.

How does the Employer benefit?

The employer saves on FICA and FUTA for every dollar that an employee runs through a Cafeteria Plan.

So, how does this make a Cafeteria Plan unique from other employee benefits?

Because of these tax savings, a Cafeteria Plan is the ONLY employer provided employee benefit that puts money back in the employer's pocket.

Which Employers should consider adopting a Cafeteria Plan?

Any employer that has employees paying for their share of insurance premiums with after tax contributions, any employer with employees who have un-reimbursed medical expenses or out-of-pocket dependent care expenses should consider adopting a Cafeteria Plan.

Who can sponsor a Cafeteria Plan?

Virtually any employer is eligible to sponsor a Cafeteria plan. However, more than 2.0% owners and partners in partnerships, Sub-S corporations and Limited Liability Corporations and Partnerships – and sole proprietors -- can not be in the Cafeteria Plan.

Questions:

Company Name _____

Company Address _____

Entity Type:

Sole-Prop _____ Partner _____ Sub-S _____ C Corp _____ LLC/P _____ Other _____

Number of: Total Employees _____ Union Employees _____ Temp. Employees _____

Benefits that Employees are Currently Paying for, or the Employer would like the Employee to pay for:

Major Medical _____ HMO _____ PPO _____ Dental _____ Vision _____

Group Term Life _____ Disability _____ Other _____

Would you like to consider a Medical Reimbursement Plan? _____

Would you like to consider a Dependent Care Reimbursement Plan? _____

Plans that only offer the employee the ability to pay for premiums with pre-tax contributions are called POPs – Premium Only Plans. These typically cost less from an administrative point of view and are less time intensive for the employer. Plans that offer pre-tax premium contributions as well as the Medical Reimbursement Plan and/or Dependent Care Plan are typically referred to as Reimbursement Plans or Full Flex Plans. Please note that the terms Section 125 Plan, Cafeteria Plan, Flex Plan and Flexible Reimbursement Plan are virtually synonymous with each other.

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