



Flex One[®]

A Leading Provider of Cafeteria Plan Services

Choose the easy way to
save tax dollars on money
you spend for dependent
day care.



Saving Tax Money

On dependent day-care expenses ... through your company's new cafeteria plan

It's your money.

Dependent day care for children is expensive, but you may save tax money on this cost by participating in your company's cafeteria plan. This program may help you save taxes by establishing a flexible spending account (FSA) for you.* Here's how it works:

Savings Example

Per \$1,000 in Salary

Without Flex Plan		With Flex Plan	
\$ 1,000	Gross Income	\$ 1,000	Gross Income
- 250	Taxes	- 100	Insurance Premiums
<u>750</u>	Paycheck	- 200	Dependent Care
- 100	Insurance Premiums	<u>700</u>	Adjusted Gross Income
- 200	Dependent Care	- 175	Taxes
<u>\$ 450</u>	Net Spendable Income/Paycheck	<u>\$ 525</u>	Net Spendable Income/Paycheck

\$75 Tax Savings!

This example is for illustration only and assumes a combined tax rate (income, FICA, Medicare) of 25 percent. Your own personal tax situation may differ.

Without an FSA, you pay taxes on every dollar you earn—then you pay for dependent day care. **With an FSA**, you can set aside a portion of each paycheck for dependent day-care expenses. This amount is deducted from your paycheck **before** taxes are calculated, so the taxes you owe should decrease. In other words, **you won't pay taxes on the money you spend on qualified dependent day-care expenses!**

You can benefit!**

The potential tax savings you gain from paying for dependent day-care expenses with pre-tax money may give you the choice between adding to your benefits package or receiving a higher paycheck.

A dependent care reimbursement account covers the cost of day care for:

1. Dependent children under age 13 who qualify as tax dependents.
2. Anyone claimed as a tax dependent because of physical or mental inability to care for himself/herself.

Note: Day-care expenses must be incurred to allow you to work. If you are married, day-care expenses must be incurred to allow you and your spouse to work (unless your spouse is a full-time student or incapable of self-care).

It's your choice!

Aflac's Flex One® program gives you a choice:

- Potential tax savings
- More complete coverage



*For more specific details on the tax implications of using a dependent care reimbursement plan, contact your tax advisor. Some individuals may be better off using the dependent care tax credit due to recent tax changes and an increase in the amount of eligible child and dependent care expenses under the tax credit beginning in tax year 2003.

**Cafeteria plan elections are generally irrevocable for an entire plan year and reduce Social Security compensation. Prior to participation, carefully review your summary plan description, salary redirection agreement, summary of tax rules, and reimbursement procedures for additional terms and conditions.

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