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Sheakley
It's done.

Understanding Flexible Benefits

Flexible Benefits started when Congress passed Section 125 of the Internal Revenue Codes in 1978. Section 125 allows certain qualified benefits, estimated for a given year, to be deducted directly from an employee paycheck. These deductions are taken before taxes, therefore, reducing taxable income.

EXAMPLE: Mary is single with three (3) children and earns \$3,000.00 per month. Her daycare costs are \$300.00 per month. In addition to this expense, Mary spends \$25 a month on prescriptions. The calculations below show how much Mary can save by deducting the \$325.00 per month pre-taxed in the Flexible Benefit Plan.

MARY with 125

\$3,000.00	Income
- <u>325.00</u>	Expenses
\$2,675.00	Taxable Income
- 229.12	Federal Tax
- 81.36	State Tax
- <u>204.64</u>	SocSec/Medicare
\$2,156.83	Mary's Income

MARY without 125

\$3,000.00	Taxable Income
- <u>271.25</u>	Federal Tax
- 97.11	State Tax
- 229.50	SocSec/Medicare
\$2,402.14	Net Income
- <u>325.00</u>	Expenses
\$2,077.14	Mary's Income

Mary's savings of \$82.74 per month will save her \$992.88 this year!

EMPLOYER with 125

\$3,000.00	Income
- <u>325.00</u>	Expenses
\$2,675.00	Taxable Wages
\$204.64	State Tax
+ <u>25.50</u>	SocSec/Medicare
\$233.14	Mary's Income

EMPLOYER without 125

\$3,000.00	Taxable Income
\$229.50	ER FICA Expense
+ <u>30.00</u>	Workers' Comp.
\$259.50	Total Expense

The company's tax expense of \$26.36 per month will save them \$316.32 per year.

**For more information:
1-800-877-6630 • E-mail: 125@sheakley.com**

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