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Sheakley

It's done.

Understanding Premium Only Plan

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 your paycheck. Premium Only Plans are the first level of Section 125 allowing insurance premiums including health, dental and vision. These deductions are taken before taxes, therefore, reducing your taxable income.

EXAMPLE: Mary earns \$3,000.00 per month. Her health premiums are \$100.00 per month. The calculations below show how much Mary can save by deducting the \$100.00 per month pre-taxed in the Premium Only Plan (POP).

MARY with POP

\$3,000.00	Income
- <u>100.00</u>	Expenses
\$2,900.00	Taxable Income
- 405.83	Federal Tax
- 100.13	State Tax
- <u>221.85</u>	SocSec/Medicare
\$2,172.19	Mary's Income

MARY without POP

\$3,000.00	Taxable Income
- 430.83	Federal Tax
- 104.98	State Tax
- <u>229.50</u>	SocSec/Medicare
\$2,234.69	Net Income
- <u>100.00</u>	Expenses
\$2,134.69	Mary's Income

Mary's savings of \$37.50 per month will save her \$450 this year!

EMPLOYER with POP

\$3,000.00	Income
- <u>100.00</u>	Expenses
\$2,900.00	Taxable Wages
\$221.85	State Tax
+ <u>29.00</u>	SocSec/Medicare
\$250.85	Mary's Income

EMPLOYER without POP

\$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 \$8.65 per month will save them \$103.80 per year.

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

- PAYROLL
- 401(K)
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- FLEXIBLE BENEFITS**
- MEDICAL MGMT SVS
- VOCATIONAL REHAB
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