

What is a Premium Only Plan (POP)?

A Premium Only Plan (POP) is an IRS-approved way for you to pay fewer tax dollars. If you pay all or some of the premiums for your company-sponsored insurance plans, then a POP is for you. That's because a POP allows you to pay for your share of those premiums with before-tax dollars. In other words, the money used to pay for those premiums is never taxed.

Just think what that means. If you are paying premiums for health insurance, dental or vision care, or group-term life insurance (under \$50,000), every one of those dollars will escape taxation (federal income, social security, and possibly state and local income taxes) as long as you're enrolled in your company's POP.

How much can I save in taxes?

How much you save depends on how much you earn, the cost of premiums, and what you pay in income taxes.

Will a POP affect my social security benefits?

Because a POP lowers your contributions to the social security system, it's possible that future social security benefits may be slightly reduced. But, social security is an "iffy" benefit to count on anyway. So, most tax advisors recommend taking advantage of current tax-savings opportunities like a POP.

If you are concerned about death benefits or disability or retirement income, consider using some of the money you save from the POP to beef up your insurance coverages.

How do I enroll in the POP?

It's simple. Soon you will be shown a short videotape that explains how the POP works and why your company is offering this new plan. After you have seen the video, you have the option of either participating or not participating, and you'll sign a form indicating your choice. If you want to participate, your company will send you a Summary Plan Description which describes everything you'd ever want to know about the plan.



Can I change my mind?

During the plan year, you may not change your election unless you have a "change in status." Currently, Federal law considers the following events to be "changes in status."

- Marriage, divorce, death of a spouse, legal separation or annulment;
- Change in the number of dependents, including birth, adoption, placement for adoption, or death of a dependent;
- Any of the following events for you, your spouse or dependent: termination or commencement of employment, a strike or lockout, commencement or return from an unpaid leave of absence, a change in worksite, or any other change in employment status that affects eligibility for benefits;
- One of your dependents satisfies or ceases to satisfy the requirements for coverage due to change in age, student status, or any similar circumstance; and
- A change in the place of residence of you, your spouse or dependent that affects eligibility for benefits.

There are also certain situations when you may be able to change your elections on account of a change under the plan of your spouse, former spouse, or dependent.

If you need to make a change of election for any of these reasons, you must complete a Change of Election form. You may also change your elections for succeeding plan years prior to the first day of the plan year.

Check with your employer for information regarding the current change in status rules.

**Your employer's
Premium Only Plan...
a GREAT way
to SAVE taxes!**

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