

How one employee saved \$2,760 a year through his cafeteria plan!

The employee's circumstances are as follows:

Salary: \$2,500 a month

Withholding: 28% for federal withholding and 7.65 for Social Security

Before participation in a cafeteria plan, employee paid the following:

Monthly premium for health insurance: \$348

Out-of-pocket medical expenses: Monthly average of \$100

Day Care Expenses: \$200 a month

BREAKDOWN OF PAY CHECK AND DEDUCTIONS	NOT PARTICIPATING IN CAFETERIA PLAN	PARTICIPATING IN CAFETERIA PLAN
Gross Monthly Pay	\$2,500.00	\$2,500.00
Less Premium for Major Medical		(348.00)
Less Medical/Dental Expenses		(100.00)
Less Day Care Expenses		(200.00)
Taxable Income	2,500.00	1,852.00
Less 28% Federal Withholding	(700.00)	(519.00)
Less 7.65% Social Security Tax	(191.00)	(142.00)
Less Premium for Major Medical	(348.00)	
Less Medical/Dental Expenses	(100.00)	
Less Day Care Expenses	(200.00)	
Spendable Income	\$961.00	\$1,191.00

The employee saved \$230 a month or \$2,760 a year by participating in Plan!

This is just one example of the possible tax savings under a plan.