

2.6: READ- How HR Can Help Employees Use Their FSA Funds



Image: [How to Spend Your Leftover FSA Money](#) by Michela Buttignol. Investopedia.com

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With the end of the year quickly approaching, HR and benefits leaders have yet one more task to add on to their busy end-of-year checklist: reminding employees about approaching deadlines to use up remaining cash in their health care flexible spending accounts (FSAs).

The popular employer-sponsored benefit allows employees to set aside a portion of their pre-tax earnings—up to \$3,050 in 2023—to pay for qualifying out-of-pocket health care expenses. But FSAs come with a caveat: They have a use-it-or-lose-it clause, meaning that any account balances left at the end of the year are usually forfeited, often to the employer, by Dec. 31.

Some employers, however, offer a grace period that allows employees extra time in the new year to use the prior year's FSA funds (the IRS allows employers to permit a grace period of up to two and a half months) or allow employees to carry over a limited amount into the next year. The 2023 FSA carryover limit is \$610.

"Employers have a vested interest in making sure that their employees understand the benefits they have available to them and are using them," said Sara Taylor, senior director of employee savings accounts at consulting firm WTW. "It's part of their overall total rewards strategy. FSAs, in particular, have a really unique focus because of the use-it-or-lose-it rule, so employers should, especially now, highlight to employees how their plan works—telling those who haven't already used their funds for the year to use them, explain how their specific plan works. They also need to tell them whether they have a grace period or rollover provision, and generally just make sure employees can truly take advantage of their account."

Employees who don't use their funds are missing the opportunity to leverage their benefits, she said.

It's not a small loss, either: According to figures from the Employee Benefit Research Institute, roughly 40 percent of workers forfeited at least part of their FSA contributions in the past few years, with the average loss ranging between \$339 and \$408 annually.

Employees often forget to use their funds or confuse their accounts with health savings accounts, which do not have the same use-it-or-lose-it rule.

Given how widespread the issue is, it's even more important for employers to encourage employees to spend their FSA dollars, said Michael Dinich, personal finance expert and founder of Wealth of Geeks, a financial blog.

"It's vital that employees are reminded to use their remaining FSA dollars well in advance of the expiry date, as many will likely have put off claiming expenses in order to burn through their remaining balance, and perhaps even held off on seeing a doctor or topping up their essential medication so that they can use their funds in the event of a medical emergency."

Time to Ramp Up Communications



So how should employers share end-of-year news about FSAs? And what should they say?

One of the best ways to remind employees is to send multiple emails during the remainder of the year, Dinich said, adding that if company leaders simply raise the issue in a company meeting, anyone who is on leave or out sick won't get that reminder.

"Make sure to reiterate any terms and conditions within that email and advise on checking which expenses are eligible, so that employees can refer back to this when making claims before the end of the year," he said. "Also ensure that it's clear when the expiry date is, as some plans are tied to specific dates rather than defaulting to the end of the year."

Taylor added that HR leaders can conduct broad messaging to the entire workforce—through mediums like emails, home mailings or company intranet announcements—reminding them about looming FSA deadlines and general FSA information. They can also tailor messages specifically to employees with FSAs or tell them exactly how much money they have left in their accounts.

"There is some benefit to both broad and personalized messaging," she said. "You can say, 'Hey, did you know that you have this much in your account still?' Employers can always work with their administrator to create that type of communication, which makes it a little more relevant for the employee."

HR and benefits leaders might also offer suggestions on what employees could use the funds on, Taylor said. This can range from traditional items such as dental and eye care, like eyeglasses or contact lenses, and over-the-counter medications, to more surprising items, like thermometers, bandages, first aid kits, pregnancy tests or menstrual products.

"It's a really good idea to offer employees creative ideas on what they can use [their FSA money] on," she said. "Employees can also stock up on some of their items for their families, as well."

Additionally, employers that do allow employees a grace period to use their FSA funds or rollover provision will need to make sure that information is communicated.

The important thing, Taylor said, is to send multiple messages to employees, and ensure they understand the approaching deadlines. This shouldn't be just a one-and-done situation," she said. "Take the opportunity to do at least two or three messages before the end of the year—or beginning of the year, if you have the grace period—and make an effort to think about what kind of messages your employees need."

Source: Mayer, Katherine. ["How HR Can Help Employees Use Their FSA Funds."](#) Society for Human Resource Management (SHRM), December 6, 2023.

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