

Section 15: Cafeteria Plan

Pre-Tax Employee-Paid Insurance Premiums

A benefit provided by your employer that allows you to pre-tax your payroll-deducted health insurance plans premiums and other employer-sponsored insurance coverage, including dental, disability, accident, and group-term life insurance premiums. Your biggest advantage is the tax savings. Every dollar you elect pre-tax increases your take home pay.

HOW A CAFETERIA PLAN WORKS FOR YOU

The following is an example of how the cafeteria plan can benefit you. The figures below are just an example. The net savings will vary according to salary.

	<u>Without Cafeteria Plan</u>	<u>With Cafeteria Plan</u>
Salary	\$1,000	\$1,000
Less Cafeteria Plan (Premium)	<u>-\$ 0</u>	<u>-\$ 100</u>
Taxable Salary	\$1,000	\$ 900
Less Income Tax (20%)	-\$ 200	-\$ 180
Less SocSec Tax (7.65%)	<u>-\$ 76</u>	<u>-\$ 69</u>
Salary After Taxes	\$ 724	\$ 651
Less Insurance Premium	<u>-\$ 100</u>	<u>-\$ 0</u>
Take Home Pay	<u>\$ 624</u>	<u>\$ 651</u>

NET SAVINGS WITH A PLAN\$ 27