HealthCare Flexible Spending Account Overview

A Healthcare Flexible Spending Account (FSA) provides important tax advantages that can help you pay healthcare expenses on a pre-tax basis. By anticipating your family's health care costs, you can lower your taxable income, so you get to keep more of what you earn.

Plan carefully so you do not lose money. The annual maximum is usually adjusted each year, and the contribution limit for **2026 is $3,400.**

You can search a list of FSA-eligible expenses at https://inspirafinancial.com/individual/health-benefits/health-care-fsa#eligible-expenses

Below is an overview of how the FSA works.

- **When are Healthcare FSA funds available?-**The total amount you elected is available January 1, 2026
- **When do expenses have to be incurred?-**Expenses must be incurred by December 31, 2026
- **How long can I submit claims for reimbursement?-**You have 90 days after the end of the 2026 plan year, that date is March 31, 2027. (This date changes in leap years)
- **What happens if I don't use all my FSA funds?** -You may carry over up to $680 in unused funds to 2027

Below are two scenarios for an employee who did not use all of their FSA funds:

Example 1: Carry Over Unused Funds

Jake elects to contribute $3,400 for the 2026 plan year into his Healthcare FSA as he knows his family will have some larger expenses in 2026. However, in December of 2026 Jake realizes that he hasn't spent all of his FSA funds, he has $700 remaining to spend in his FSA account. He spends $20 at CVS on over-the-counter FSA eligible Items, Ibuprofen, bandages, allergy medication, and antibiotic ointment and the remaining $680 is carried over to his FSA for 2027.

Example 2: Forfeit Portion of Unused Funds

Diane elects to contribute $2,000 for the 2026 plan year to her Healthcare FSA. She believes she may need knee surgery in 2026. However, her knee has improved with physical therapy so her out of pocket expenses were less than she projected, and she has $1,000 left in her Health FSA account. She decides to purchase new prescription eyeglasses and prescription sunglasses which should amount to about $700.

However, Diane gets busy and forgets to purchase the new eyewear **before December 31, 2026**. What happens now? The Smithers Group FSA plan allows Diane to carryover $680 of her remaining $1,000 in FSA funds into 2027, but she forfeits $320 because she did not use her FSA funds before the end of the year. Smithers Group allows the IRS maximum of $680 in Health FSA funds to be carried over into 2027.

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