



Lifestyle Spending Accounts (LSA) *Need-to-Knows*

Lifestyle Spending Accounts (LSAs) provide employers with a cost-effective option to help attract and retain employees. LSAs can help to encourage physical, financial, and emotional wellness and are popular with employees due to the flexibility they provide.

Employers fund LSA accounts and decide how the funds can be spent. Typically, employees get to choose from a variety of products, services, and activities on which to spend their LSA funds. Unlike tax-advantaged benefit accounts such as FSAs and HSAs, employee reimbursements from lifestyle spending accounts are taxable as income.

Many employers find LSAs compelling because of the ability to limit and direct employee spending of the employer's money. Employees like this type of benefit because they get to choose how to use the funds to best meet their specific interests.

Easy for Employers to Offer

- ▶ LSAs are an extra benefit offered by employers to help workers meet day-to-day life challenges and improve their physical, financial, and emotional wellness.
- ▶ There is no limit on the amount of funds that can be made available for reimbursement. (While there is no "typical" LSA, many employers offer between \$500 to \$1,000 per employee.)
- ▶ LSAs can be customized to fit the employer's specific wellness and employee culture goals. Some examples of commonly eligible LSA expenses are listed on the reverse side.
- ▶ LSAs do not require a rollover and can be administered with a "use it or lose it" component. Both of these can help control costs for the sponsoring employer.

Simple for Employees to Use

- ▶ Employees have multiple options on how and where to spend LSA funds, which can be used for expenses incurred by either the employee or their dependents.
- ▶ LSAs only reimburse for costs that have already been incurred. To request reimbursement, the employee has to submit a receipt and any other required documentation to the plan administrator.

- ▶ Reimbursements for approved expenses are considered additional income and are taxed like regular pay.

Straightforward to Manage

- ▶ LSAs are a fairly new employee benefit, so workers will need time to understand how they work and how to claim their funds. However, LSAs are much easier to explain and understand than tax-advantaged benefit accounts.
- ▶ The employer has control over how frequently funds are distributed and how reimbursements are made (included in payroll, separate check or ACH, etc.).
- ▶ LSAs have very few associated compliance rules because they are not tax-advantaged or subject to group health plan laws. To avoid triggering compliance issues, avoid all §213(d) healthcare expenses when choosing the products, services and activities eligible for LSA reimbursement. Consult your qualified benefits counsel for more information.

The novelty of LSAs can create employee excitement and provide a substantial morale boost at a relatively low cost to the employer. Talk to your account manager today about the possibility of adding a Lifestyle Spending Account (LSA) to your benefits package.

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What Do LSAs Cover?

LSAs can reimburse for a huge variety of products, services and activities. Examples of eligible expenses that may be chosen by the sponsoring employer include:

Physical Wellness

- ▶ Athletic equipment and accessories
- ▶ Exercise equipment
- ▶ Gym, health club, spa, and fitness studio memberships
- ▶ Recreational sport expenses such as rock climbing, martial arts, tennis
- ▶ Fitness class expenses such as yoga, pilates, cycling
- ▶ Sport lesson expenses such as golf, swimming, tennis, dance
- ▶ Personal trainers
- ▶ Fitness trackers
- ▶ Nutritional supplements
- ▶ Entry fees such as races or leagues
- ▶ Passes such as ski, snowboard, golf, swimming

Financial Wellness

- ▶ Financial advisor and planning services
- ▶ Financial seminars and classes
- ▶ Estate planning costs
- ▶ Home purchase costs such as down payment, closing costs
- ▶ Renter costs such as housing and utility deposits
- ▶ Remote working costs such as high-speed internet, equipment and furniture

Emotional Wellness

- ▶ Meditation classes
- ▶ Non-medical counseling services such as marital counseling, life coaching, parental skill counseling, executive coaching
- ▶ Retreats such as leadership and spiritual retreats
- ▶ Personal development classes such as art and cooking
- ▶ Pet care such as walkers, day care, grooming
- ▶ Travel such as airfare and cruise tickets
- ▶ Camping such as equipment and fees
- ▶ Park passes
- ▶ Licenses such as for fishing or hunting

Keep in mind these are just examples. Each benefits plan is unique, and the employer decides what categories and items are covered.



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