

PREMIUM ONLY PLAN

NATIONAL
SOLUTIONS
DELIVERED
LOCALLY

Section 125 Premium Only Plans, often referred to as POP Plans, reduce income tax liabilities for employers and employees. This is because IRS Section 125 allows employees to pay their portion of medical insurance premiums and health savings account (HSA) contributions using pretax or tax-free dollars. Sterling HSA provides employers with everything they need to establish a Section 125 POP Plan.

Section 125 IRS Code allows employees to convert a taxable cash benefit (salary) into non-taxable benefits. Under a Section 125 program, employers may choose to pay for qualified benefit premiums before any taxes are deducted from employee paychecks. This is a great way to cost effectively enhance benefits packages.

GROUP INSURANCE PREMIUMS THAT QUALIFY

If offered by the employer, the qualified group insurance premiums that can be paid with pre-tax dollars under a POP Plan are listed below. HSA contributions can also be made pre-tax, so the combination of a POP Plan and HSA is very cost effective and beneficial to the employer and employee. Note that employee HSA contributions in 46 states can be made pre-tax when the employer has a Section 125 or POP document. However in AL, CA, and NJ, HSA contributions are still state taxable.

- Health
- Dental
- Vision
- Disability
- Employee Group Term Life (up to \$50,000)
- Cancer
- Hospital Indemnity
- Accident

EMPLOYEE SAVINGS BENEFITS

Employees can often realize 30% - 40% in tax savings because contributions to a POP are exempt from payroll taxes. The actual tax savings are on city, state, and federal income taxes, including Social Security and Medicare taxes on all money employees use to pay for their portion of insurance premiums. Under a Section 125 POP, employees take-home pay is increased which helps reduce the high cost of providing health coverage for family members. Of course actual savings will vary depending upon the employee's tax situation.

EMPLOYER SAVINGS BENEFITS

Employers also realize savings by offering a POP to employees. About 10% tax savings is a good estimate as a result of lower Social Security, Medicare, Federal and state unemployment and, worker's compensation taxes, depending on the state. The savings adds dollars to the employer's bottom line.

WHO CAN PARTICIPATE IN A POP PLAN?

Employees of regular corporations, S corporations, limited liability companies (LLCs), partnerships, sole proprietors, professional corporations, and not-for-profits can all reduce payroll taxes by establishing a Section 125 POP. While the Code prohibits a sole proprietor, partner, members of an LLC (in most cases), or individuals owning more than 2% of an S corporation from participating in the Section 125 POP, owners may still benefit from the savings on payroll taxes by sponsoring the plan for their employees.

SIGN UP NOW FOR STERLING POP PLAN SERVICE

Sterling offers two POP plans - Basic and Comprehensive. The Basic plan is a low \$175 set-up fee and does not include nondiscrimination testing. The Comprehensive plan does include nondiscrimination testing for a \$350 set-up fee. The Comprehensive plan is a very affordable choice for companies without internal resources to complete the testing process.

A POP Plan can be started any time during the year. Sterling will create the following documents in support of your POP and work with you on the details required to set up the plan with your employees.

- Specimen POP Plan Document
- Custom Adoption Agreement
- Summary Plan Description (SPD)

To initiate the process, a POP questionnaire needs to be completed and returned to Sterling via email: customer.service@sterlinghsa.com, or via fax: 877-517-4729. Payment must also be received by Sterling to finalize processing and setup of your POP plan. Checks made payable to Sterling HSA can be mailed to:

Sterling HSA
P.O. Box 71107
Oakland, CA 94612

If you already have a POP Plan that you started years ago, you can amend and restate the plan anytime. We simply need the original start date of your old plan so we can maintain the continuity back to the original start date. If your document was written before 2002, you must update it right away due to the many changes in IRS Code since then.

CALL US TODAY

Call or email your Sterling HSA Sales Representative today to talk with us about adding a Premium Only Plan to your benefits package. For more information, go to www.sterlinghsa.com or call us at 800-617-4729 or email us at customer.service@sterlinghsa.com.