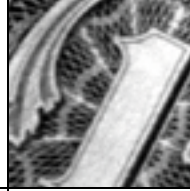


REDUCE TAXES



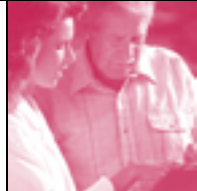
SAVE MONEY



Section 125

Premium Only Plan

Tax Savings For You And Your Employees



LOWER HEALTH INSURANCE COST



INCREASE EMPLOYEE TAKE-HOME PAY

NOW INCLUDES



EasyChoice[®]
125 PLANS



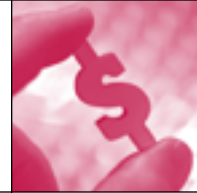
The Premium Only Plan

One simple change in the payroll process reduces your taxes

The Premium Only Plan lets you cut payroll taxes without cutting your payroll.

The Section 125 Premium Only Plan (POP) saves you and your employees money by reducing payroll taxes. It works by making one simple adjustment in your payroll process – employees pay their portion of insurance premiums on a pre-tax basis rather than on an after-tax basis.

The Premium Only Plan reduces your taxable payroll by reducing your employees' taxable income. So, both you and your employees pay less in taxes.



Lower Taxes is Just One Advantage

One of the best ways to save taxes

IRS-sanctioned Premium Only Plans were created by the Revenue Act of 1978 and are governed by Internal Revenue Code Section 125. With a POP:

- Employees don't pay FICA, federal, or where applicable, state or local taxes on money used to pay for their portion of employer-sponsored insurance premiums, or contributions to their Health Savings Account (HSA).
- Employees' tax savings help defray the cost of insurance premiums.
- Employees can increase their take-home pay.
- Your taxable payroll is reduced by the total amount of employee contributions for benefits. Lower taxable payroll means lower payroll taxes.
- You can allow employees to realize an increase in take-home pay and take credit for a terrific new benefit, while still saving money.
- You can increase your employees' share of insurance premiums without negatively affecting their take-home pay.

If you are not requiring employees to contribute to the cost of their insurance, a Section 125 Premium Only Plan allows you to do so with the least impact on employee salaries.

Any employer can sponsor a Premium Only Plan

Regular corporations, partnerships, S corporations, limited liability companies (LLCs), sole proprietors, professional corporations, and not-for-profits can all save money on payroll taxes by establishing a Premium Only Plan.

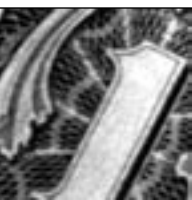
Who can participate?

While regulations prohibit a sole proprietor, partner, members of an LLC (in most cases), individuals owning more than 2% of an S corporation, or their spouse and dependents, from participating in the POP, they may still sponsor a plan and benefit from the savings on payroll taxes.

Begin saving taxes immediately

You can start a Premium Only Plan at any time. Plus, you can have a short plan year for the first year so that future plan years coincide with either your fiscal year or the calendar year. The choice is yours.

Typically, your first-year tax savings with a POP plan will far exceed the suggested retail price for plan installation.





Tax-Savings Examples

Example of employer savings

XYZ Company has 10 employees

	Without POP	With POP
Annual payroll	\$ 300,000	\$ 300,000
Annual pre-tax payroll deductions ¹	0	24,000
Taxable payroll	300,000	276,000
Annual social security tax ²	\$ 22,950	\$ 21,114
Total annual employer social security tax savings	0	\$ 1,836

Example of employee savings

John Doe: single, no exemptions

	Without POP	With POP
Annual salary	\$ 30,000	\$ 30,000
Annual pre-tax contributions ³	0	2,400
Taxable income	\$ 30,000	\$ 27,600
Estimated taxes (30.65%) ⁴	9,195	8,460
Annual after-tax contributions	2,400	0
Net take-home pay	\$ 18,405	\$ 19,140
Increase in take-home pay	0	\$ 735

Total Employer & Employee Annual Savings **\$ 9,186**

(for a business with 10 employees as illustrated above)

¹Based on insurance premiums averaging \$200 per month per employee.

²Based on tax rate of 7.65%.

³Based on a monthly premium of \$200.

⁴Based on an average 20% federal, 7.65% FICA, and 3% state tax rates.

Note: Social security benefits could be affected.

Calculate your tax savings

Employer estimated tax savings

Total annual payroll deductions for all employees	\$ _____
Social security tax (based on tax rate of 7.65%)	x .0765
Total annual employer savings	\$ _____

Employee estimated tax savings

Total annual employee premium contributions	\$ _____
Estimated taxes (based on 20% federal, 7.65% FICA, and 3% state tax rates*)	x .3065
Total annual savings per employee	\$ _____

*Varies by state.

Note: Actual savings may vary depending upon specific tax situation.

POP is Easy to Implement

Plan implementation

The Premium Only Plan can more than pay for itself. The program is convenient because MHM Resources takes care of the paperwork for you. When you enroll for the service, you'll receive a signature-ready, customized POP Plan Implementation and Administration Kit containing:

- Plan Adoption Agreement
- Plan Document
- Summary Plan Description
- Certificate of Resolution
- Election Forms
- Videos that explain the POP to you, your employees, and your bookkeeper/controller
- Instructions on signing documents and distributing forms to employees
- Instructions for maintaining your plan
- Simplified explanation of payroll adjustments
- Brochures for employees

Annual compliance service

Once your plan is established, you will receive complete administrative support services from MHM Resources. Among the nation's premier employee benefit firms, MHM is a leading resource for Section 125 Plans. Annual Compliance Services include:

- Prior to each new plan year, you will receive an Annual Compliance Packet. The packet will include re-enrollment materials and "signature-ready" plan documents, forms, and procedures.
- Updated documentation, required for keeping your plan in compliance with IRS regulation changes.
- Free assistance with discrimination testing (upon request).
- Quarterly newsletter with compliance tips and reminders.
- Continued access to MHM's POP Compliance Support Unit by phone: 800-876-7548, or by e-mail: easychoice125@mhmbiz.com.

Will a Premium Only Plan Benefit You?

Take the following Section 125 checkup to find out.

	Yes	No
1 Do you currently deduct your employees' portion of qualified health insurance premiums on a pre-tax basis through a Section 125 plan?.....	<input type="checkbox"/>	<input type="checkbox"/>
2 Do your employees contribute toward the cost of the company's major medical insurance or other health, dental, or vision insurance?	<input type="checkbox"/>	<input type="checkbox"/>
3 Is your business a partnership, limited liability company (LLC), sole proprietorship, or S corporation?	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> ▣ If you answered "yes" to question 1, skip to the next section to see if your plan is in compliance. ▣ If you answered "yes" to question 2, you and your employees may benefit from implementing a Section 125 plan. You could save on payroll taxes, such as FICA, and your employees could save on federal income tax, FICA tax, or (where applicable) state or local income taxes. If you answered "no," you probably don't need a Section 125 plan at this time. However, consider implementing a plan if you intend to start requiring your employees to contribute toward their health insurance costs. ▣ If you answered "yes" to question 3, the owner, partners, members of an LLC, or greater than 2% shareholders of an S corporation, or their spouse and dependents, cannot participate in the plan. However, you may still implement a Section 125 plan for your employees. If you answered "no," all employees may participate in the plan. 		



My company has a Section 125 Plan.

Take the following quiz to see if your plan is in compliance.

	Yes	No
1 Do you have a written plan document in your files?.....	<input type="checkbox"/>	<input type="checkbox"/>
2 Have you properly amended your plan to reflect any changes that you made to the plan year, eligibility requirements, benefits, or IRS regulations?*	<input type="checkbox"/>	<input type="checkbox"/>
* There have been changes in IRS regulations in each of the last six years.		
3 Have your employees received a copy of the current Summary Plan Description?.....	<input type="checkbox"/>	<input type="checkbox"/>
4 Is the total of all benefits for key employees in the plan no more than 25% of the total of all benefits in the plan?	<input type="checkbox"/>	<input type="checkbox"/>
5 Do you have current signed election enrollment forms on file for all eligible employees?	<input type="checkbox"/>	<input type="checkbox"/>
6 Do you require all election changes to be made only during the open enrollment period each year unless the employee has experienced a valid change in status as outlined in the latest Section 125 regulations?	<input type="checkbox"/>	<input type="checkbox"/>
7 As your new employees become eligible for participation in the plan, do you require that they complete election enrollment forms?	<input type="checkbox"/>	<input type="checkbox"/>
8 Do you have documentation on file to support annual nondiscrimination requirements?.....	<input type="checkbox"/>	<input type="checkbox"/>
9 Are the premiums for all policies that include a "cash value" or a "return of premium" benefit deducted on an after-tax basis outside of the Section 125 plan?.....	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> ▣ If you answered "no" to any of these questions, your plan may be out of compliance. The Internal Revenue Code provides for significant penalties for failure to comply with these requirements. The severity of penalties depends on the severity of the infractions. You may want to consult with your tax professional and/or MHM Resources Inc. regarding your noncompliance risk. 		

Premium Only Plan Application

If you require assistance completing this form, call 1-800-876-7548 weekdays, 8 a.m. - 5 p.m. CST.

1. Legal Name of Company Sponsoring Plan: _____
2. Business Type: C Corp. S Corp Sole Proprietor LLC Partnership Not-For-Profit Government Entity or Church
3. Principal Business Activity: _____
4. Federal Employer Identification Number (Must be 9 digits): ____ - ____ - ____
5. Contact Person: _____ Title: _____
6. Street Address (No PO Boxes): _____
City, State, Zip: _____
7. Phone: _____ Fax: _____ E-mail: _____
8. Effective Date – This Premium Only Plan (POP) will be:
 - a. A new plan effective as of (date) _____
 - b. An amendment and restatement of a previously established Section 125 plan of the employer.
 - (1) This amendment and restatement is effective as of (date) _____
 - (2) State the effective date of the original plan _____
9. Plan Year – The first plan year for this POP will be:
 - a. A 12-consecutive-month period beginning (date) _____ and ending (date) _____
 - b. A short plan year beginning (date) _____ and ending (date) _____
10. Employer's Principal Office – This POP shall be governed under the laws of the: State Commonwealth _____
11. Benefits – The benefits selected below shall be included in the POP:

<input type="checkbox"/> Health insurance	<input type="checkbox"/> Cancer insurance	<input type="checkbox"/> Dental insurance	<input type="checkbox"/> Group-term life insurance ¹
<input type="checkbox"/> Disability insurance ²	<input type="checkbox"/> Vision care insurance	<input type="checkbox"/> Critical illness insurance	<input type="checkbox"/> HSA contributions
<input type="checkbox"/> Accidental death/dismemberment insurance			
- ¹ Group-term life insurance up to \$50,000 coverage.
² If disability insurance is paid for on a pre-tax basis, any benefits received are taxable to the employee. Under most circumstances, it is recommended that disability insurance not be included in the plan. Note: Insurance products with a return-of-premium feature cannot be paid for on a pre-tax basis.
12. Plan Administrator Signature*: _____ Date: _____
*This should be the employer or its designee. MHM Resources Inc. will provide administrative services, but will not be the Plan Administrator.
13. Legal Name(s) of Affiliated Company(ies) that will be covered by this Plan: _____
14. Total Number of Employees: _____
15. Payroll is Prepared: In house Outsourced (specify payroll company): _____

Pricing information

16. One time implementation fee for a New Plan Set-Up and Restatement. \$325 (payment required with application).
17. Annual Compliance Service fee: MHM bills client \$325 per year.

Shipping instructions

18. Shipping method (POP Implementation Kit is shipped within 2 business days to the employer):
 Free UPS Ground \$75 Express Service Specify delivery date for Express Service: _____

Payment

19. Check enclosed for \$ _____ (payable to MHM Resources Inc.)
 Charge my credit card for \$ _____. VISA MC AMEX Discover Expiration Date: _____
Credit Card Number: _____ Name on card: _____

To be completed by referral source

- Name of Referral Source: _____ Affiliated Company: _____
- Address (No PO Boxes): _____
- City, State, Zip: _____
- Phone: _____ Fax: _____ E-Mail: _____

Fax completed form to MHM, your service provider: 913-234-1111



MHM Resources Inc.
Your Total Flexible Benefits Solution

For MHM internal use

Rep.#: _____
Client #: _____
Lead source: _____

PAI-POPAPP1106



Your Service Provider

MHM Resources – Your Total Flexible Benefits Solution.

As a leader in Flexible Benefits and consumer-driven health, MHM Resources is dedicated to empowering employers and individuals to get the most from their flexible benefits program. That's because we have the...

Experience... Innovative technology... Industry Leaders

MHM Resources has provided flexible benefits technology and support systems for nearly two decades. You might remember us as Mayer Hoffman McCann, the independent CPA firm that founded our company. In 1998 the firm spun off MHM Resources so we could focus all our energy on flexible benefit plans that really work.

Through years of experience, we constantly interact with the top administrators in the country. This allows us to identify their Best Practices, and integrate the "Best of the Best" into our system.

Plus, for over twenty years, we've provided turnkey flex administration for thousands of groups. So when you talk with the more than 1,000 third-party administrators or the 35 insurance carriers who have partnered with us, they'll tell you the same thing: they can count on MHM.



MHM Resources Inc.

Your Total Flexible Benefits Solution

11440 Tomahawk Creek Parkway
Leawood, Kansas 66211-2672
Technical Assistance: 800-876-7548
E-mail: easychoice125@mhmbiz.com
mhResources.com

DBA MHM Resources and Administrators in California