

# Change benefit premiums to pretax and save

## Premium Only Plan

### What is a POP?

A Premium Only Plan (POP) lets your employees use pretax salary dollars to pay for their benefit premiums. With this plan, Section 125 of the IRS Code saves you and your employees money by lowering payroll taxes. As health care premiums change, employees' deductions can be adjusted.

Eligible employee premiums that can be paid with pretax dollars include medical, dental, vision, cancer policies and life insurance (up to a \$50,000 benefit).

### How it works

Our service includes satisfying all of your IRS requirements including plan documents, summary plan description, adoption agreement and non-discrimination testing.

All you have to do is change your payroll process so that the employee portion of the benefits premium is deducted before taxes.

Available to businesses with 2 to 299 employees, POPs can be set up for any single employer or related group of employers. This includes members of:

- Trade associations or business groups
- Controlled groups of corporations
- Affiliated service groups

Only the following individuals would not be allowed to participate, due to IRS restrictions:

- Sole proprietors
- Any partner within a partnership
- Partners in a Limited Liability Company
- Owners of an S corporation

However, the business always benefits from offering a POP to its workers because of the reduction in payroll taxes.

You'll save money and your employees will too!

FOR BUSINESSES WITH  
2 TO 299 EMPLOYEES



## It pays for itself and everyone can save. Here's how.

Let's say your company has 15 employees and an annual payroll of \$750,000. Each employee contributes \$100 a month toward his/her group health insurance premiums. In this example, the following savings would occur:

<b>EMPLOYER SAVINGS</b>	<b>WITHOUT POP</b>	<b>WITH POP</b>
Annual Payroll	\$750,000	\$750,000
Employee Premiums	\$0	(\$18,000)
Taxable Payroll	\$750,000	\$732,000
FICA (7.65%)	\$57,375	\$55,998
Employer Tax Savings	\$0	\$1,377

<b>EMPLOYEE SAVINGS</b>	<b>WITHOUT POP</b>	<b>WITH POP</b>
Annual Income	\$50,000	\$50,000
Pretax Contribution	\$0	(\$1,200)
Taxable Income	\$50,000	\$48,800
Estimated Taxes (30%)	(\$15,000)	(\$14,640)
After-tax Contribution	(\$1,200)	\$0
Net Take-Home Pay	\$33,800	\$34,160
Take-Home Pay Increase	\$0	\$360



Offer an Aetna POP to your employees and save! Contact your Aetna representative or broker today.

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