

What is a Tax Savings Plan?

A Tax Savings Plan is designed to reduce the amount of income and social security taxes paid by you and your employees. Tax Savings Plans may be *Premium Only* Plans or may include *Flexible Spending Accounts*.

Section 125 of the Internal Revenue Code permits employers to establish a Tax Savings Plan for the benefit of their employees. Participants in one of these plans may elect to defer a portion of their salary on a pre-tax basis. This deferral may then be used to pay for certain qualifying expenses such as:

- The employee-paid portion of premiums for group health insurance, dental insurance, disability and accident insurance and group term life insurance for coverage up to \$50,000
- Qualified medical expenses not covered by a group health insurance
- Qualified adult and child care expenses

Section 132 of the Internal Revenue Code permits employers to establish a Tax Savings Plan for

- Work-related transportation expenses, such as mass transit passes or parking expenses



How does a Tax Savings Plan benefit employers?

Your company may realize the following savings with a Tax Savings Plan, including Flexible Spending Accounts, by reducing

- The matching Social Security tax which will not be owed on amounts deferred into the plan by participating employees if the participant's annual wage is below the maximum amount taxed for Social Security
- Employer-paid premiums for benefits that are based on employees' taxable salaries
- Employer contributions made to retirement plans, if based on employees' taxable salaries

Potential savings to the employer

Without Tax Savings Plan		With Tax Savings Plan	
Annual payroll	\$2,250,000	Annual payroll	\$2,250,000
Employee-paid premiums	0	Employee-paid premiums	- 96,000
Reimbursable med. expenses	0	Reimbursable med. expenses	- 25,200
Dependent care expenses	0	Dependent care expenses	- 36,000
Taxable payroll	\$2,250,000	Taxable payroll	\$2,092,800
FICA Tax (7.65%)	172,125	FICA Tax (7.65%)	160,099
Savings	\$ 0	Savings*	\$ 12,026

Assumptions

\$2,250,000 annual payroll for 100 employees
 \$1,200 employee premiums for 80 employees
 \$ 720 reimbursable medical expenses for 35 employees
 \$2,400 dependent care expenses for 15 employees

*Does not include potential savings derived from reduced employer paid insurance premiums and contributions made to retirement plans.

Tax Savings Plans

Sections 125 and 132

Savings for you
and your employees



MB

EMPLOYEE BENEFIT DIVISION

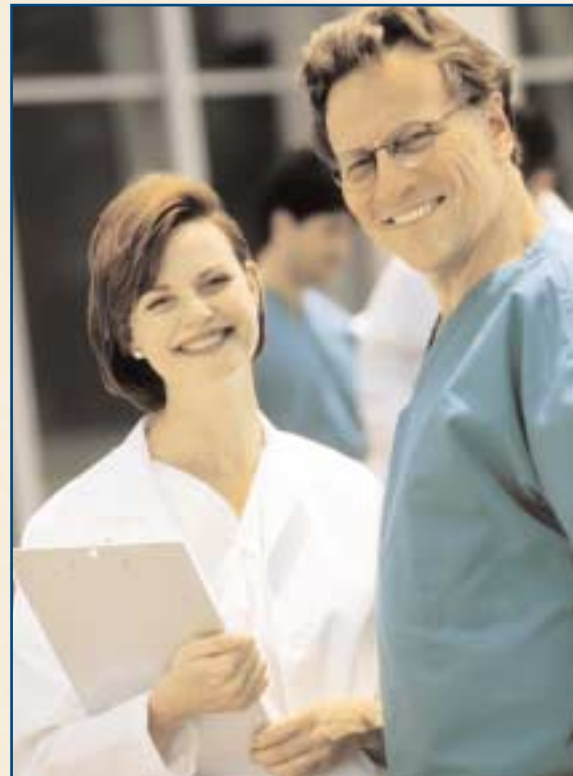
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How does a Tax Savings Plan benefit employees?

Because taxes are not paid on wages deferred by the employee into a Tax Savings Plan, the employees take home more pay. Taxes which are impacted may include:

- Federal income tax
- State and local income taxes, where applicable
- Social Security tax, if the employee's annual wage is below the maximum Social Security taxable wage base

Using tax savings plans for dependent care, medical and transportation expenses means you and your employees keep more money and pay less taxes!



Why should MB provide your Tax Savings Plan?

MB is proud of its record of excellence in providing full service administration since 1984 for more than 200 Tax Savings Plans. Our accountants, administrators, attorneys, data processing professionals and support staff are dedicated to providing the very best in customer service.

Full Service Administration at MB

Providing all required legal documents in a standard format

- Plan Documents
- Summary Plan Documents
- Summary Annual Reports
- IRS Form 5500

Timely and accurate processing of payroll contributions and participant reimbursement claims using proprietary software designed specifically for Tax Savings Plan administration

- Complete package of all descriptive materials, enrollment and claim forms for participants
- Comprehensive reporting package

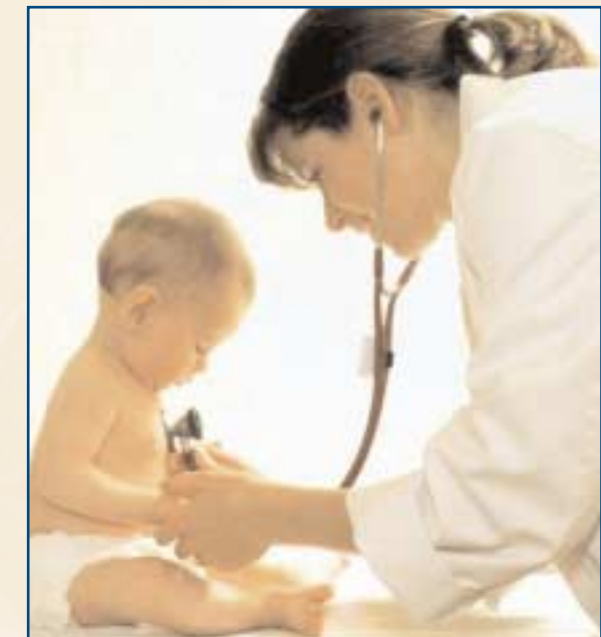
Promoting the Tax Savings Plan as part of the employee benefit package your company offers

- Employee education on the advantages of participation in a Tax Savings Plan
- Enrollment meetings by MB staff
- Participation in company-sponsored Employee Benefit Fairs

MB was one of the first banks in the United States to offer comprehensive Tax Savings Plan services.

As a bank, we are able to provide your company with a complete third party administration package. MB can handle your money transfer deposits, claims processing, recordkeeping, issuance of reimbursement checks and direct deposit services.

We can also provide standard legal documents and enrollment meetings for your employees.



Potential savings to the employee

Without Tax Savings Plan	With Tax Savings Plan
\$2,000 Taxable wages	\$2,000 Wages
-300 (15% federal tax)	-100 Employee health insurance premium
- 60 (3% state tax)	-60 Reimbursable medical expenses
<u>-153</u> (7.65% Social Security tax)	<u>-200</u> Dependent care expenses
\$1,487 Net take home	\$1,640 Taxable wage
-100 Employee health insurance premium	- 246 (15% federal tax)
-60 Reimbursable medical expense	- 49 (3% state tax)
<u>-200</u> Dependent care expenses	<u>- 125</u> (7.65% Social Security tax)
\$1,127 Net take home pay	\$1,220 Net take home pay

Save \$93 monthly (\$1,116 annually)

Assumptions

- \$2000 monthly gross taxable wages
- \$100 per month employee premium for group health insurance
- \$60 per month reimbursable medical expenses
- \$200 per month eligible dependent care expenses

Improve employee retention by offering Tax Savings Plans--a popular benefit!