



All-inclusive Lifestyle Spending Account (LSA) eligibility standards



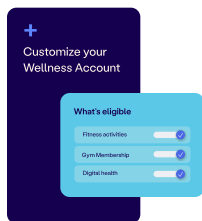
Supporting diverse workforce needs

An All-Inclusive Lifestyle Spending Account (LSA) is an employer-sponsored account that employees can use to pay for various lifestyle-related expenses. These LSAs are infinitely customizable spending accounts. Variables such as workforce construct, specific business objectives, employee feedback, or company values can influence prioritization and strategy.

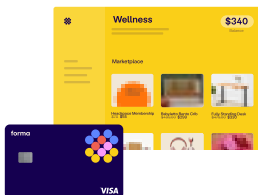
Note: In most cases, funds are treated as taxable income.

How an All-inclusive LSA works

By consolidating perks into an All-Inclusive LSA, organizations can achieve cost savings and efficiency gains without sacrificing any of their current programs.



Employers provide a stipend for approved benefit use cases and define eligibility rules to meet business objectives and employee demand.



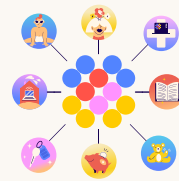
Employees have an idyllic experience when choosing and using benefits based on their personal preferences.

Why this benefit is important

With high medical renewal costs and sustained inflation, HR professionals and companies are challenged to offer creative, cost-effective solutions with proven ROI. The All-inclusive LSA empowers businesses to provide robust benefits despite increasing budget constraints. The benefit doesn't require new budget and adds value. Companies just reallocate funds from previous perks and migrate into a consolidated LSA program. These customizable spending accounts can cover expansive needs, meaningful on the individual level, at scale.

A better way to provide lifestyle benefits

LSAs offer much-needed efficiencies in terms of capital allocation and administration efforts.



Consolidate and save: Reduce the number of vendors, program costs, and administrative effort - as well as simplify processes across legal, payroll, IT, and other functions.



Only pay for what employees use: LSA funds are notional so the company only pays the claims when employees use the benefit. Simply select categories that drive the greatest engagement and ROI. This model allows benefit funding to go directly toward value vs. overhead waste.



Measure clear value: By taking a holistic approach to benefits spending, LSA benefits enable greater oversight into utilization and metrics compared to decentralized point solutions.



[Learn how to deliver cost savings with consolidated LSA benefits.](#)

How employees get more with Lifestyle Spending Accounts (LSAs)

There are endless options for what to include in an All-inclusive LSA. And there are pros and cons for having everything in a singular program vs. many. Depending on the use case, you could offer a dedicated account to focus on a specific need or pull multiple categories into a singular expansive LSA program.

Most popular types of accounts

Percent of companies that offered account type



Note: Using the data from over 200 customers in 2023, documented are the top categories to include in an All-inclusive LSA with the percentage of Forma customers offering the option as part of their program.

Extra options

While these options may not apply to all, many choose to include them as part of an All-inclusive LSA or as a dedicated spending account for specific use cases.



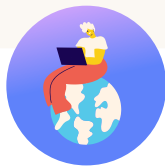
**Diversity, Equity,
& Inclusion**



**Environmental &
Sustainability**



**International
Healthcare**



**Relocation
Assistance**



**Work Supplies &
Personal Protective
Equipment**

When to use an All-inclusive LSA vs. specific spending account programs?

An All-inclusive LSA can provide broad coverage by consolidating assorted mental, social, physical, and financial programs into a singular benefit. At the same time, each category can be broken out into stand-alone spending accounts for specific use case criteria.

All-inclusive LSA	Specific spending account benefits
Give flexibility and choices relevant to widespread needs	Give choices relevant to set use cases mapped to behaviors and outcomes
Market many options under one offering	Market a specialized option with the purpose
Broadened scope when mapping ROI	Easier to track ROI based on set criteria

What to include in an All-inclusive Lifestyle Spending Account

All-inclusive LSAs can cover a endless options meaningful to employees and the organization. There are specific lifestyle-related products and services - with a wide range of categories beyond that to include. For every stage in life, Forma is there to help employees with benefits that matter the most to them.



Lifestyle Products

- + Gaming accessories
- + Gaming consoles
- + Home air purifier
- + Portable air conditioner heater
- + Sleep aids

Extra options

- + Gardening/farming equipment and supplies
- + Sustainable products
- + Water filtration accessories

Percentage of Forma customers offering:

41%



Lifestyle Services

- + Dry cleaning
- + Event tickets (theme park, museum, concert)
- + Household services
- + Identity theft services
- + Music/video streaming
- + Travel expenses (hotel, airfare, insurance)
- + Travel equipment (luggage)

Extra options:

- + Personal chef
- + Pest control
- + Plants

Percentage of Forma customers offering:

56%

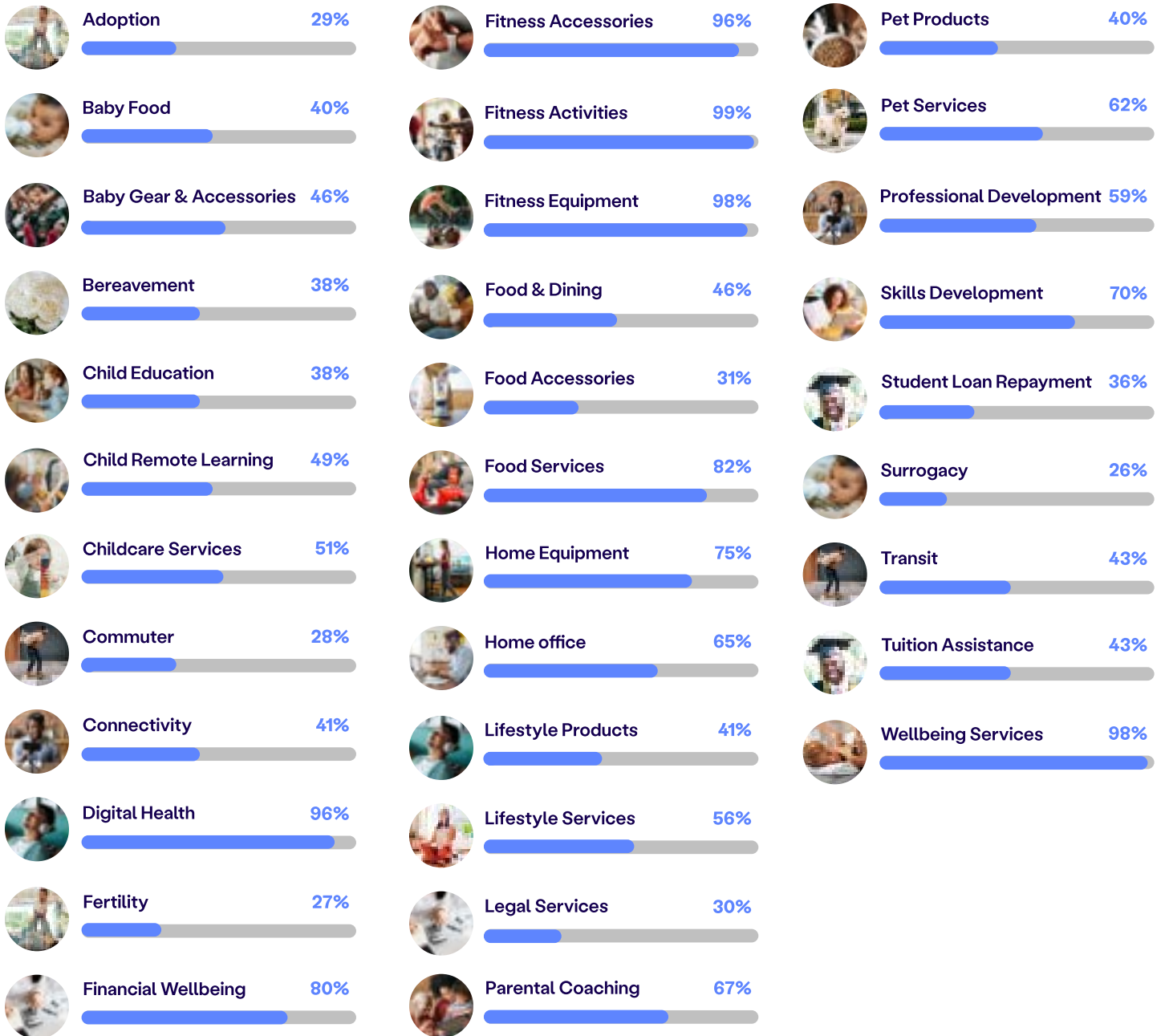
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What to include in an All-inclusive LSA

The top-ranked categories in an All-inclusive LSA

There are many choices for what to include and why when building an LSA program. To help make an informed decision, below is a breakdown of the top options Forma customers have opted to include.

Percent of companies that offered account type



Continued →

What to include in an All-inclusive LSA

Pairing All-inclusive LSAs with tax-advantaged accounts

Some expenses commonly offered in an LSA may be eligible if offered through a tax-advantaged benefit. For example, certain caregiving-related expenses can be covered under a Dependent Care FSA (DCFSA) or offered under a taxable LSA. As a best practice, it's ideal to utilize the DCFSA when available to reap the tax advantages up to the IRS maximum. Employers that want to provide additional caregiving support can supplement the DCFSA with an LSA for any caregiving expenses that are not eligible under the DCFSA or exceed the DCFSA maximum.

In addition, other categories of expenses may be eligible for tax-free reimbursement under various tax code provisions, including certain education or professional development-related expenses. If offering tax-advantaged benefits, you'll want to adhere to the relevant tax code provisions and IRS guidelines.



What **not** to include

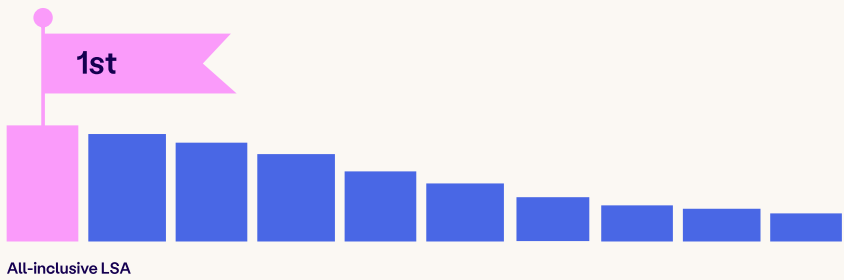
For US companies: Medical expenses should not be included in an LSA. Generally, when an employer-sponsored plan reimburses medical expenses, a group health plan is created. LSAs usually cannot adhere to the additional compliance rules applicable to group health plans. Here is a list of common medical expenses that should not be eligible under an LSA.

Here is a list of common medical expenses that should not be eligible under an LSA for US-based orgs.

- x Acupuncture
- x Chiropractor
- x Copays and deductibles
- x Medical products (OTC medications)
- x Medical services
- x Physical exams
- x Smoking cessation
- x Surgery

All-inclusive LSA benchmark data

Forma's All-inclusive Lifestyle Spending Account ranks as the #1 most popular LSA benefit.



63%

of Forma customers offer the option

\$970

Median annual funding per employee

88%

Average budget utilization per member



For insights into how 450K employees from over 200 companies use their LSAs, check out the 2024 Lifestyle Spending Accounts (LSA) benchmark report.

Customizable spending accounts. Better benefits.

Forma will help you define spending account eligibility. Configuration is easy and you can adapt at any time.

[Contact us](#) to learn more about what we can do for you.

