

An FSA is an account to which an employee can contribute tax-free money to pay for certain out-of-pocket health care costs. The account is limited to \$2,850 per year, per employer (as of 2022). An employer may make contributions to your account, but it's not required.

These funds can be used to cover the cost of certain medical and dental expenses for you and your dependents, like deductibles and copayments, over-the-counter and prescription medication, medical equipment and diagnostic devices such as blood sugar test kits.

There are some limits. You generally must use the money in the account within the plan year, though some employers offer a carryover option. At the end of the year, or grace period, you lose any money remaining in the account, so it's important not to put more money in the FSA than you think you'll spend within the year.