



# Lifestyle Spending Account

Equity and Inclusion, Leadership,  
Total Rewards

eBen



# What is an LSA?

A Lifestyle Spending Account (LSA) is a taxable, employer-funded benefit to support employee physical, mental, emotional, and financial health and wellness. Employers determine their annual contribution amount and how employees can spend their LSA funds. They place parameters on acceptable products, services, and expenses – sometimes covering other costs not typically included in a group plan.

# Common LSA Expenses

- Care Services (e.g., adult and child care, pet daycare and pet grooming)
- Financial Services (e.g., financial planning and financial education programs)
- Mental Health (e.g., mindfulness or meditation apps and life coaching)
- Physical Health (e.g., gym memberships, fitness classes, athletic apparel, and exercise equipment)



- Professional Development (e.g., continuing education courses, certificates, and industry conferences)
- Wellness (e.g., food supplements and nutrition counseling)
- Work-From-Home Expenses (e.g., home office equipment and supplies)

*In addition to these common expenses, some employers offer LSA funds for anything employees say promotes their personal wellness.*

# The Pros of LSAs

Employees are healthier, happier, and likely more engaged and productive at work. Since LSAs do not have pre-tax implications, employers can offer this benefit to various workers, including full-time, part-time, and contract.



- **Budget optimization** – Employers only pay for the actual amounts that employees spend. Therefore, they retain any unused funds.
- **Complete control** – Organizations can limit and guide the spending of employer-provided money based on their own budgets and unique employee needs.
- **Diversity, equity, and inclusion (DEI) efforts** – LSAs can strengthen DEI efforts by addressing benefits gaps for marginalized groups and employees with special lifestyle needs.

- **Ease of implementation** – An LSA adds flexibility to employers' benefits plans and is relatively simple to implement and manage. Compliance for LSAs is also less involved when compared with tax-advantaged accounts, such as HSAs and FSAs.
- **Employee personalization** – Once a plan is defined, employees have the freedom and flexibility to use FSA funds for their wellness-related expenses.



## The Cons of LSAs

- **No tax advantage** – LSAs are not tax-advantaged, and employers are faced with a wide range of options on how best to approach the taxation of LSAs.
- **Employer-funded** – Since LSAs are exclusively employer-funded, this offering does add to the organization's annual budget.



# Summary

LSAs go above and beyond traditional health plans, providing employees with a flexible option to support their everyday needs. Employers are offering LSAs as they continue to search for ways to make their benefits relevant and valuable.