

STUDY FINDINGS

LIFESTYLE SPENDING ACCOUNTS GAIN TRACTION

AS EMPLOYERS continue looking for ways to support a multigenerational workforce with diverse needs, lifestyle spending accounts are emerging as a popular addition to employee benefits programs.

Originally viewed as an extension of wellness programs, LSAs are broader and more flexible. Rather than focusing solely on fitness or preventive care, these employer-funded accounts allow workers to use allocated funds for services tied to physical, emotional, financial and personal well-being.

For human resources and benefits managers, the appeal lies in personalization. Workers at different life stages often value different forms of support.

How LSAs work

An LSA is generally funded entirely by the employer. The company determines how much employees receive annually and what expenses qualify for reimbursement.

Unlike health savings accounts or flexible spending accounts, LSAs are not governed by strict federal rules that limit eligible expenses. That gives employers significant flexibility in designing programs that align with workforce needs and company culture.

Employers may structure the benefit as a yearly allowance or monthly stipend. Employees typically submit receipts or proof of purchase through a reimbursement platform administered internally or by a third-party vendor.

LSA-eligible expenses

Eligible expenses vary by employer, but common categories include:

- Gym memberships, fitness classes and exercise equipment
- Mental health apps, meditation subscriptions and life coaching
- Financial planning, tax preparation and student loan aid
- Childcare, elder care and fertility-related services
- Professional development courses and certifications
- Nutrition counseling and wellness coaching
- Home office equipment or commuting costs

Advantages for employers

One of the primary advantages of LSAs is flexibility. Traditional benefits programs often take a one-size-fits-all approach, while LSAs allow staff to select benefits that matter to them.

Employers may also see advantages in recruitment and retention as workers increasingly evaluate employers based on overall well-being support. Offering flexible benefits can demonstrate that a company understands the varied pressures employees face inside and outside work.

One bonus for employers is that they only pay when an employee submits a reimbursement request for an approved expense. Many

workers may never use the plan, and some may not use the full amount allocated to their account.

Administrative complexity may also be lower than that of tax-advantaged accounts because LSAs generally involve less regulatory compliance.

Potential drawbacks

Despite their flexibility, LSAs come with challenges:

- Employees generally must pay income taxes on reimbursements they receive. Employers must also decide how the benefit will be taxed and reported through payroll.
- Cost control can become an issue if programs are not carefully structured. Employers need clear guidelines on eligible expenses, reimbursement limits and documentation requirements.
- Another challenge is communication. Employees may not fully understand how the program works or what qualifies for reimbursement. Without education and regular reminders, participation rates may lag.

Regardless, LSAs are increasingly being viewed as a way to provide more personalized employee support that complements traditional health and wellness benefits.



IT'S ELEMENTARY: *Some of your workers will value benefits that help them pay for childcare.*

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