



# What is a Health Savings Account?



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A Health Savings Account (HSA) is made up of two parts: a qualifying high-deductible health plan and a Health Savings Account.



A Health Savings Account is a special tax-free savings or investment account that can be used for specific qualified medical expenses by individuals, spouses or dependents. HSAs must be used in conjunction with a qualified high-deductible health plan.

## Contributing to an HSA

- You decide which company will hold your HSA money, how often and how much to contribute to your HSA (up to the annual maximum contribution amount), and what type of investments you make with your account. Any investment allowed for IRAs is allowed for HSAs.
- Anyone can contribute to another person's HSA.
- Contributions you make to your HSA through payroll deductions are generally made using pre-tax dollars (money that has not been subject to income tax). Thus, they are not considered taxable income and are non-taxable.
- If you make contributions to your HSA using after-tax dollars (money that has already been subject to income tax) your contributions are tax deductible.
- You have until April 15 of the following year to make HSA contributions for the current year.
- You can withdraw funds at any time for qualified medical expenses.
- Your HSA is portable and goes with you when you change jobs or health plans. Once you are no longer enrolled in a qualifying high deductible health plan, you are not eligible to make new contributions to your HSA, but you can continue to withdraw funds for qualified medical expenses.
- Statistics show 97% of persons with an HSA account roll over funds from the previous year.<sup>1</sup> 40% of HSA holders are families<sup>2</sup>. 46% are over the age of 40<sup>2</sup>.

<sup>1</sup>HSA Bank Account Holder Statistics - January 2007. <sup>2</sup>AHIP Center for Policy & Research - April 2007.

## 2011 HSA contribution limit

### Annual Contribution Limit to HSA

Single .....	\$3,050
Family .....	\$6,150

The annual catch-up contribution limit (for HSA-eligible individuals who are age 55 or older) remains at \$1,000 for 2011.

## You're eligible to open an HSA account if:

- You're enrolled in an HSA-qualified high deductible health plan.
- You are not enrolled in Medicare or Medicaid.
- You are not on Tricare.
- You have not received any Veterans Administration health benefits in the last three months.
- You are not covered by another health insurance plan that is not an HSA-qualified high-deductible health plan.
- You are not claimed as a dependent on someone else's tax return.



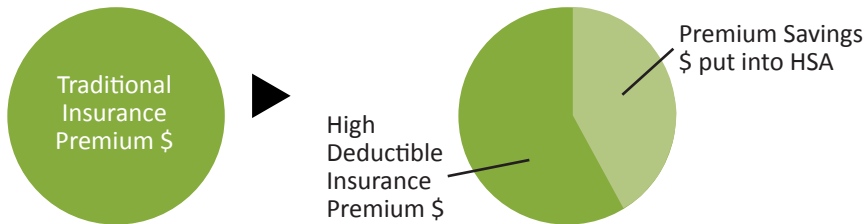
# Save money with an HSA!



## The advantages of an HSA

### 1 Lower health insurance premiums

With a Health Savings Account, you are in control of your health care dollars. Instead of purchasing a traditional high-cost health plan, you purchase a low-cost high-deductible health plan and put the savings in premium into an HSA account. You control the funds in your HSA and decide how to spend or save the money.



### 2 Triple tax advantages

- The money you deposit into your account is 100% **tax-deductible**.
- The interest and gains on the money in your account is **tax-exempt**.
- The money you withdraw for qualified medical expenses is **tax-free**.

### 3 Future savings

Think of an HSA as a medical IRA. Whatever money you don't use in your HSA rolls over from year to year. Any money left in your HSA when you turn 65 is yours to use for any purpose. You'll just pay normal income tax on the money you withdraw for non-medical expenses. Withdrawals for qualified medical expenses are never taxed.

Below are examples of how much you could save for the future. These examples are for illustration purposes only. Savings amounts and future values will vary based on actual contribution amounts, medical expenses, number of years the account is in use, Federal and state tax brackets, interest rates and investment options. For illustration purposes, we've used a Federal tax rate of 25%, a state tax rate of 4% and a bank interest rate of 3%.

Average contribution per year	\$2,000.00	\$3,000.00	\$5,000.00	\$3,000.00	\$5,000.00
Average medical expenses per year	\$500.00	\$750.00	\$1,000.00	\$750.00	\$1,000.00
Net contributions per year	\$1,500.00	\$2,250.00	\$4,000.00	\$2,250.00	\$4,000.00
Number of years your account will accumulate	10	10	10	20	20
Net contributions	\$15,000.00	\$22,500.00	\$40,000.00	\$45,000.00	\$80,000.00
Tax savings on contributions	\$4,350.00	\$6,525.00	\$11,600.00	\$13,050.00	\$23,200.00
Tax savings on tax-deferred growth	\$636.79	\$955.18	\$1,698.10	\$4,482.92	\$7,969.63
<b>FUTURE VALUE</b>	<b>\$17,195.82</b>	<b>\$25,793.73</b>	<b>\$45,855.52</b>	<b>\$60,458.34</b>	<b>\$107,481.50</b>

### Who benefits from a Health Savings Account plan?

- Persons interested in more control over how their health care dollars are spent.
- Families interested in one deductible per family.
- Those interested in trading low deductible health insurance for a higher deductible plan to save money on monthly premiums and taxes.
- Persons wanting to save tax-free money for retirement.
- Anyone willing to take responsibility for routine health care expenses in exchange for lower premiums.
- Anyone who wants to use tax-free dollars to pay for qualified medical expenses including prescription drugs, orthodontia, eyeglasses, Medicare premiums, guide dog, acupuncture and much, much more. For a complete list of qualified medical expenses, visit [www.irs.gov/pub/irs-pdf/p502.pdf](http://www.irs.gov/pub/irs-pdf/p502.pdf).

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