

## Understanding Your Health Savings Accounts (HSA)

**TAX SAVINGS** - An HSA provides you triple tax savings:

- \$ Tax free when you contribute to your account (pre-tax via payroll deduction, or post-tax if you contribute on your own)
- \$ Tax-free earnings through investment; and,
- \$ Tax-free withdrawals if money is used for [IRS] qualified medical expenses

**WHO CAN HAVE AN HSA** - You can contribute to an HSA if you

- ✓ have coverage under an HSA-qualified "high deductible health plan" (HDHP) ONLY (other types of insurance like specific injury insurance or accident, disability, dental, vision, or long-term care insurance are permitted)
- ✓ are not enrolled in Medicare or TRICARE or any other coverage that is not also a HDHP.
- ✓ cannot be claimed as a dependent on someone else's tax return
- ✓ cannot participate in both Section 125 FSA and HSA (employee OR spouse)

Contributions to your HSA can be made by you, your employer, or both. Total contributions (all sources) are limited annually as per IRS guidelines. Post tax contributions are deducted on your federal income tax return even if you don't itemize. You can also deposit on a pre-tax basis if your employer agrees to contribute on your behalf through payroll deduction. Once you are enrolled in Medicare, there can be no additional contributions to your HSA; however, you can use accumulated funds to pay for qualified medical expenses.

### ADVANTAGES OF AN HSA - USING YOUR HSA

1. Affordability - the premium for your HDHP will be lower than a non-HDHP plan
2. Flexibility - funds can be used to pay for "qualified medical expenses,"<sup>(1)</sup> or you can save the money for future needs such as:
  - a. Health insurance or medical expenses while unemployed; COBRA premiums
  - b. Medical expenses after retirement
  - c. Out-of-pocket expenses when covered by Medicare - including your Medicare and Medicare supplement premiums
  - d. Long-term care expenses and insurance
3. Control - you make all the decisions:
  - a. How much money to put into your account
  - b. To save the account for future expenses or pay current medical expenses
  - c. Which medical expenses to pay from the account
  - d. How and when to invest money in your account
4. Portability - accounts are portable, you keep your HSA even if you:
  - a. change jobs or change your medical coverage
  - b. become unemployed, or move to another state
  - c. change your marital status
5. Ownership - funds remain in the account from year-to-year, just like an IRA; there is no "use it or lose it rule" for HSAs
6. You can use the money in the account to pay for qualified medical expenses for yourself, your spouse, your dependent children - even if they are not covered by your HDHP or are covered by another non-HDHP

**NOTE: (1) Amounts used for purposes other than qualified medical expenses are taxable as income and subject to an additional 20% tax penalty. (2) After you become age 65, the 20% additional tax penalty no longer applies. In addition, if you become disabled and/or enroll in Medicare, the account can be used for other purposes without paying the penalty**

### HIGH DEDUCTIBLE HEALTH PLANS (HDHPs)

In order to open and contribute to an HSA you must be covered only by an HSA-qualified "high deductible health plan." In general, the HSA-qualified plan deductible must apply to all medical expenses (including prescriptions) covered by the plan. However, plans are permitted to cover preventive/routine care services on a first-dollar basis (with or without a copay) Preventive/routine care can include pre-natal and well-child care, child and adult immunizations, annual physicals, mammograms, pap smears, PSA test, etc.

### HSA CONTRIBUTIONS - Limits are from ALL Sources

You can make a contribution to your HSA each year that you are eligible. Contribution limits are:

- 2017                      \$3,400 – Single HDHP Coverage                      \$6,750 – Family HDHP Coverage
- 2018                      \$3,450 - Single HDHP Coverage                      \$6,900 - Family HDHP Coverage

**NOTE: Contribution limits are from ALL sources**

*If you are over age 55, you can make an additional \$1,000 contribution each year.*

<sup>(1)</sup> IRS Publication 502 will provide you with a list of medical expenses that are approved for use of HSA money. This and other helpful links can be found on the US Treasury website ([www.treas.gov](http://www.treas.gov)) simply by clicking on "Health Savings Accounts."



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