



HEALTH SAVINGS ACCOUNTS (HSA) AND HIGH DEDUCTIBLE HEALTH PLANS (HDHP)

WHAT YOU NEED TO KNOW

1. HSAs were created by Congress in December 2003.
2. HSAs are meant to provide Americans a way to lower current health costs and save money for future expenses.
3. The savings in premium for a HDHP, if put into your HSA, can fund most or possibly all of your out-of-pocket medical expenses.
4. HSAs are IRA-type custodial accounts *always* owned by you. The account passes to your named beneficiary in the event of death.
5. HSA deposits can earn interest.
6. HSA deposits can be as high as the deductible of an approved HDHP. The deposits can be made by payroll deduction pre-tax.
7. The HSA deposit cannot exceed 1/12th of the annual deductible on a monthly basis once you've enrolled in a HDHP, and can be continued every year thereafter.
8. You may withdraw up to your account balance for medical expenses and pay no tax on this money.
9. Money not withdrawn accumulates year after year. If you do not use the money for medical expenses, after you leave employment or retire you may withdraw it at age 65 (or beyond) and pay the taxes similar to an IRA. Prior to age 65, withdrawals for non-medical expenses will incur a 10% IRS penalty plus taxes.
10. Once the deposit is made by the employer into the account you may transfer it to a custodial account of your own choosing that *is a qualified HSA account*.
11. The HDHP you enroll in must have all medical expenses (except preventive care) apply to the deductible first. This includes prescriptions. On family plans all of the family expenses combine to the family deductible.
12. To qualify for an HSA, you must be a participant in a qualified HDHP. You, your spouse, and any dependents must not be eligible for reimbursement of these same medical expenses from a flex plan, another health plan, or Medicare.

In summary, HSAs may provide you the ability to pay less in premiums, pay your out-of-pocket medical expenses, and / or build up a significant amount of money over time for your use later on!