Financial Literacy Event Handout

Health Savings Accounts

EVENT KEY NOTES

✓ **Consumer Healthcare Key Findings**

- Consumers can improve their focus on the financial aspect of healthcare.
    1. 41% of consumers never save money for future healthcare expenses.
    2. 35% never consider the cost in the selection of healthcare.
    3. Millennials are the contradiction; they save for healthcare, least likely to consider the cost and least confident in the ability to cover cost.
- Those with an HDHP + HSA take more initiative with healthcare finances:
    1. Frequently consider cost.
    2. Frequently save for healthcare expense.

Overall, the survey from HSA Bank Health & Wealth reveals how much consumers would benefit from additional education on spending and savings techniques that contribute to financial well-being.

✓ **What is a Health Savings Account?**

- A Health Savings Account is a tax-exempt account established for a High Deductible Health Plan (HDHP) holder exclusively for the purpose of paying for qualifying medical expenses.

✓ **What is the Value of a Health Savings Account?**

- **Control:** An HSA gives you more control over how you plan to spend your healthcare dollars.
- **Portability:** An HSA is owned by you, the individual and is completely portable. Funds remain with you even if you change jobs, change medical coverage, become unemployed, move or change marital status.
- **Flexibility:** There are no 'use it or lose it' rules. HSA funds remain in the account from year to year. Even if you are no longer eligible to make contributions, funds may still be used to pay for qualified medical expenses.
- **Ability to save for future healthcare needs:** Unused funds from your HSA can grow through interest and investment earnings and can be banked for future medical expenses.

✓ **Tax Advantages**

- **Tax Advantages*:** Contributions to your HSA are tax-deductible up to the IRS allowed maximums.
- **Tax-Deferred*:** The interest that your HSA earns is tax-deferred and rolls over year after year.
- **Tax-Free*:** Funds from your HSA used for qualified medical expenses are tax free.

**For further information on HDHP's, contact your Human Resources Department.*

✓ **Any adult can contribute to an HSA if they:**

- Are covered under a HSA qualified HDHP regardless of his or her age or income bracket.
- Have no other first-dollar medical coverage.
- Are not entitled to benefits under Medicare.
- Cannot be claimed as a dependent on someone else's tax return.
- Usually, the higher the credit score, the lower the interest rate.

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✓ **What are Qualified Medical Expenses?**

Consumers can use money in their HSA for many types of medical expenses even some that are excluded from their insurance plans. To get a full list of Eligible Medical Expenses please visit: www.irs.gov/publications/p502

✓ **General Health Savings Account Questions and Answers**

Q: Can I use the money in my HSA to pay for medical care for a family member?
A: *Yes, you may withdrawal funds to pay for qualified medical expenses of yourself, your spouse or a dependent without a tax penalty. This is one of the advantages of an HSA.*

Q: What is a "Catch Up" contribution?
A: *Eligible individuals who are over the age of 55 but under the age of 65 are allowed to make additional "catch up" contributions to their HSA accounts. (The current catch up contribution limit is $1,000 for single and family coverage).*

Q: Can contributions come from multiple sources?
A: *As long as you are covered under a qualified HDHP, you, your employer family members or anyone else may contribute to the HSA up to the maximum annual contribution.*

Q: I am age 65 and covered under an HDHP; can I still contribute to my HSA?
A: *Yes, you may withdrawal funds to pay for qualified medical expenses of yourself, your spouse or a dependent without a tax penalty. This is one of the advantages of an HSA.*

Q: Can I fund my account at the family level if I have single coverage?
A: No, if you have single coverage you are limited to the individual HSA contribution limit. You may use your HSA funds to pay for the qualified medical expenses of family members, however; the amount you may contribute to your HSA is limited by the level of your insurance coverage.

Q: What happens to the money in an HSA after you turn age 65?
A: *Once you turn age 65, you can also use your account to pay for things other than qualified medical expenses. If used for other expenses, the amount withdrawn will be taxable income but will not be subject to any other penalties. Individuals under the age of 65 who use their accounts for non-qualified medical expenses must pay income tax and a 20% penalty on the amount withdrawn.*

✓ **Additional Information**

- It is the consumer's responsibility to manage their HSA account and to obtain a High Deductible Health Plan (HDHP).
- For detailed information on qualifying for an Health Savings Account, Contribution and Distribution questions, please visit the following link: www.irs.gov/forms-pubs/about-publication-969 or contact your Human Resources office.