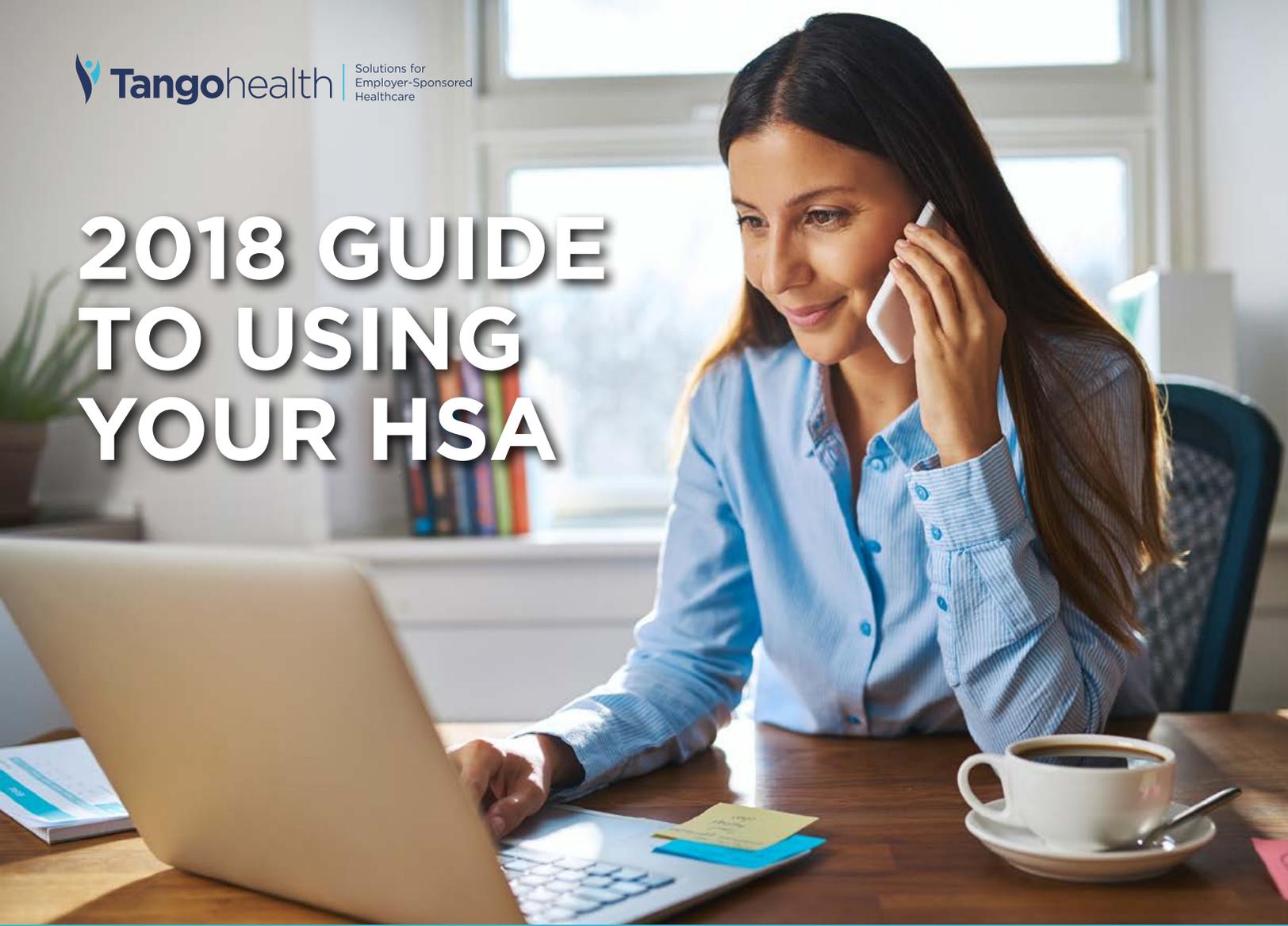


2018 GUIDE TO USING YOUR HSA



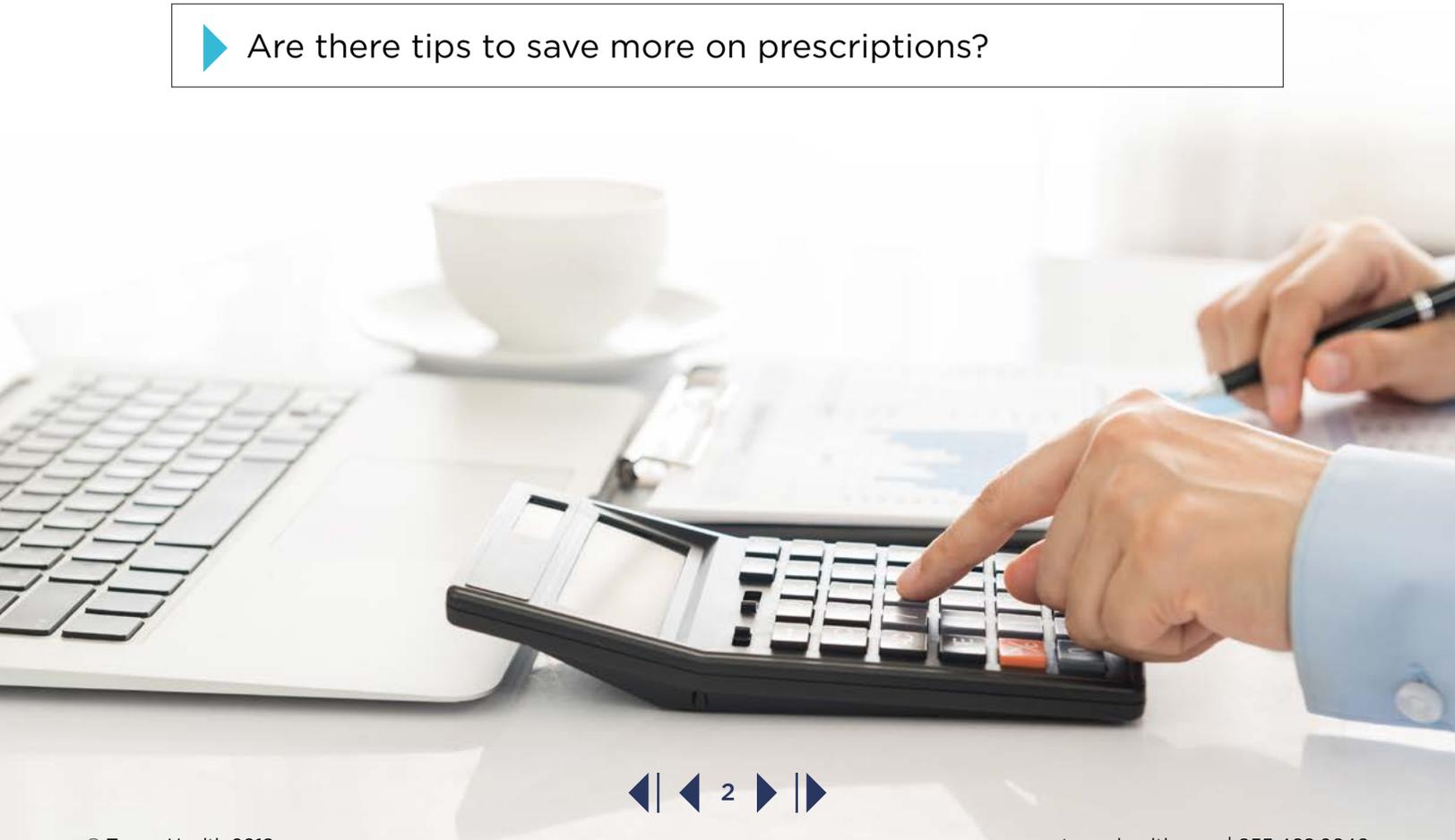
You've taken the first big step in reaping the benefits of an HSA—you've either already enrolled in a High Deductible Health Plan (HDHP) or you're considering one for your next open enrollment. What comes next?

This guide will help you learn how to set up your HSA and get the most out of it.

- ▶ **What is an HSA?** It's a medical savings account available to most of those enrolled in high deductible health plans (HDHP). Individuals who take more responsibility for their healthcare by enrolling in an HDHP are rewarded with the ability to open an HSA and contribute to it tax-free. HSA funds roll over from year-to-year, so you are able to build a nest egg for future medical expenses if you choose.

Here's what you'll learn in this eBook.

- ▶ Where do I start?
- ▶ How much money *can* I contribute to my HSA?
- ▶ How much *should* I contribute to my HSA?
- ▶ When can I use my HSA?
- ▶ What are qualified or eligible medical expenses?
- ▶ Are there tips to save more on medical care?
- ▶ Are there tips to save more on prescriptions?



Where do I start?

▶ **How do I open an HSA?**

This process is pretty simple but slightly different depending on the HSA Administrator. Your employer will communicate details on getting started but it's often as easy as answering a few questions online to register and open your account.

▶ **Who owns the money in my HSA and does it expire?**

You own the money in your HSA. Once you or your employer puts money in your HSA it will stay there indefinitely until you use it, just like a regular savings account. This is one of the big advantages of an HSA vs an FSA, where funds usually expire by March of the following year.

▶ **How do I put money in my HSA?**

To contribute money to your HSA *before taxes* it must go through what's referred to as a Cafeteria Plan. A Cafeteria Plan is an employer system that allows tax advantaged benefits from paychecks, including healthcare premiums and your 401(k) plan. This means you must make payroll deductions. Any contributions to your HSA through a Cafeteria Plan are not subject to payroll taxes or federal income taxes. Also, the contributions will not be included in your taxable income.

▶ **How can I make deposits to my account besides payroll contributions?**

You can transfer money from other accounts or deposit it into your account. It is important to keep in mind that if you do contribute to your HSA outside of payroll, you will not avoid payroll tax, which is about 7%. If you have an established HSA with another bank, you can do a trustee-to-trustee transfer (unlimited times per year) or do a rollover of funds (once per year) between accounts without paying taxes.

How much money *can* I contribute to my HSA?

Your contribution limit for any given year will depend upon when you become eligible, the type of insurance coverage you have and your age. Here are the HSA limits for 2018:

SELF-ONLY COVERAGE	
Maximum annual HSA contribution	\$3,450
Minimum annual deductible for HDHP	\$1,350
Maximum annual out-of-pocket expense limit for HDHP	\$6,650
FAMILY COVERAGE	
Maximum annual HSA contribution	\$6,900
Minimum annual deductible for HDHP	\$2,700
Maximum annual out-of-pocket expense limit for HDHP	\$13,300

▶ Note: The 2018 HSA catch-up contribution limit for participants who are 55 or older remains \$1,000. This amount is fixed by statute.

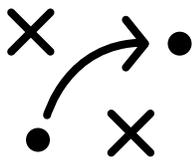


How much *should* I contribute to my HSA?

If you want to get the most from your HSA, you should contribute the maximum allowed each year, but everyone's needs are different. Contribute what you can based on your goals:



Savers - contribute the maximum allowed by law. They lower their taxable income, save payroll taxes, save income taxes and sometimes have tax-free earnings from the savings in their account. These people achieve the highest level of savings from their HSA.



Planners - contribute a specific, pre-determined amount from each paycheck into their HSA. This strategy allows them to build their HSA savings over time. They also lower their taxable income, save payroll taxes, save income taxes and sometimes have tax-free earnings from their savings. Then when they have expenses they can easily use their HSA debit card to pay for them. While they don't maximize the HSA savings benefit, they still have the opportunity to realize significant savings.



Minimalists - contribute little to no payroll deductions to their HSAs. This allows them to maximize their regular pay, only increasing deductions after an expense has been incurred. People in this group often use their own money if they incur an expense and reimburse themselves later.

When can I use my HSA?

Your Health Savings Account can be used to pay for qualified medical, dental, prescription, and vision expenses, including COBRA premiums, Medicare premiums (i.e. Part A, Part B and Part D), or long term care insurance premiums.

These expenses can be incurred by a spouse or any tax dependent, regardless of whether they are on your insurance. You can even use your HSA after you incurred the expense by paying out of your own pocket and then reimbursing yourself from your HSA to earn the tax break.



What are qualified or eligible medical expenses?

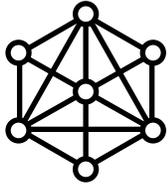
[IRS Publication 502](#) lists qualifying and non-qualifying expenses for tax deduction purposes for Health Savings Accounts. While not an exhaustive list, here are a few examples of qualified and non-qualified expenses.

EXAMPLES OF QUALIFIED MEDICAL EXPENSES	EXAMPLES OF NON-QUALIFIED MEDICAL EXPENSES
<ul style="list-style-type: none"> • Doctor office visits • Smoking cessation programs • Dental care and braces • Physical therapy • Prescriptions • Psychological counseling • Birth control and vasectomy • Chiropractor • Acupuncture • Bandages and crutches • Hearing aids • Breast pump and nursing supplies • Long-term care • Glasses, contacts, LASIK surgery 	<ul style="list-style-type: none"> • Cosmetic surgery, if not deemed medical care • Electrolysis or hair removal • Hair transplant • Health club dues • Nutritional supplements • Maternity clothes • Teeth whitening

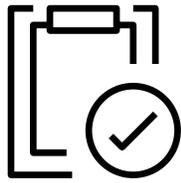
▶ Note: If you withdraw money from your Health Savings Account to use for non-qualifying reasons, you will be subject to income tax on the amount of the withdrawal. In addition, you may be subject to an additional 20% penalty tax if you are under the age of 65. If you have done this, you should consult a tax expert or contact your HSA Administrator.

▶ Receipts: Per the IRS, you must keep your receipts for seven years. Some HSA administrators allow you to upload your receipts to their platform so that they are all in a single location.

Are there tips to save more on medical care?



Stay in-network to always receive the benefit and credit toward your deductible.



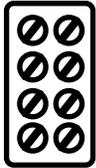
Be prepared and informed. Investigate your most cost-effective option near you for care needed outside of regular doctor-office hours or emergencies. Some clinics offer extended and weekend hours with no or minimal extra cost. Usually Urgent Care facilities are significantly less expensive than emergency rooms, but do your homework to find the best one at a reasonable price.



Most doctors will negotiate payment terms especially for more expensive procedures such as surgery, MRIs, or braces.



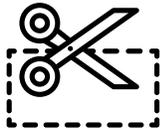
Are there tips to save more on prescriptions?



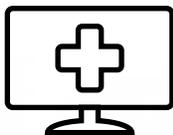
Ask your doctor for samples.



Request generic/lower cost versions.



Check for coupons for the prescriptions on the manufacturer's website.



Shop around and use online pharmacy tools.

