


A health savings account can help you stay on top of rising health care costs—and provide you with tax-deferred savings.

 To keep your balance when faced with mounting medical expenses, a health savings account (HSA) may be a viable tool for you. With its various features and financial benefits, you'll not only have protection against major health care costs, but a potential reservoir of savings if you don't need the HSA assets for medical expenses. Learn more about HSAs and find out if you are eligible to have one.

### For More Information

Please contact one of our representatives for more information on HSAs.

Health Savings Accounts

Keeping Your Balance  
With Rising  
Health Care Costs

SAMPLE



## How it Works

Pay lower premiums with a high deductible health plan (HDHP)

Pay higher deductibles (when you have medical expenses)

Make tax-deferred HSA contributions

Pay your medical expenses with tax-free HSA withdrawals

## HSA Eligibility

You must meet certain requirements to be eligible for an HSA; most importantly, you must be covered under a high deductible health plan (HDHP). An HDHP generally has lower premiums than other types of health plans, but also has higher deductibles. Until your deductible is met, you must pay for all your medical expenses—except for preventive care, which is almost always covered. Assuming your HDHP is HSA-compatible, you can use your HSA assets to pay for these expenses.

An HDHP is considered HSA-compatible if it satisfies the annual deductible and out-of-pocket expense limits (see chart). Check with your health insurance provider to see if your health plan meets these requirements.

### High Deductible Health Plan Limits for 2010 and 2011

	Self-Only Coverage	Family Coverage
Minimum annual deductible	\$1,200	\$2,400
Maximum out-of-pocket expenses	\$5,950	\$11,900

Besides having coverage under an HDHP, to be eligible for an HSA, you

- cannot be covered by another health plan (with limited exceptions),
- cannot be enrolled in Medicare, and
- cannot be eligible to be claimed as a dependent on another person's tax return.

Note that your HSA eligibility is determined as of the first day of each month.

## Funding Your HSA

HSA contributions must be made by your tax return due date (April 15), and generally are tax-deductible. The maximum amount you (and/or your employer) can contribute to your HSA each year depends on if you have self-only or family HDHP coverage. Also, if you attain age 55 before the close of a taxable year, your contribution limit increases by \$1,000 for the annual catch-up contribution.

### HSA Contribution Limit for 2010 and 2011

Self-Only Coverage	If age 55 or older
\$3,050	\$4,050
Family Coverage	If age 55 or older
\$6,150	\$7,150

## HSA Benefits

- ✓ Protection against catastrophic medical expenses
- ✓ Savings tool with investment earnings
- ✓ Flexibility to pay current medical expenses or save for future needs
- ✓ Tax-deductible contributions
- ✓ Tax-deferred earnings
- ✓ Tax-free withdrawals (if used properly)
- ✓ Balance carries over from year to year
- ✓ Remains with you, regardless of change in coverage or employment

## Using Your HSA

You can withdraw money from your HSA tax-free if the money is used to pay qualified medical expenses as permitted under federal tax law. This includes most medical, dental, and vision care, but generally does not include health plan premiums. You can pay medical expenses for yourself as well as for your spouse and any dependents, even if they are not covered by the HDHP.

Qualified medical expenses also include the premiums you pay for qualified long-term care insurance, health insurance when unemployed, health insurance under COBRA continuing health coverage, and certain health insurance premiums after age 65.

Use your HSA money for medical expenses now or in retirement. Keep in mind that HSA distributions not used for qualified expenses are subject to ordinary income tax and a 20 percent IRS penalty tax if taken before age 65 (unless due to death or disability).

See a competent tax advisor to help you calculate the savings!