



# Getting The Most From Your HSA

Presentation for:  
Employees of the State of Indiana

*Your HSA Partner*



# Agenda

- The HSA Concept
- Advantages of an HSA Program
- HSA Eligibility
- Contributions & Distributions
- Recordkeeping
- HSAs at Tax Time
- Tower Bank HSA Features
- How to open your HSA



# The HSA Concept

## Health Insurance

Major Medical Policy



## HSA-Qualified Health Plan (Consumer Driven Health Plan)

Pays the medical bills once the deductible has been met

## Bank Account

You and Your Employer  
Fund



## HEALTH SAVINGS ACCOUNT

Tax advantaged checking account to pay current medical expenses or to save for future ones



# HSA's and Health Insurance

- HSA's are separate from your health insurance
  - Expenses processed through your health insurance provider will track towards your deductible and will be eligible to be paid from your HSA.
    - Doctor and hospital visits
    - Prescriptions
  - Expenses that are not processed through your health insurance provider do not track towards your deductible but are still eligible to be paid from your HSA.
    - Dental
    - Vision



# Advantages of an HSA

- Individual account – you own and manage it
- Funds accumulate year-to-year – no “use it or lose it” provision
- HSAs are portable – you keep your account and 100% of the funds when you change jobs or retire
- Tax savings
  - Contributions are pre-tax or tax deductible
  - Earnings are non-taxable
  - Qualified distributions are tax-free



# Tax Savings Example

	No HSA	With HSA
Annual Income	\$50,000	\$50,000
Subtract HSA Contributions (from all sources)	-0-	\$2,000
= Taxable Income	\$50,000	\$48,000
Average Tax Rate 15%	\$7,500	\$7,200
<b>= Tax Savings</b>	<b>-0-</b>	<b>\$300</b>

Individual tax savings will vary depending on tax rate.



# HSA Eligibility

- Must be enrolled in an HSA-qualified health plan
- May not be enrolled in any other non-HSA qualified health plan
- Cannot be claimed as a dependent on another person's taxes
- May not be enrolled in Medicare, Medicaid or Tricare
- Must not have used VA benefits in past three months
  - Other than preventive services



# Medicare

- Once Enrolled in Medicare
  - Cannot contribute
    - Includes Medicare Part A which is normally automatic at age 65 if receiving Social Security benefits
    - If only one spouse is enrolled, the spouse not enrolled is still eligible to contribute based on their level of insurance coverage
    - For more information contact your local Social Security office



# Spouse's Medical Plan or FSA

- Spouse can be enrolled in any type of insurance plan
  - Will not affect your eligibility to contribute
- If you are covered by your spouse's traditional medical plan, you cannot participate in an HSA
- If you are covered by your spouse's medical Flexible Spending Account (FSA), you cannot contribute to an HSA
  - Limited purpose FSA (limited to vision, dental, or dependent care) is allowable



# Qualified Medical Expenses

- In general, you can spend tax-free from your Health Savings Account on all medical, prescription drug, dental and vision expenses. To be a qualified medical expense, the expense has to be primarily for the prevention or alleviation of a physical or mental defect or illness.
  - **Please note**
    - Over-the-Counter (non-prescription) medications are no longer eligible to be paid from your HSA unless you obtain a prescription from your physician
    - 20% penalty for using your HSA funds for non-eligible expenses until age 65



# Non-Eligible Expenses

- Costs associated with non-medically necessary treatments
  - Cosmetic surgery
  - Improve appearance
  - Teeth whitening
- Items meant to improve general health, but not due to illness, injury, or disease
  - Health club dues
  - Non-prescription vitamins
  - Nutritional supplements



# Non-Eligible Expenses (cont.)

- Insurance premiums are normally not an allowed expense except for:
  - Cobra premiums
  - Qualified long-term care insurance premiums
  - Premiums for medical insurance while receiving federal or state unemployment benefits
  - Medicare Premiums and other health care premiums after age 65 (with the exception of Medicare supplemental policies such as Medigap)



# HSA Distributions

- You can use your HSA funds for the following people:
  - **Yourself and spouse**
  - **All dependents claimed on your tax returns**
    - Even if not covered under your CDHP and/or have other coverage
  - For exceptions or more information, please refer to IRS Publication 502 or consult a tax advisor



# HSA Contributions

- IRS annual contribution limits (from all sources)

Insurance Coverage Level	2012	2013
Individual	\$3,100	\$3,250
Family	\$6,250	\$6,450

- If one or both spouses are age 55 or older, the additional \$1,000 catch-up contribution may be made on behalf of each eligible spouse.
  - Must be placed in separate accounts
- A testing period may apply to those making the maximum contribution if entering the plan later than January 1<sup>st</sup>. Mid year changes to your insurance coverage may result in a prorated maximum.



# Managing Your HSA Contributions

- How do I contribute to my HSA at Tower Bank?
  - Authorize funds to be deducted from your paycheck
  - Make lump sum contributions by check – can be mailed or dropped off in person at any branch office
  - Initiate a one-time transfer from an IRA
  - Rollover funds from another HSA
  - The contribution deadline for a calendar year is generally April 15<sup>th</sup> of the following year

Keep in mind that HSA contributions made through payroll are typically pre-tax, but contributions made directly by you (outside of payroll) are tax deductible on your personal tax returns



# Managing Your HSA Contributions

- The IRS imposes a 6% penalty plus tax on excess contributions.
  - **YOU (account holder)** are responsible to track your contributions to ensure that you do not over-contribute to your HSA.
  - To remove an excess amount and avoid penalty, please contact The HSA Authority at Tower Bank for assistance.



# Record Keeping

- You are responsible for keeping documentation to verify all withdrawn funds were eligible expenses.
- If audited by IRS, you may be asked to provide records
- Details can be found in IRS Publications or consult a professional tax advisor
  - [www.irs.gov/publications/p502](http://www.irs.gov/publications/p502)
  - [www.irs.gov/publications/p969](http://www.irs.gov/publications/p969)



# HSAs at Tax Time

- What will I receive from Tower Bank?
  - Form 1099 SA – Distribution (withdrawal) total
  - Form 5498 SA – Contribution (deposit) total

(If you make prior year contributions between Jan. 1<sup>st</sup> and April 15<sup>th</sup> of the following year, you will receive an updated 5498 SA in May to keep with your tax records.)
- Are there any forms I need to file with my taxes?
  - Yes. The IRS requires you to complete and submit Form 8889 with your tax return using the figures from the forms listed above.



# Account Features

- No monthly maintenance or setup fees
- No transaction fees
- No minimum deposit requirements
  - Allows account opening prior to first funding date
- Free Visa debit card
- Checks available – 50 for \$13.50
- Free monthly online or paper statements
- Nationwide ATM access
- 24/7 telephone and online banking
- FDIC insured deposit, up to FDIC limit



# HSA Investments

- What investment options are available for my HSA?
  - Certificates of Deposit – FDIC Insured
    - Call our Customer Care Center for current rates and terms
    - \$500.00 minimum to open
  - Brokerage Investments – Not FDIC Insured
    - No annual fee
    - Stock trades self-directed online @ \$14.95 a trade through PrimeVest™ Financial Services. Excludes Penny Stock Trades
    - Stocks, Bonds, and Exchange Traded Funds (ETF's through self-directed accounts only)
    - Selling agreements with over 150 Mutual Fund Families. No per trade fees on PrimeVest™, however fees may apply at fund company level
    - Call Customer Care to be connected to our Investment Specialists



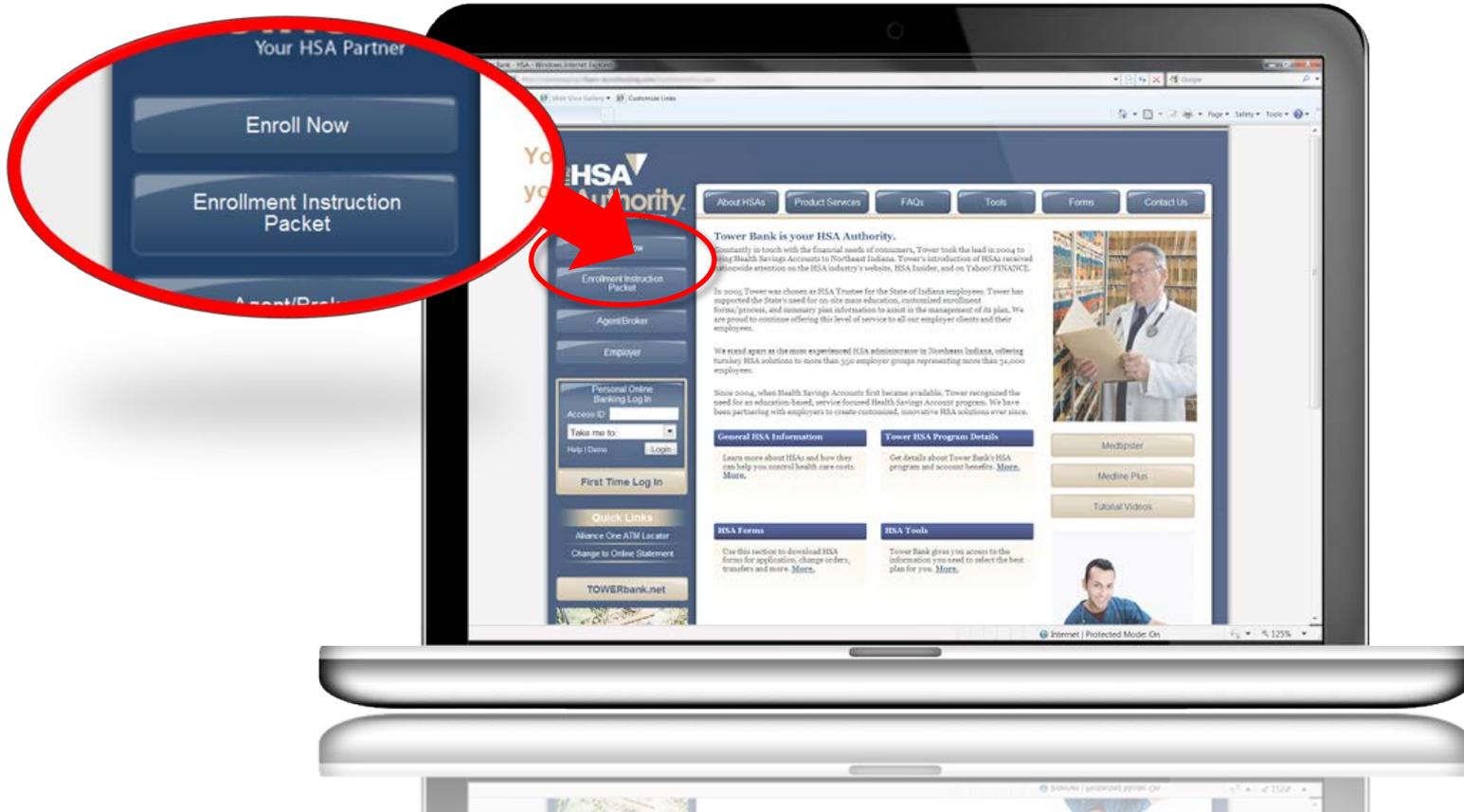
# HSA Support & Assistance

- What if I have questions regarding my HSA?
  - Customer Care Center: 888.472.8697
    - Representatives are available Monday – Friday 8am to 6pm EST
  - Telephone Banking: 888.743.0737
  - Website: [www.theHSAauthority.com](http://www.theHSAauthority.com)
    - Email: [info@theHSAauthority.com](mailto:info@theHSAauthority.com)
- What if I have a change of address or name?
  - For updates to your account such as change of address or name, adding an authorized signer, or updating a beneficiary, please visit our website at [www.theHSAauthority.com](http://www.theHSAauthority.com) and select the forms tab from the top of the page



# Open Your HSA

- Open your HSA online at [theHSAauthority.com](http://theHSAauthority.com) after making your insurance elections



# Open Your HSA

- Select the first option, “If you have been instructed...” and enter the 6 digit code provided by your employer.

State of Indiana  
**100366**

Following questions. = Required

If you have been instructed by your employer to visit this site to open your Health Savings Account, click this button and insert your employer code below.

**Note:** If you are 65 years of age and have signed up for Social Security Benefits, you will typically be automatically enrolled in Medicare Part A.

6-digit code provided by your employer: \*

Do you have an existing Health Savings Account with Tower Bank?: \*

Are you currently enrolled in Medicare?: \*

Need Help? Call us at 888-472-8887 or [Email Us Anytime](#)

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# Account Opening Tips

## You will need:

- Unexpired government issued ID for yourself and any authorized signer you elect
- Social Security Number and date of birth for your beneficiary(s)
- Social Security Number and date of birth for any authorized signer you elect

## You will receive:

- Confirmation number at the end of application
- Welcome letter with account number and further information approximately one week later in the mail
- Debit Cards and/or Checks will arrive 7-10 days after Welcome Letter

