



# Your HSA. Common questions. Easy answers.

## A Win-Win-Win for You.

Your HSA, or Health Savings Account, helps you pay less in taxes, boost your take-home pay, and keep more of the money you've earned. To explain how, we've compiled the questions we hear most often with some helpful, straightforward answers.

### The basics.

With an HSA, you use before-tax dollars to pay yourself back for out-of-pocket medical expenses. And it covers a wide variety of eligible healthcare costs for you, your spouse and your dependents, including:

- Doctor visits, including co-pays, deductibles and co-insurance.
- Dental services.
- Vision services.
- Chiropractic care.
- Prescriptions.
- And much more.

### First things first: What's an HSA?

An HSA is a Health Savings Account. With it, you can pay for many health care expenses today and save for the medical and health expenses you may face in later years. All on a tax-favorable basis. Think of it as a kind of IRA specifically designed to help you manage, and pay for, many health costs. For you, your spouse, and your dependents.

- Your HSA is a triple-win in lowering your taxes: Your contributions, the investment growth of those contributions, and the money you take out to pay for eligible expenses are all exempt from federal and state income taxes.

- You can open an HSA if you're covered by a qualified high-deductible health plan, or HDHP.
- You won't lose what you don't use: Any HSA money you don't use in one calendar year carries over to the next, which makes your HSA an easy way to save and invest for future medical expenses.
- Your HSA is yours: You take it with you when you change medical plans, change employers, stop working or retire.
- You may be able to invest the funds in your HSA with options that include money market accounts and mutual funds. The bank that sponsors your HSA can explain all of your options.

## Who gets to have an HSA?

To take advantage of the savings and conveniences of an HSA, you'll have to be:

- Enrolled in a qualified high-deductible health insurance plan, or HDHP; and
- Not covered under other health insurance;
- Not enrolled in Medicare; and
- Not a dependent on someone else's tax returns.

An HSA works alongside an HDHP, or high-deductible health plan, so you must be enrolled in one. Your employer or health insurer can tell you whether you have an HDHP.

Generally, an HDHP is a health plan that doesn't start paying until after you've incurred several thousand dollars of health care expenses (your "deductible") in a calendar year. You're responsible for paying those deductibles, and they'll be higher than with a traditional plan.

- By law, the minimum HDHP deductible in 2020 is \$1,400 for individuals and \$2,800 for families.
- By law, maximum out-of-pocket expenses can't exceed \$6,900 for individuals and \$13,800 for families.
- The good news? You can use your HSA funds to pay those deductibles and expenses

## How does an HSA work?

Your HSA lets you use pre-tax or "before-tax" dollars to pay for certain medical expenses, both now and in the future. It acts like a partner to your HDHP, and helps you save specifically for healthcare costs: Yours, your spouse's, and your dependents'.

**You can put money** (or "make contributions") into your HSA, tax-free, in many ways:

- Pre-tax payroll contributions.
- Online transfers, which moves money directly into your HSA from your personal savings or checking account.
- Transfers from an existing IRA into your HSA

**You can use money** (or "make distributions") to pay for qualified medical expenses, tax-free and at any time, in many ways:

- Making purchases of qualified medical expenses using your benefits debit card.
- Using on-line bill pay via an HSA web portal.
- Paying with an HSA check.
- Requesting reimbursement for payments you've made for eligible expenses.



# How much can I put into an HSA?

Here are the guidelines and limits established for 2020:

	Single	Family
Minimum Deductible	\$1,400	\$2,800
Maximum Out-of-Pocket	\$6,900	\$13,800
Contribution Limit	\$3,550	\$7,100
55+ Contribution	\$1,000	

- The maximum HSA contribution for eligible individuals with self-only insurance coverage is \$3,550.
- The maximum HSA contribution for eligible individuals with family coverage is \$7,100.
- Annual out-of-pocket expenses including deductibles, co-payments and more, cannot exceed \$6,900 for self-only policies or \$13,800 for family policies.
- A bonus for mid- and later-career employees: Individuals age 55 and over can contribute an additional \$1,000 per year into their HSAs at any time. And these “catch-up contributions” are entirely tax-deductible.

# What makes an HSA tax-smart?

**The money you put into your HSA is tax-free**, both when you put it in and when you take it out to cover qualified medical expenses. That means an HSA could reduce your taxable income.

**The money in your HSA grows tax-free.** You decide how to invest and grow your money.

**The HSA money you spend is tax-free**, as long as it goes toward qualified medical expenses.

# What counts as an eligible medical expense?

Basically, an eligible (or “qualified”) medical expense is defined by the Internal Revenue Service (IRS) as any expense used to relieve or prevent a physical or mental defect or illness, including dental and vision issues.

You'll find a full list of HSA-eligible expenses in IRS Publication 502 at [www.irs.gov](http://www.irs.gov)



## Can I pay insurance premiums with HSA dollars?

The IRS won't let you use your HSA dollars to pay your health insurance premiums without taxes and penalty. But there are exceptions.

You won't incur any penalties or taxes if you withdraw HSA funds for premiums for:

- Medicare.
- Qualified long-term care insurance.
- Health insurance while you're receiving federal or state unemployment benefits.
- Continuation of coverage plans, such as COBRA.

## HSA & FSA: The same thing?

HSAs (Health Savings Accounts) and FSAs (Flexible Spending Accounts) both use pre-tax dollars to pay for eligible medical expenses, but there are important differences.

**Among them:** Any HSA money you don't use in one calendar year carries over to the next, while there are limits to the amount of FSA money you can carry with you into a new year.

## And if I leave my job?

Your HSA is "portable". That means you take your HSA with you when leave your employer, for any reason, and can continue to use the funds you've built up in your HSA account. And those funds continue to grow, tax-free.

## Any fees to open and use an HSA?

Your HSA Administrator may charge service fees, so work directly with your employer or HSA Administrator to understand HSA fees that you may incur.

## Can I invest my HSA dollars?

Yes, but investment options vary from Employer and HSA Administrator, so check with your Administrator for full details on investment options.



## And when I reach age 65?

Even when you're age 65 or over, or become disabled, you can keep using your HSA dollars, tax-free, for eligible medical expenses as long as you've not enrolled in Medicare. That means you can put your HSA to work paying some insurance premiums, such as Medicare Parts A and B, Medicare HMO, or your share of retiree medical coverage offered by a former employer.

Remember: If you use your HSA funds for qualified medical expenses, those distributions are tax-free. And if you use HSA money for non-qualified expenses, those distributions will be taxable. So plan wisely.

## And if I enroll in Medicare?

Keep this in mind: When you enroll in Medicare, you'll no longer be able to contribute to your HSA.

## What are the risks?

Rest easy: Any money that you keep in the cash account of your HSA is insured by the U.S. government (FDIC) up to \$250,000. And your HSA remains yours to use wherever you go.

Any HSA money you choose to invest in mutual funds, if available, will not be FDIC insured and will carry many of the same risks as conventional market investments.

## Where can I learn more?

Talk to your HR representative and you'll also find resources and more on Health Savings Accounts at [www.ustreas.gov](http://www.ustreas.gov).

And be sure to attend the HSA Awareness Day live broadcast on Tuesday, October 15th by registering at [www.hsaday.com](http://www.hsaday.com).



[Learn More: driven125.com](http://driven125.com)

The amount you save in taxes with an HSA will vary depending on the amount you set aside in your HSA account, your annual earnings, whether or not you pay Social Security taxes, the number of exemptions and deductions you claim on your tax return(s), your tax bracket, and your state and local tax regulations. We suggest you consult with your tax advisor for information on how your participation in an HSA will affect your tax savings.

This is intended only as an overview of some of the benefits of an HSA. If there is a discrepancy between this material and your official plan document, the plan document will govern. ©2019 All rights reserved WEX Inc.