



# Balance *rising* health care costs with a Health Savings Account

## WHAT IS A HEALTH SAVINGS ACCOUNT?

A health savings account (HSA) is a tax-advantaged savings account that can be established by anyone with a Qualified High-Deductible Plan (QHDHP) to pay for medical expenses.

## HEALTH SAVINGS ACCOUNT BENEFITS:

- Flexibility to pay current medical expenses or save for future needs
- Tax-deductible contributions
- Tax-deferred earnings
- Tax-free distributions, if used properly
- Balance carries over from year to year
- Remains with you, regardless of change in coverage or employment

\*A 1099 INT statement will be provided to the participating employee at year-end.

## Who can have a HSA?

Any adult can contribute to an HSA if they:

- Have coverage under an HSA-qualified “high-deductible health plan” (HDHP)
- Have no other first-dollar medical coverage (however, other types of insurance like specific injury insurance or accident, disability, dental care, vision care or long-term care insurance are permitted)
- Are not enrolled in Medicare
- Cannot be claimed as a dependant on someone else’s tax return

## What is a High-Deductible Health Plan?

An HSA-qualified High-Deductible Health plan<sup>1</sup> must have:

- A minimum deductible of \$1,400 for self-only coverage and \$2,800 for family coverage<sup>2</sup>
- A maximum out-of-pocket limit (including deductible and co-pays) of \$6,900 for self-only coverage and \$13,800 for family coverage<sup>2</sup>

In general, the deductible must apply to all medical expenses (including prescriptions) covered by the plan. However plans can pay for “preventive care” services on a first-dollar basis.

### HSA Contributions:

You can make a contribution to your HSA each year that you are eligible.

\$3,550<sup>2</sup> Self Coverage

\$7,100<sup>2</sup> Family Coverage

Individuals age 55 and older can also make additional “catch-up” contributions. The maximum annual catch-up contribution is \$1,000.

## What is the Eligibility Period?

- Individuals who are eligible on the first day of the month of the taxable year (December for most taxpayers) are allowed the full annual contribution (plus catch-up contribution, if 55 or older in that year) regardless of the number of months the individual was an eligible individual in the year.
- For individuals who are no longer eligible individuals on that date, both the HSA contribution and catch-up contribution apply pro rate based on the number of months of the year a taxpayer is an eligible individual.

### HSA Features:

The HSA account is really a checking account

- Minimum opening deposit of \$0
- No set-up fee
- No minimum balance or monthly service charge
- Interest rates are tiered, paying higher rates as the available balance in the account reaches designated levels (No interest paid when balance falls below \$1,000)
- FREE debit card and bill pay
- Automatic deposits available for employee contributions
- Once age 65, you can use your account to pay for things other than medical expenses. If used for other expenses, the amount withdrawn will be taxable as income but will not be subject to any other penalties.
- Individuals under age 65 who use their accounts for non-medical expenses must pay income tax and a 20% penalty on the amount withdrawn.

<sup>1</sup> Other criteria apply. Always check with your insurance provider to be certain that the HDHP you are considering is HSA-qualified.

<sup>2</sup> 2020 amounts. Subject to cost of living adjustments.

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