

## Benefits & Features of a High Deductible Health Plan (HDHP) and a Health Savings Account (HSA)

- *Lower insurance premiums! Total deductions over the course of the plan year are*
  - ✓ *\$1,200 lower, on average, for Single Coverage*
  - ✓ *\$2,600 lower, on average, for all other coverage levels*
- *Savings from premiums can help fund your HSA*
- *All HSA deposits are made with tax-advantaged dollars and qualified withdrawals are tax-free*
- *Unspent contributions roll over from year to year (no use-it-or-lose-it provision)*
- *HSAs are portable – you own the account -- so you keep 100% of funds upon change of employment*
- *At age 65 you can withdraw funds to pay Medicare premiums, withdraw funds for non-medical use without penalty – paying only income tax.*

Contributions to a Health Savings Account can be made on a pretax basis through payroll deduction by opening your HSA through Teachers Credit Union. After-tax contributions are an “above-the-line” deduction on your federal income tax return.

These special tax-qualified accounts allow you to set aside funds on a tax-advantaged basis to pay for future healthcare-related costs. Funds are deposited into an account that you, as the individual account holder, control – including paying expenses by check or with a debit card.

With a Health Savings Account, you decide:

- *How much to contribute*
- *Whether to pay for current medical expenses from the account or save the account for future use*

### How Do Flexible Spending Accounts & Health Savings Accounts Differ?

	FSA (Flexible Spending Account)	HSA (Health Savings Account)
Health Plan Requirements?	None	Yes You must be covered by Qualified HDHP*
Pre-tax contributions via payroll deduction?	Yes	Yes
Are post-tax contributions permitted?	No	Yes
Are contributions tax advantaged?	Yes	Yes Above the line credit
Annual limit on contributions?	\$2,500	<u>Single Coverage</u> \$3350 for 2015  <u>Family Coverage</u> \$6650 for 2015
Are “catch up” contributions permitted at 55?	No	Yes - \$1,000 per year
Do unused dollars roll-over year-to-year?	No	Yes
Can funds be used for family members not covered by the health plan?	Yes	Yes
Is the account portable if I change jobs?	No	Yes

\*HDHP – High Deductible Health Plan Contributions to a health savings account are only permissible if you are enrolled in a qualified HDHP. A “qualified” HDHP meets the IRS criteria with regard to deductible and out-of-pocket maximum.

## Frequently Asked Questions

### What is a Health Savings Account?

An HSA is an individual bank account that allows you to pay for current health expenses and save for future qualified medical and retiree health expenses on a tax-advantaged basis

### Who is eligible for a Health Savings Account?

To be eligible for a Health Savings Account, an individual must be covered by a High Deductible Health Plan (HDHP), must not be covered by other non-HDHP health insurance (does not apply to specific injury insurance and accident, disability, dental care, vision care, or long-term care), must not be enrolled in Medicare, and can't be claimed as a dependent on someone else's tax return.

### How can I contribute to a Health Savings Account?

Contributions to HSAs can be made via payroll deduction on a pre-tax basis or with after-tax contributions. Contributions made with after-tax dollars are claimed as an "above-the-line" deduction.

### Does the District contribute money to the Health Savings Account on my behalf?

No. The District currently makes no contribution to the Health Savings Account for any employee.

### Is there an IRS approved list of medical expenses from which I can use my HSA dollars?

A list of allowable expenses can be found in IRS Publication 502 titled "Medical and Dental Expenses." Catalog Number 15002Q at <http://www.irs.gov/pub/irs-pdf/p502.pdf>.

In general, you can use your tax-advantaged HSA dollars on medical, dental (including braces for your children) and vision expenses, chiropractic visits, and even acupuncture, but not on your insurance premium, unless you are unemployed and are collecting Federal unemployment benefits

### My spouse is covered by Medicare and is not covered by my CDHP. Can I pay for her expenses from the money I have accumulated in my HSA?

Yes, you can pay for eligible expenses from your HSA for yourself or your tax dependents, even if the dependent is not covered under your medical plan and even if he or she has other coverage. This includes co-pays, deductibles, and other eligible expenses for which you will not be reimbursed elsewhere.

### Can I use my Health Savings Account for non-medical expenses?

Yes, you can spend money out of your Health Savings Account for non-medical expenses; however, you will pay income tax and as well as a tax penalty for a non-medical withdrawal prior to age 65.

### How can a Health Savings Account benefit me after retirement?

According to the Employee Benefit Research Institute (EBRI), Medicare benefits will cover approximately only half of an individual's estimated medical expenses during retirement. HSA's can be a powerful retirement accumulation vehicle because it is the most tax- advantaged account being offered today.

One of the biggest advantages of a retirement account, like an HSA, is that the funds are allowed to grow without being taxed each year. This can dramatically increase your return. For example, if you are in a 25% tax bracket and were to invest \$5,450 each year in a taxable investment that yielded a 7% return, you would have \$167,568 (after tax) after 20 years. If you put that same money in a tax-free investment vehicle like an HSA, you would have \$223,425 – that's over \$55,000 more.

**Need more information?** [www.towerbank.net](http://www.towerbank.net)

*If tax advice is required, seek the services of a CPA.*