

Health Savings *Accounts*



A M E R I C A N
F I D E L I T Y

Health Services *Administration*

An Affiliate of American Fidelity Assurance Company

The American Fidelity Way:

Knowledge, Experience, Commitment

American Fidelity Assurance Company (AFA) is a pioneer in administering Section 125 Plans. With the knowledge and know-how to help you. In response to great demand from AFA customers, Health Services Administration, LLC dba American Fidelity Health Services Administration (AFHSA) was established as an independent HSA administrator. “We” “us” and “ours” refers to AFHSA in this brochure.

With American Fidelity Health Services Administration (AFHSA), no matter who your comprehensive medical provider may be, we are here to help. We handle your HSA administration needs while you make medical plan decisions based on your best interests. The power is yours, the work is ours.

The bottom line when it comes to you and your family is that you would do almost anything to guarantee your family’s health and safety. But, these days it seems that the cost of staying well does not help maintain a healthy bottom line for the average household. Especially when you consider the rising costs of health care and the pinch of health plan restrictions that makes it harder to get the care you seek.

What if there was a way to save for medical expenses – even into retirement – and get away from the red tape of traditional medical plans to gain freedom of choice and quality protection? Don’t wait for tomorrow, the answer is here today: Health Savings Accounts (HSAs).

Consider the advantages this medical savings option can provide you:

1. Invest in Yourself

- You can make contributions and get an “above-the-line” tax deduction.

- Balances roll over from year to year. There is no “Use or Lose” rule.
- Contribution dollars are invested in interest-bearing accounts.

2. Flexibility

- HSA dollars can be used tax-free to pay for “qualified medical expenses” as defined by the Internal Revenue Code. Eligible expenses include: deductibles, co-payments, dental and vision expenses, and doctor appointments that are not covered by other insurance.
- You decide how much to put into your HSA, what medical expenses to pay from the account, whether to invest, and which investments to make.
- You take part in your health care and provider decisions while choosing the best way to spend your hard-earned dollars.
- Use funds to pay for current medical expenses or save money for future needs.

3. Portability

- No matter where you go, your account will follow.
- Even if you change jobs, change medical coverage, become unemployed, move to another state, or change your marital status, your HSA goes with you.
- You own it!

4. Tax Savings

- The three-tiered tax savings are hard to beat
 1. Tax-free contributions
 2. Tax-free distributions for qualified medical expenses
 3. Tax-free growth



You, your family members, and/or your employer may make contributions to your HSA. Unused balances at the end of each year carry forward to following years and there is no limit on the total account accumulation. The following guidelines apply when making contributions.

- The maximum annual contribution you may make in any one tax year is the maximum established by law.

	Individual Coverage	Family Coverage
2014	\$3,300	\$6,550
2015	\$3,350	\$6,650

Maximums are indexed annually.

- If you are at least 55 years of age and not currently participating in Medicare you may take advantage of a catch-up contribution of \$1,000 per year. You may make the maximum annual contribution no matter when you turn 55 in the tax year.

If the effective date of your QHDHP is other than January 1, you may still make the maximum annual contribution; however, special guidelines apply.

- If you contribute the maximum allowed in any tax year where the QHDHP is in force less than 12 months, regulations require that you remain a qualified individual for every month in the tax year of the effective date of the QHDHP plus the entire 12 months of the following tax year known as the “testing period.”

- If you do not remain a qualified individual during the “testing period,” then a portion of your contributions are subject to income tax and a 10% additional tax penalty.

Example: You purchased QHDHP Self-Only Coverage effective 09/01/14. You may contribute the maximum of \$3,300 in 2014 even though your QHDHP was not in effect during the entire 2014 tax year. You will need to remain a qualified individual from 09/01/14 through 12/31/15 to avoid income tax and penalties on the contributions.

Let's say you lost your status as a qualified individual as of 03/01/15, the total contributions attributed to the 2014 tax year, less the prorated monthly contributions that were allowed for the months that you were eligible to contribute to an HSA, are subject to income tax and a 10% additional tax penalty. (The excess funds are allowed to remain in the HSA - distributing them for a reason other than to pay for qualified medical expenses would increase the penalty by an additional 20%.)

- The income tax and the 10% additional tax penalty, will not apply if an individual becomes disabled or dies during the “testing period.”
- You can avoid the “testing period” requirements if you pro-rate your contributions based on the number of months you are covered by a QHDHP in any given tax year. To take the example above, an individual would calculate the maximum contribution as follows: \$3,300 divided by 12 months = \$275.00 x 4 months of QHDHP coverage (09/01/14-12/31/14) = \$1,100.00.



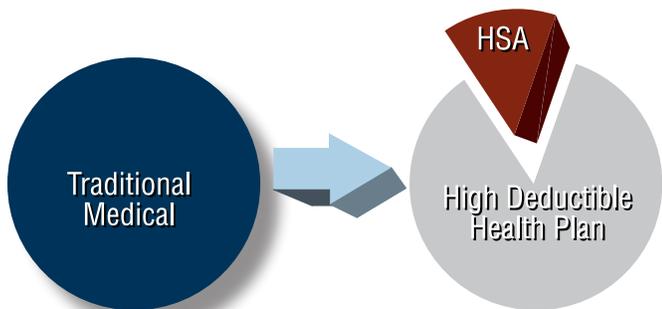
LEARN MORE...

What is an HSA?

Health Savings accounts (HSAs) were created, as part of the Medicare Reform Act signed into law by Congress December 2003, to provide individuals with a Qualified High Deductible Health Plan (QHDHP) a tax free option to pay for qualified medical expenses and save for future expenses.

How Does It Work?

An HSA and a qualified HDHP work as partners to offer you protection in time of need while empowering you as a conscientious health consumer. First, money deposited tax-free into an HSA is used for qualified medical expenses not covered by insurance or that fall short of your plan's deductible. Next, the high deductible plan – with traditionally lower premiums – would kick in to cover any larger, qualified medical expenses should the need arise. You gain the power to choose the best way to use the money typically spent on health insurance alone and the potential to let the account grow tax-free until you need it most.

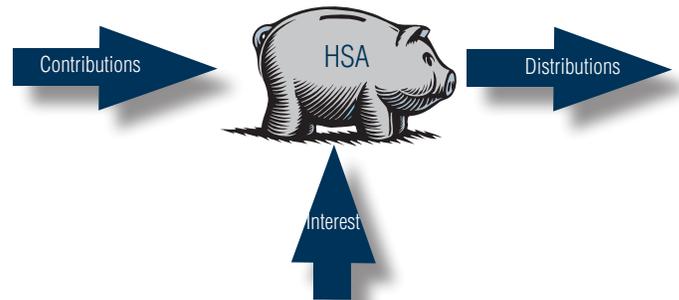


100% of premiums goes to the insurance company

More affordable premium means savings can be placed in an HSA - tax free.

It Makes Sense for Your Dollars The Tax Advantage

Experience the money-saving advantages whether you make a deposit, distribute funds to cover qualified expenses, or save unused funds that rollover each year. HSAs provide a tax advantage across the board.



Tax-Free Contributions – HSA contributions are 100% tax deductible. A qualified individual may make contributions and receive an “above-the-line” tax deduction, meaning the contributions reduce the individual's taxable income dollar for dollar. Individuals who have contributions deducted pre-tax from their paychecks through their employer sponsored Section 125 Plan can take advantage of tax savings each month.¹

Tax-Free Growth – Interest and investment earnings on HSA funds are generally tax-free.

Tax-Free Distributions – Distributions avoid taxation entirely when used to pay qualified medical expenses.

¹ Sole proprietors, partners or shareholders of Subchapter S Corporations can establish and contribute to an HSA on a tax advantaged basis. However, such individuals may not contribute to an HSA on a pre-tax basis via an employer's Section 125 cafeteria plan.



Am I Eligible?

There are several items to consider in the establishment and contribution to an HSA.

- You must be covered under a “qualified high deductible health plan” (QHDHP) that meets the following guidelines. Check with your insurance carrier or employer about a QHDHP that works with a HSA.

QHDHP Requirements

	Health Insurance Plan	Annual Minimum Deductible	Annual Maximum Out-of-Pocket Expenses
2014	Self-only Coverage	\$1,250	\$6,350
	Family Coverage	\$2,500	\$12,700
2015	Self-only Coverage	\$1,300	\$6,450
	Family Coverage	\$2,600	\$12,900

Deductible must apply to all medical expenses, including prescriptions, except preventative care. Family coverage means any coverage other than self-only coverage that also covers the individual. Minimums and Maximums are indexed annually.

In addition, to be an eligible individual, you must establish that you are not:

- Being claimed as a dependent on another person's tax return.
- Covered by any other health plan¹ that is not a QHDHP.
- Covered under any other type of health benefit¹ that covers some of the medical expenses that are covered by a QHDHP
- Enrolled in Medicare²

¹ You are not eligible for an HSA if you have a 'general purpose' health Flexible Spending Account (FSA) or Health Reimbursement

Arrangement (HRA) through your employer or your spouse's employer which allows reimbursement of your medical expenses. However, you may have a 'limited purpose' FSA or HRA which restricts reimbursements to eligible Vision and Dental expenses. In addition, your eligibility may be affected if you have access to the following: Employer's on-site clinic, VA benefits, Tri-Care or an Indian Clinic.

Note: Exceptions apply for certain limited coverage types such as worker's compensation, liability, property or casualty insurance or insurance for a specified disease or illness that covers a fixed amount per specified period of hospitalization.

² Even if you are eligible for Medicare, as long as you are not enrolled in Part A, Part B, Part C or Part D, you may establish and contribute to an HSA. Once enrolled in Medicare, you may no longer make contributions to your HSA, however, you may continue to use or save the funds already accumulated in your HSA.

For a complete list of HSA eligibility rules, see IRS Publication 969.

How do contributions work?



Get to Know American Fidelity Health Services Administration



American Fidelity Health Services Administration (AFHSA) is proud to be a member of the American Fidelity family of companies. American Fidelity Assurance Company is a family-owned organization with a 50-year history of providing our customers with financial security solutions. We are proud of our association with one of the top-rated insurance companies in the nation.

There is so much to learn about saving today to pay for healthcare tomorrow. With American Fidelity Health Services Administration you gain that knowledge and increase your power of opportunity by letting us help you find the options that are right for you.

What Makes Us Different?

Independence – AFHSA will be your HSA administrator no matter which insurance provider you use.

Freedom of Choice – We know that you work hard for your money, and that is why you should decide the best way to spend it. When you are not tied down by the restrictions of typical medical coverage and you decide where the dollars in your account are best spent, you gain the option to grow your savings. Plus, once your account balance reaches \$2,500, you may choose to invest your additional funds in an offering of mutual funds that cross all investment risk tolerances.

Maintaining Focus – We take a centralized approach, focusing on all your health savings needs from setting up your basic account to assuring you have the investment options that will work best for you.

Ease of Access – These are your funds, so accessing them should be easy. That's why we offer payment of qualified expenses through a debit card, online distribution request submission and downloadable distribution request form. Since use of HSA funds are only available if funds are in your account, these distribution options help you ensure that funds are available and prevent overdraft charges.

Online Access 24/7 – Our online offerings make sure you are up-to-date with your account information, offering access to:

- Account summaries
- Portfolio allocation
- Mutual fund trades
- Transaction history

Customer Service – We understand Customer Service is important to you. Our commitment is to have personnel available to assist you, not an automated response. Whether you have questions about your account or you need investment assistance, Customer Service is available to assist you at 1-866-326-3600 or 405-523-5699 or by fax at 405-523-5072 or by emailing us at hsa-support@americanfidelity.com. And of course you have access to your account information 24/7 via our website, www.afhsa.com.

Account Features

We know that everyone is different, so it only makes sense that your account investments match your needs. Your funds are deposited into an interest bearing FDIC insured account. The more you save the more interest you earn. You have three convenient ways to access your funds:

- **Debit Card** - Use the debit card at different vendors, for example a doctor's office or pharmacy, to get immediate access to HSA funds for qualified medical expenses. The debit card may be used at any qualified medical provider.
- **On-line Distributions** - Distributions can be requested online either before or after an expense has been incurred. Simply indicate you want funds sent to you via check by mail or by direct deposit to one of your checking or savings accounts.
- **Distribution Request** – If you want us to enter the distribution request for you, simply complete the form and mail or fax it to us.

A debit card is automatically mailed to you at the opening of your account. One additional debit card may be ordered for your spouse or a tax dependent (must be at least 18 years old) at no additional fee. If your major medical plan discounts services, you should not use your debit card at the time of service, unless you know your exact cost. Instead, when you receive a statement (EOB) from your health plan provider showing any discounted rates and applied insurance payments, you simply call the provider and give them your debit card number at that time. No need to mess with writing a check, paying for postage or remembering to mail your payment.

Investment Options

If you seek the option for higher returns, we do not charge transaction fees or brokers commissions when we give you access to investment funds options that cover the spectrum of investment risks. (Fees associated with certain mutual funds may be incurred. Review the mutual funds prospectus for additional information when you are ready to invest.)

American Fidelity Health Services Administration provides an offering of no load mutual funds that cross all investment risk tolerances. You pick the mutual fund that best suits your needs and risk tolerance from our carefully monitored list. A minimum of at least \$2,500 must be maintained in your cash account before you may invest in the mutual funds offered.

How do I use my HSA?

You may use money from your HSA to pay for qualified medical expenses for yourself, your spouse or your tax dependent children even if they are not covered under a QHDHP. Qualified medical expenses, as defined by Internal Revenue Code Section 213(d), include deductibles, hospital care, vision care, doctor visits, prescriptions, dental care, and over-the-counter medication to name just a few. Over-the-counter drugs and medicines will only be considered qualified medical expenses if prescribed by a medical practitioner.

You may use the money from your HSA at any time once the HSA is established, for qualified medical expenses incurred after the establishment of your HSA, and as long as funds are available in the account. And even if you decide not to take distributions from your HSA for qualified medical expenses at the time they are incurred, you may always take distributions for these expenses anytime in the future. For the most part, other health insurance premiums, including dental and vision care premiums, are not qualified expenses. Exceptions to this rule include:

- Long-term care coverage subject to limits established by regulations,
- Health plan coverage while receiving unemployment benefits,
- COBRA continuation coverage, and
- For those age 65 or older, any tax-deductible health insurance¹, other than a Medicare supplemental policy.

¹ Qualified expenses from an HSA for individuals enrolled in Medicare include premiums and out of pocket expenses, but do not include Medigap premiums



What is the tax treatment of an HSA ?

1. The funds within the HSA belong to you tax-free based on the qualifications outlined in the law and regulations.
 2. As with any deduction you claim on your income tax return, keep your receipts for distributions you take from your HSA to show money was withdrawn for qualified expenses that were not reimbursed from other sources.
 3. Funds distributed for any other reasons are taxable as income and subject to an additional 20% penalty. After age 65, funds distributed are taxable at the normal income tax rate but no penalty applies.
 4. You may take an 'above-the-line' tax deduction on your Form 1040 for your contributions to the annual maximum (even if you do not otherwise itemize).² If you contribute to your HSA through your employer's Section 125 plan, your contributions are made on a pre-tax basis, so you may not deduct them on Form 1040.
- 2 Always check with your tax advisor to ensure the application of any rule to your specific situation.

American Fidelity Health Services Administration:

American Fidelity Health Services Administration (AFHSA) has been an independent HSA provider since 2005. Our independence means that, unlike many other HSA trustees that are integrated with the major medical plan, we give you more flexibility to make changes to your medical plan insurer or administrator without the need to change HSA providers and affect your HSA. Additionally, AFHSA gives consumers the opportunity to drive your health care decisions and provide the tools, resources and services needed to ensure that you are taking advantage of what an HSA has to offer.

Our team of HSA Specialists provides every customer personal attention and a wealth of options to meet individual needs. Easy 24-hour online access and investment opportunities that fit your requirements make AFHSA the right choice.

American Fidelity Health Services Administration is an affiliate of American Fidelity Assurance Company (AFA). A third-generation, family-owned organization, AFA provides insurance products and financial services to education employees, trade association members and companies throughout the United States and across the globe.

Since 1982 AFA has been rated "A+" (Superior)¹, by A.M. Best Company, considered one of the nation's leading insurance company rating services. A.M. Best bases its ratings on an analysis of the financial condition and operating performance of insurance companies in such vital areas as: Competency of Underwriting, Control of Expenses, Adequacy of Reserves, Soundness of Investments and Capital Sufficiency.

Here for you today and always, American Fidelity Health Services Administration is dedicated to serving our customers and their investments with the respect they deserve.

¹ www.ambest.com/consumers, March 26, 2014 (A+ is the 2nd out of 16 with 1 being the highest.)

Neither American Fidelity Health Services Administration nor American Fidelity Assurance Company provide tax advice. For questions about HSA eligibility, tax treatment of an HSA or HSA distributions, or HSA questions related to filing your taxes, contact your tax advisor and/or visit www.irs.gov.



For more information, consult:



American Fidelity Health Services Administration
A member of the American Fidelity Group®

2000 N. Classen Blvd., 7E
Oklahoma City, OK 73106
www.afhsa.com