



## HEALTH SAVINGS ACCOUNTS

A Health Savings Account (HSA) is an individually owned savings account that allows you to set aside money for health care tax-free whenever you select an HSA qualified High Deductible Health Plan (HDHP). Money left in the account can accumulate interest tax-free and money used to pay for qualified medical expenses can be distributed tax-free. Through your employer's Section 125 Plan, you can contribute pre-tax amounts up to the yearly maximum allowed.

### SOME HIGHLIGHTS OF HSAs

- HSA contributions receive tax-favored treatment (Pre-tax if made through a Section 125 Plan or tax deductible if made directly to the HSA)
- Earned interest may be tax-free.
- Interest earned is applied to your account starting with first dollar contribution.
- Distributions are not taxed when funds are used for qualified medical expenses.
- You decide when and how to use your money.
- No "use or lose" requirement meaning whatever deposits you make each year may be left on deposit to earn interest and to be available to pay for medical expenses in future years.
- You may pay for qualified medical expenses for yourself, your spouse, and your tax dependents regardless of whether or not they are on your health plan.
- No matter where you go, your account follows you. 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!
- If you do not remain a qualified individual, you may continue to earn interest and pay for qualified medical expenses as long as there are funds in your account.

### CONTRIBUTIONS

If you are eligible to make contributions, you may contribute up to the annual maximum amount allowed by law in any given tax-year. The IRS establishes the maximum amounts on an annual basis. The 2015 maximum allowable is \$3,350 for an individual or \$6,650 for a family. If your HDHP is effective other than January 1 and you wish to make the maximum annual contribution, you must meet certain requirements. Go to [www.afhsa.com](http://www.afhsa.com) for more information.

If you are age 55 and older, you are eligible to make an annual catch-up contribution of \$1,000. HSAs are owned by one individual, so if you and your spouse are covered under the family HDHP and both of you are age 55 or older, only you as the owner of the account may make the catch up contribution. Your spouse would be required to establish his or her own HSA to make catch-up contributions.

### QUALIFIED MEDICAL EXPENSES

There are many expenses that qualify for tax-free distributions. For a listing, you can refer to the HSA Eligible Expenses listed on [www.afhsa.com](http://www.afhsa.com). If you use funds for any expenses that are not qualified medical expenses, then the funds distributed are subject to income tax and a 20% additional tax penalty. The distributions used for expenses that are not qualified medical expenses must be reported on your income tax return.

Additional information on qualified medical expenses can be found in IRS Publication 502 at [www.irs.gov](http://www.irs.gov). Even though Publication 502 is a valuable resource on what qualifies as a medical expense, it addresses only what expenses are deductible. It does not describe rules specific to HSA distributions.

### MAKING WITHDRAWALS FROM YOUR HSA

You can withdraw funds from your account in three ways: 1. HSA Debit Card; 2. On-Line Distribution Request; 3. Distribution Form. You can use the money from your HSA as follows:

1. You can only use the funds that have been deposited.
2. You can withdraw funds for qualified medical expenses incurred after the date your account is established.
3. You may elect to make withdrawals from your HSA when the expenses are incurred, or you may make withdrawals for these expenses anytime in the future. There is no time limit.



The IRS requires that you keep receipts to prove that your HSA funds were used to pay for qualified medical expenses in order to receive the tax benefit. Although you are not required to send your receipts with your income tax return, keeping your receipts with your tax information is an excellent way to ensure proper documentation. You will receive two forms each year as a result of having an HSA: 1) a 1099-SA which shows the total distributions from your account will be mailed by January 31, and 2) a 5498-SA which shows total contributions to your account will be mailed by May 31. Each of these forms will be sent to the IRS but you are not required to include them with your income tax returns.

## ELIGIBILITY REQUIREMENTS

To be eligible to establish and contribute to an HSA, you must meet the following requirements:

1. You must participate in an HSA qualified HDHP.
2. You may not be claimed as a dependent on anyone else's tax return.
3. You may not be covered under non-HDHP coverage other than "permitted coverage" or "permitted insurance" and/or preventative care. Products such as Cancer, Accident, Long Term Care, and Disability Income are usually considered permitted coverage/insurance. Check with your employer or the insurance provider to be sure.
4. You may not have a general purpose Health Flexible Spending Account (Health FSA) or a general purpose Health Reimbursement Arrangement (HRA). However, you may have a Limited Purpose Health FSA or HRA which allows for dental and vision expense reimbursement only should your employer offer this benefit. Note: If you are covered under your spouse's general purpose Health FSA or HRA, then you are not eligible to establish and contribute to an HSA. 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.
5. You may not be enrolled in Medicare.

## INTEREST & ACCOUNT FEES

HSA funds are deposited into an interest bearing FDIC insured account. The more you save the more you earn. Monthly maintenance and transaction fees may apply and will be deducted from your account. Check with your employer for the interest/fee schedule.

If you seek higher returns or value security, we do not charge transaction fees or broker commissions when we give you access to investment fund 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.)

## SUMMARY

HSAs give you savings potential, flexibility, portability, and tax savings unlike any other health plan. By enrolling in a qualified HDHP, you save on premiums. By investing those savings into an HSA, you can save for medical expenses in the future.

Individuals who elect an HSA with us will receive a welcome packet outlining all the information associated with the account. This flyer is meant to provide you high level information on HSAs. For more information on HSAs visit our website at [www.afhsa.com](http://www.afhsa.com). There you will find an overview specific to employees/individuals along with other helpful information.

## CONTACT INFORMATION

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