

Welcome Packet

Thank you for opening a Health Savings Account (HSA) with American Fidelity. We hope this Welcome Packet will assist you with the management of your Health Savings Account.

Step One: Visit our website www.afhsa.com

Review HSA information as it pertains to you
Learn about your new HSA under the "Account Holder" section of our Web site. Find examples of common HSA eligible expenses and frequently asked questions under the "Forms and information" section.



Step Two: Login to your online HSA account

First time user:
User ID = Social security number (without the dashes)
Password = Last four digits of social security number
You will then be required to create your own unique User ID and Password
Once logged in, verify that your information is entered correctly. If it is not correct, notify us immediately at 1-866-326-3600.

Step Three: Review Additional Information in Welcome Packet Table of Contents:

- ▶ How to Access Your HSA Funds (see our website for forms to manage your HSA account)
- ▶ AFHSA's Privacy Disclosure Policy
- ▶ Custodial Agreement
- ▶ Beneficiary and Spousal Consent Form - Notice for account holders living in a community property state (Alaska, Arizona, California, Hawaii, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin): If you have designated a beneficiary other than your spouse, we may be required to pay a portion of the proceeds to your spouse at the time of your death, unless your spouse has signed the enclosed spousal waiver form.

Step Four: Watch for your Debit Card

- ▶ Your debit card will be mailed to you on within the next few days in a plain white envelope. There will be no indication that it contains your HSA debit card.
- ▶ If you do not receive your debit card within 7 to 10 business days from that date, let us know immediately to avoid being charged the \$15.00 replacement fee (replacement debit card fee will be charged if notification is not received within 30 days of the issue date).

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Welcome

Debit Card usage tips

- ▶ To activate your debit card, simply use it as a credit card
- ▶ When using your card, always select "credit" and sign the receipt
- ▶ For more details on how and when to use your card, refer to the next page. "How to Access Your HSA Funds"



How to Access Your HSA Funds

When to use your HSA

The funds you deposit into your Health Savings Account (HSA) are there to pay for qualified medical expenses. The beauty of an HSA is you decide when to use the funds from your HSA. Since funds contributed to and interest earned on your HSA grows tax free, you will want to decide when you will use your HSA funds. If the amount you owe is minimal, you may decide to pay the expense out of your other funds, and leave the money in your HSA growing tax-free. The longer you leave your funds, the more they will grow.

Remember, HSA funds must be available before accessing the funds. If you incur a qualified medical expense but you do not have enough funds in your HSA account, you can always withdraw funds at a later date by following option #2 or #3 below.

How to withdraw funds from your HSA

You have three options for withdrawing funds from your Health Savings Account:

1) Debit card

- ▶ Once you receive your card, you will need to sign the back of the card. Your card will automatically activate the first time you use the card for an eligible expense simply by selecting "credit."
- ▶ For your convenience, HEALTH SAVINGS ACCOUNT is printed underneath your name for quick identification.
- ▶ Your debit card will be accepted at health care providers such as doctor's offices, laboratories, hospitals, pharmacies, etc. as long as that health care provider has the appropriate Merchant Category Code.
- ▶ The card will be denied by any merchant who does not have the appropriate Merchant Category Code such as department stores, gas stations, etc.
- ▶ Please remember that only eligible items are to be purchased at the approved merchant locations. Example: debit card can be used at your dental provider; however, not all procedures are considered eligible expenses, such as teeth whitening. For a list of eligible expenses, please visit our website at www.afhsa.com.
- ▶ We recommend that you not use your debit card at your doctor's office or hospital at the time of your services as your insurance company will need to apply any deductibles, discounts, and co-pays associated with your health plan.
- ▶ When you receive your EOB from your insurance carrier, or the statement from your doctor or hospital, you can decide whether or not to use funds from your HSA.
 - If you use funds from your HSA, simply call the doctor or hospital and give them your debit card number. No need to mess with writing a check, paying for postage or remembering to mail your payment.

- If you choose not to use funds from your HSA, you can always request a distribution at a later date following one of the options below.

- ▶ If however, you know your actual costs at the time of service, please feel free to use your debit card.
- ▶ Remember, if your total cost is more than what is available in your account, the card will be denied. Again, you can reimburse yourself later by following options #2 or #3.

2) On-line request

- ▶ You can access your account at www.afhsa.com and enter your distribution request online.
- ▶ A check will be mailed or funds will be direct deposited within 3-4 business days.

3) Mail or fax a distribution form

- ▶ If you prefer, you can withdraw funds by completing a distribution form and faxing or mailing it to us. Please visit www.AFHSA.com to obtain this form.
- ▶ Our address and fax number are located on this form.
- ▶ Once we receive your distribution form, a check will be mailed or funds will be direct deposited into your account within 3-4 business days.

No matter which option you choose, you will need to keep receipts of qualifying medical expenses (such as EOBs, cashier receipts, pharmacy receipts, etc.) for future reference and possible IRS audit.

Additional questions about your HSA:

Should I disregard the debit card at the end of the year?

No, the debit card is good for three years and can be used year-to-year as long as funds are available. You will receive a new card shortly before the expiration of your current card at three years.

What do I do if my debit card is lost or stolen?

Like any credit/debit card, you should report the circumstances as soon as you know. Call us at 1-866-326-3600 and we will take the necessary steps to deactivate your card. You may order a replacement card for a fee of \$15.00. Your replacement card should arrive within 7-10 business days.

Can I order an additional card for my spouse or dependant?

Yes, you may order an additional card once there are funds in your account. There is a \$15.00 fee for an additional card. Simply complete the Request for Dependent Debit Card form and fax/mail it to us.

Toll Free: (866)326-3600

Phone: (405) 523-5699

Fax: (405) 523-5072

Email: hsa-support@af-group.com

Website: www.afhsa.com

Client Information Privacy Disclosure Policy



We respect the privacy of our clients and are committed to treating client information responsibly. Our Client Information Privacy Disclosure Policy serves as a standard for all American Fidelity Health Services Administration employees for the collection, use, retention and security of individual client information:

American Fidelity Health Services Administration collects, retains, and uses client information for specific business purposes. We use client information to protect and administer your records, accounts, and funds; to comply with certain laws and regulations; to help us design or improve our products and services; and to understand your financial needs so that we can provide you with quality products and superior service.

American Fidelity Health Services Administration does not reveal specific information about client accounts or other personally identifiable data to unaffiliated third parties or companies for their independent use unless: 1) there is a client request or authorization; 2) the information is provided to help complete a transaction initiated by client; or 3) the disclosure otherwise is lawfully required. We do not provide client information to unaffiliated third parties or companies for the purpose of independent telemarketing or direct mail marketing of any products or services of those companies.

At American Fidelity Health Services Administration, we value our client relationships. We want you to understand how we use your information and our commitment to ensuring personal privacy. If you have any questions regarding American Fidelity Health Services Administration Client Information Privacy Disclosure Policy please contact us at 405-523-5699 or toll free at 1-866-326-3600.



Custodial Agreement

InvesTrust, N.A. – Custodian

The Depositor named in the application is establishing a Health Savings Account under Internal Revenue Code Section 223, as amended, with American Fidelity Health Services Administration, LLC as Administrator/ Record keeper and InvesTrust, N.A. as Custodian, 2000 N. Classen Boulevard, G16, Oklahoma City, Oklahoma, 73106-6013 for the sole purpose of paying or reimbursing qualified medical expenses of the Depositor, his or her spouse, and qualified dependents. The Depositor and the Custodian make the following agreement:

ARTICLE I

DEFINITIONS

- 1.1 "Account" means the account established for the Depositor pursuant to this Agreement.
- 1.2 "Depositor" means the person who executes this Agreement and for whose benefit this Health Savings Account is being established.
- 1.3 "Agreement" means this Health Savings Account Custodial Agreement, as amended from time to time.
- 1.4 "Beneficiary" means the beneficiary or beneficiaries named by the Depositor to receive the funds in the Health Savings Account remaining upon the Depositor's death.
- 1.5 "Code" means the Internal Revenue Code of 1986 or other federal guidance, as amended or replaced from time-to-time, and any regulations thereto.
- 1.6 "Custodial Fund" or "Fund" means the fund maintained in accordance with the terms of this Agreement.
- 1.7 "Health Savings Account" or "HSA" means a health savings account within the meaning of Code Section 223.

ARTICLE II

CONTRIBUTIONS

- 2.1 The administrator/custodian will accept additional cash contributions for the tax year made by the account owner or on behalf of the account owner (by an employer, family member or any other person). No contributions will be accepted by the administrator/custodian for any account owner that exceeds the maximum amount plus the catch-up contribution.
- 2.2 Rollover contributions from an HSA, an Archer Medical Savings Account (Archer MSA), Individual Retirement Account, or an IRA (unless prohibited under this agreement) need not be in cash. Rollovers from an HSA or Archer MSA will not be subject to the maximum annual contribution limits. Rollovers from an IRA are subject to the maximum annual contribution limits. The Custodian may require the Depositor to furnish written evidence that property offered as a rollover contribution so qualifies under the Code prior to accepting the contribution as a rollover.
- 2.3 A separate account shall be maintained for the Depositor. The Account shall be credited with contributions and earnings and shall be debited for distributions, losses, expenses and fees, unless such fees are paid by the Depositor.
- 2.4 The Depositor is responsible for determining whether contributions to this HSA have exceeded the maximum annual contribution limit known as excess contributions. The depositor is responsible for removing the excess contribution from the Account, plus any interest it may have

earned for the taxable year in which it was made. There is a penalty excise tax of 6% for each year until the excess is removed from the Account.

ARTICLE III

NON-FORFEITABILITY

- 3.1 The Depositor's HSA shall at all times be non-forfeitable.
- 3.2 This HSA shall be maintained for the exclusive benefit of the Depositor or his or her Beneficiaries and may not be attached or alienated, unless permitted by law.

ARTICLE IV

INVESTMENT OF HSA ASSETS

- 4.1 The custodian will invest the HSA in interest bearing money market accounts, not FDIC insured. For amounts above the minimum money market account balance of \$2,500, the Custodian will invest the HSA in the investment funds permitted by the Custodian as selected by the Depositor and only in accordance with the written directions of the Depositor. Otherwise, all amounts will continue to be invested in interest bearing money market accounts. No guarantees will be made as to the investment return of your HSA.
- 4.2 The Custodian shall have no duty other than to follow the written investment directions of the Depositor, and shall be under no duty to question said instructions and shall not be liable for any investment losses sustained by the Depositor.
- 4.3 The Custodian has the right to liquidate assets in the Depositor's investment funds if necessary to make distributions or to pay fees or expenses properly chargeable against the HSA. If the Depositor fails to direct the Custodian as to which assets to liquidate, the Custodian will decide in their complete and sole discretion and the Depositor agrees not to hold the Custodian liable for any adverse consequences that result from the Custodian's decision.
- 4.4 Notwithstanding anything in this Agreement to the contrary, the following restrictions on investments shall apply:
 - (a) The assets of this HSA may not be merged or co-mingled with other property, except as a part of a common trust fund or common investment fund;
 - (b) No part of this HSA may be invested in life insurance contracts; and
 - (c) No part of this HSA may be invested in any collectible as defined in Code Section 408(m), including, but not limited to, stamps, coins, antiques and works of art. However, investments in any gold coin described in Section 5112(a)(7), (8), (9), or (10) of Title 31, or any silver coin described in Section 5112(e) of Title 31, shall be permitted.

ARTICLE V

DISTRIBUTIONS

- 5.1 The Depositor shall have the right to withdraw any part of the assets in the HSA at any time and is solely responsible for determining that the withdrawal is for qualified medical expenses as defined by the Code.
- 5.2 Distributions not used for qualified medical expenses are subject to federal income taxes in addition to a 20% penalty tax in 2011 and after. The additional 20% penalty tax does not apply if the distributions are

made after the Account Owner's death, disability, or reaching age 65. The depositor is responsible for reporting this amount on his or her annual income tax return.

- 5.3 The Custodian shall have no duty to determine the tax treatment of any withdrawal.

ARTICLE VI REPORTS

- 6.1 The Depositor agrees to provide to the Custodian, in a form acceptable to the Custodian, information required by the Custodian to prepare any reports or forms required by Code Section 223 or other laws.
- 6.2 The Custodian shall furnish annual reports to the Internal Revenue Service and to the Depositor concerning the status of the HSA in a time and manner as required under the Code.

ARTICLE VII DESIGNATION OF BENEFICIARIES

- 7.1 If the beneficiary is the Depositor's spouse, the HSA will become the spouse's HSA as of the date of death. The conditions and limitations shown in this Custodial Agreement will apply.
- 7.2 If the beneficiary is not the Depositor's spouse, the HSA will cease to be an HSA as of the date of death. If the beneficiary is the Depositor's estate, the fair market value of the account as of the date of death is taxable on the Depositor's final return. For other beneficiaries, the fair market value of the account is taxable to that person(s) in the tax year that includes such date.
- 7.3 The Depositor's beneficiaries are named on the application. The Depositor may, on forms provided by the Custodian, revoke or change any Beneficiary Designation, including the designations shown on the application.
- 7.3 If no Beneficiary is named, or if all the named Beneficiaries predecease the Depositor, the Depositor's surviving spouse, or if there is no surviving spouse, the Depositor's estate shall be deemed to be the Beneficiary of the Depositor's HSA.
- 7.4 A divorce decree or a decree of legal separation shall automatically revoke a designation of the Depositor's spouse as a Beneficiary, unless the decree or a qualified domestic relations order provides otherwise.
- 7.5 Notice for Depositors living in a community property state (Alaska, Arizona, California, Hawaii, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin): If you have designated a beneficiary other than your spouse, we may be required to pay a portion of the proceeds to your spouse at the time of your death, unless your spouse has signed a spousal waiver form.

ARTICLE VIII QUALIFICATION AND AMENDMENT OF THIS AGREEMENT

- 8.1 This HSA Agreement has not been approved by the Internal Revenue Service. This Agreement has been drafted with the intention that it complies with the provisions of Code Section 223. However, the adoption of this HSA, its qualification by the Internal Revenue Service, and the related tax consequences are the responsibility of the Depositor and the Depositor's tax and legal advisors.
- 8.2 The Custodian shall have the right to amend or modify this Agreement at

any time, including, but not limited to, amendments needed to maintain continued compliance with the requirements of the Code. The Custodian will provide written notice to the Depositor of any such amendment.

ARTICLE IX DUTIES, RIGHTS AND RESPONSIBILITIES OF THE DEPOSITOR

- 9.1 The Depositor may not borrow from the HSA, nor pledge any portion of the HSA as security, or otherwise create a lien on any part of the HSA Account. The Depositor shall not engage in any prohibited transaction as defined in Code Section 4975.
- 9.2 The Depositor shall notify, in writing, the Custodian in the event of a change of address and provide the custodian with information necessary for the Custodian to prepare reports or return required by the Internal Revenue Service.
- 9.3 The Depositor shall fully indemnify the Custodian from any and all liability which may arise in connection with the HSA, except that which arises from negligent or willful misconduct of the Custodian.
- 9.4 The Depositor agrees to pay the Custodian the fees specified in its current published fee schedule. The Custodian may replace its fee schedule at any time, upon giving Depositor 30 days written notice. The Depositor shall pay the Custodian's fees and other expenses incurred in the performance of its duties related to this HSA, including, but not limited to, brokerage and other costs incurred in carrying out the Depositor's investment directions. The Custodian may charge its fees against the assets of the HSA and be paid from these assets.
- 9.5 The Depositor shall have the right to terminate this HSA at any time by giving 30 days written notice to the Custodian.
- 9.6 The Depositor shall have the right to remove the Custodian at any time by giving 30 days written notice to the Custodian. The Depositor shall then appoint a successor custodian or trustee authorized to act as such in relation to Health Savings Accounts under the Code. As soon as is practicable following written notice of this appointment, the Custodian shall transfer all assets and records of the HSA to the successor trustee or custodian. The Custodian, however, may retain a portion of the assets of the HSA as a reserve for payment of anticipated remaining fees and expenses, and shall pay over any remainder of this reserve to the successor custodian or trustee upon satisfaction of these fees and expenses.
- 9.7 The Depositor is solely responsible for the tax treatment of the HSA and should consult a personal tax advisor concerning questions relating to the HSA.

ARTICLE X DUTIES, RIGHTS AND RESPONSIBILITIES OF THE CUSTODIAN

- 10.1 Notwithstanding any other provision herein to the contrary, the Custodian shall not engage, directly or indirectly, in any "prohibited transaction" as defined in Code Section 4975.
- 10.2 The Custodian shall, upon receipt of written notice from the Depositor or the Internal Revenue Service, return any contribution, or portion thereof, that is found to exceed the limitations stated in Article II, or found to be in violation of the rules relating to rollovers or transfers from other HSAs. Such contribution, plus earnings thereon, shall be returned to the Depositor as soon as is practicable.

10.3 The Custodian shall receive and invest contributions, hold, and distribute assets and investments of the HSA pursuant to the written directions of the Depositor. The Custodian shall keep records and reports and shall furnish a report to the Depositor concerning the status of the account at least once annually, or more often if required by the Internal Revenue Service. The Custodian agrees to prepare and submit any report or return as prescribed by the Internal Revenue Service.

10.4 The Custodian is only required to mail distributions to the address of record or to electronically transfer distributions to the account of record unless otherwise instructed, in writing, by the Depositor.

10.5 The Custodian shall have no responsibility for determining the tax effect of contributions from, or on account of, the Depositor. Likewise, the Custodian shall have no responsibility for determining the tax effect of distributions to, or on account of, the Depositor.

10.6 The Custodian shall not be obligated to commence or defend any legal action or proceeding in connection with this HSA unless agreed upon in writing by the Custodian and the Depositor or their legal representatives.

10.7 The Custodian shall have the following powers and rights in addition to those stated elsewhere and/or granted by law:

- (a) to pay any tax attributable to any asset of the HSA or any benefit or distribution paid from the HSA. Prior to release of any asset or distribution from the HSA, the Custodian may require a release or similar document from the applicable taxing authority in order to protect itself from possible tax liability;
- (b) to employ suitable agents and counsel;
- (c) to perform any and all acts it deems necessary to effect the proper management of this HSA; and
- (d) to begin, maintain, or defend any litigation necessary in connection with the administration of this HSA, but the Custodian shall not be required to do so unless indemnified to its satisfaction.

10.8 The Custodian may resign at any time upon 30 days written notice to the Depositor and shall turn over to the successor custodian or trustee all assets, minus expenses, and records of the HSA. The Custodian shall not be liable for the acts or omissions of any successor custodian or trustee.

10.9 After the Custodian has transferred the assets of the HSA, including any reserve as provided in Article IX, it shall be relieved of all further liability with respect to this HSA.

ARTICLE XI MISCELLANEOUS

11.1 The assets of this HSA shall be valued at least annually.

11.2 Any notice provided for in this Agreement shall be effective when sent by first class mail to the address of record, or, if applicable, to the Custodian at its business address.

11.3 All terms and provisions contained herein shall be interpreted so as to be in compliance with Code Section 223.

11.4 The Depositor and his or her surviving spouse shall have no right to pledge or in any way create a lien on any part of the assets of this HSA and these assets may not be attached or otherwise affected by the Depositor's creditors.

11.5 This Agreement shall be governed by the laws of the State of Oklahoma, except to the extent preempted by any federal law.

11.6 The Custodian may amend this agreement from time-to-time to comply with the provisions of the Code.

PURSUANT TO SECTION 4.1 OF THIS AGREEMENT, THIS ACCOUNT MAY INCLUDE UNINVESTED CASH CONTRIBUTIONS FOR WHICH NO EARNINGS WILL BE RECEIVED.



Community or Marital Property State Beneficiary and Spousal Consent Form



Health Savings Account Holder Information:

Employer: _____

Name: _____ Social Security Number: _____

Address: _____

Phone Number: _____

Primary Beneficiary: _____ Relationship: _____

Contingent Beneficiary: _____ Relationship: _____

Health Savings Account Holder Spousal Information:

Name: _____ Social Security Number: _____

Address: _____

Phone Number: _____

SPOUSAL CONSENT

This form should only be completed if the Health Savings Account (HSA) holder is located in a community or marital property state, is married and has named anyone other than their spouse as the beneficiary. (Community property states are the following: Alaska, Arizona, California, Hawaii, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin)

Due to the important tax consequences of giving up one's community property interest, individuals signing this section should consult with a competent tax or legal advisor.

I Am Married – I, _____ (HSA holder name) understand that I have chosen to designate a primary beneficiary other than my spouse and my spouse must sign below. I, _____ (name of spouse of HSA holder) am the spouse of the above-named HSA holder. I acknowledge that I have received a fair and reasonable disclosure of my spouse's property and financial obligations. Due to the important tax consequences of giving up my interest in this HSA, I have been advised to see a tax professional. I hereby give the HSA holder any interest I have in the funds or property deposited in this HSA and consent to the beneficiary designation(s) indicated above. I assume full responsibility for any adverse consequences that may result.

(Signature of Spouse) (Date)

(Signature of Witness) (Date)

