



# Health Savings Accounts

## A Solution for Saving

Healthcare is constantly changing. With rising deductibles and larger gaps in coverage, you need a solution. A Health Savings Account (HSA) may be your answer.

### How it Works

An HSA allows you to set aside money before tax to help pay for eligible medical expenses. Your contributions can build year over year and any interest you earn will be tax free. After age 65, you can use the funds for non-medical expenses, but you will pay tax on these distributions.

To participate in an HSA, you must first have a qualified High Deductible Health Plan (HDHP). These medical plans were created to help control healthcare costs by providing lower insurance premiums with higher deductibles. Combining an HDHP with an HSA lets you control more of your healthcare costs and expenses throughout the year.

### Triple-Tax Advantage

- The money you put in to the account is deducted from your paycheck before tax,
- The interest and earnings you make on the account grow tax free, and
- When you take money out for eligible medical expenses, it is generally tax free.

### Potential for Growth

In addition to offering several significant tax advantages, an HSA also provides investment opportunities. Account holders can choose to invest any balance over \$2,500 into a variety of investment options. This is a great way to potentially grow your savings for future healthcare costs or retirement.

### Contributing to Your HSA

The easiest way to contribute to your HSA is through payroll deduction. Through payroll deduction, your contribution amount is automatically deducted from your paycheck, before tax. If you decide to contribute directly to your account, you will need to take the appropriate steps on your annual tax return to receive the tax savings benefit.

The Internal Revenue Service sets an annual maximum contribution amount:

Year	Self-Only Coverage	Family Coverage
2017	\$3,400	\$6,750
2018	\$3,450	\$6,900

Individuals 55 and over may contribute an extra \$1,000 catch-up contribution.

You may contribute to an HSA if you:

- Are only covered by HSA eligible health plans. A general purpose Healthcare Flexible Spending Account (also known as a Healthcare FSA or HCFSAs) or a Health Reimbursement Arrangement (HRA) are not permitted
- Are not enrolled in Medicare or Tricare
- Are not being claimed as a dependent on another person's tax return

## Accessing Your Funds

There are four ways for you to use your HSA funds:



- **Benefits Debit Card**  
When you use your Benefits Debit Card to pay for eligible medical expenses, the amount is deducted directly from your account.



- **Online Reimbursement**  
Request funds online and receive a check or direct deposit into your personal checking or savings account.



- **Distribution Request Form**  
Fax or mail a Distribution Request Form to receive reimbursement by check or direct deposit.



- **Online Bill Pay**  
You can request funds online to pay your provider directly from your HSA account.

Your distributions are not taxed when used for eligible medical expenses. However, if you use your funds to pay for ineligible expenses, income and employment tax applies and you will be subject to an additional 20% tax penalty.

## Pairing with a Limited Purpose FSA

If you know you'll have extra expenses, you may consider pairing your HSA with a Limited Purpose Flexible Spending Account (LPFSA). An LPFSA reimburses eligible dental and vision expenses only, allowing you to use your HSA funds to pay for eligible medical expenses. Participating in both plans allows you to maximize tax savings and tax benefits.

Visit with your American Fidelity Assurance Company account manager to learn more about an HSA.

Reno Branch Office  
1890 Donald St. #B  
Reno, NV 89502  
**800-365-1314 • 775-829-1313**  
[americanfidelity.com](http://americanfidelity.com)

## Eligible Expenses

You may use your account to pay for a variety of healthcare products and services for you, your spouse, and your tax dependents. The IRS determines which expenses are eligible for reimbursement. The following are examples of common types of eligible and ineligible expenses. For a complete list visit [afhsa.com](http://afhsa.com).

### Examples of Eligible Expenses

- Prescription medications
- Dental treatment (including orthodontia)
- Vision expenses (including prescription glasses, contacts and Lasik)
- Chiropractors
- Co-pays/coinsurance
- Ambulance
- Flu shots
- Immunizations
- Lab fees
- Medical exams
- Psychiatric care
- X-rays

### Examples of Ineligible Expenses

- Late fees on medical bills
- Cosmetics
- Dependent care expenses
- Toothbrushes or toothpaste
- Lodging while attending medical conference
- Vitamins for general well-being
- Over-the-counter medicines (unless prescribed by a licensed medical practitioner)
- Cosmetic procedures (including face lifts or teeth whitening/bleaching)

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