Health Savings Accounts

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Why a Health Savings Account?

Healthcare is constantly changing. With rising deductibles and larger gaps in coverage, you need a solution. A Health Savings Account (HSA) may be the answer. Combined with a High Deductible Health Plan (HDHP), an HSA provides the security of knowing you have the funds needed to help cover healthcare costs before you meet your deductible.

How It Works

An HSA allows you to set aside money pre-tax to help pay for eligible medical expenses. Your contributions can build year over year and any interest you earn will grow tax free.

To participate in an HSA, **you must first be enrolled in a qualified HDHP**. You may be enrolled in the plan either through your employer or spouse's plan. Combining a qualified HDHP with an HSA helps you control your healthcare costs and expenses.

The Value of an HSA

An Account You Own

Like a personal savings account, the money in an HSA rolls over annually, meaning the funds never expire and you can take it with you wherever you go – even if you change jobs, change health plans, or retire.

Potential for Growth

The money you put in to the account is deducted from your paycheck tax-free. The interest and earnings you make on the account grow tax-free, with the opportunity to invest in mutual funds.

Triple Tax Advantage

The money you put into the account is deducted from your paycheck tax-free.

The interest and earnings you make on the account grow tax-free, with the opportunity to invest in mutual funds.*

When you take money out for eligible medical expenses, it is generally tax-free.

** This is not a guarantee of future performances. Your investment is connected to the stock market and is subject to rise or fall.*

Eligible Expenses

The Internal Revenue Service (IRS) determines which expenses are eligible for reimbursement. The following are examples of common types of eligible and ineligible expenses. For a searchable list, visit **americanfidelity.com/eligible-expenses**.

Examples of Eligible Expenses

- Over-the-counter medications without a prescription
- Copays/Co-insurance/Deductibles
- Physical exams
- Dental treatment (including orthodontia)
- Vision expenses (including prescription glasses, contacts and laser eye surgery)
- Chiropractor care/Physical therapy
- Immunizations, flu shots
- Prenatal care/Menstrual products

Examples of Ineligible Expenses

- Late fees on medical bills
- Cosmetics
- Dependent care expenses
- Toothbrushes or toothpaste
- Vitamins for general well-being
- Cosmetic procedures (including face lifts or teeth whitening/bleaching)

Contributing to Your HSA

Year	Self-Only Coverage	Family Coverage
2023	$3,850	$7,750
2024	$4,150	$8,300

The IRS sets an annual maximum contribution amount. Individuals 55 and over may contribute an extra $1,000 for catch up contributions.

Accessing Your Funds

We offer three convenient ways for you to access your HSA funds to pay for healthcare expenses for you, your spouse, and your dependents, regardless of their health plan.

Benefits Debit Card
Use your Benefits Debit Card to pay for eligible medical expenses; the amount is deducted directly from your account.

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

Online Bill Pay
Request funds online to pay your provider directly from your HSA account.

Investing Your Funds

After your HSA balance reaches $2,500, you can invest the money in a variety of mutual funds. Investing your HSA dollars can help you save for retirement, providing an additional way to reach your goals.

American Fidelity offers an easy-to-use site for managing your HSA investments. You can invest, monitor performance, and change allocations all from your online account. Plus, you'll have access to helpful resources and investment tools.

Features:

- You can have a 401(k) and HSA investment account at the same time
- Money can be transferred back to HSA for eligible medical expenses
- No fees to open an investment account

Eligibility Requirements

Once you're covered by a qualified HDHP, you can contribute to an HSA if you:

- Are not covered by any non-HSA eligible health plan including a general purpose Healthcare Flexible Spending Account (HCFSA) or a Health Reimbursement Arrangement (HRA). *Additionally, if your spouse has a HCFSA that allows reimbursements for your expenses, you may not participate.*
- Are not enrolled in Medicare or Tricare. *If you are over 65 and have not enrolled in Medicare, you can continue to make contributions and use your funds. Once you are enrolled in Medicare or Tricare, you can no longer make contributions but can continue to use your funds.*
- Are not being claimed as a dependent on someone else's tax return.

If you are no longer covered by a qualified HDHP, you may still use your HSA funds, however, you may not continue to contribute to your account.

Pairing Your HSA with a Limited Purpose FSA

If your employer provides a Limited Purpose Flexible Spending Account (LPFSA), you may consider pairing your HSA with this type of reimbursement account. 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.

Differences in Healthcare FSAs and HSAs

Healthcare FSAs and HSAs are both common types of reimbursement accounts. They both allow you to set aside money for medical expenses, while reducing your overall taxable income.

There are significant differences between a Healthcare FSA and an HSA:

- With an HSA, you own the account, the funds are never forfeited at the end of the plan year, and you can take it with you wherever you go.
- Also, unlike a Healthcare FSA, your funds are available in your account only as contributions are made, instead of at the beginning of the plan year.

HSA	HCFSA
Eligibility Requirements	
Must have a qualified HDHP and no other disqualified health plan.	No specific eligibility requirements.
Availability of Funds	
Funds are available only as contributions are made.	The full election amount is available up front at the beginning of the plan year.
Changing Contribution Amounts	
May change at any point during the year subject to plan provisions.	Changes may only be adjusted at open enrollment or with a qualifying change in employment or family status.
Rollover	
Any unused balance always rolls over in to the next plan year.	With a few exceptions, HCFSAs are "use or lose" and you forfeit any unused balance at the end of the plan year.
Connection to Employer	
It's your account. You can take it with you wherever you go.	Generally, you'll lose your HCFSA with a change in employment.
Effect on Taxes	
Contributions may be taken out of your paycheck pre-tax. Growth and distributions for eligible expenses are tax free.	Contributions are taken out of your paycheck pre-tax. Distributions are tax free for eligible expenses.

Consider signing up for an HSA today to take control of your healthcare expenses.

HSA contributions are not subject to federal and most states' income tax. However, state income tax may apply in California and New Jersey. Please consult a tax advisor for your state's specific rules.

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