

# HEALTH SAVINGS ACCOUNTS

**UBT**  
Union Bank & Trust<sup>®</sup>  
HEALTH BENEFIT SOLUTIONS





# A great way to pay for present or future medical expenses.

## What is a Health Savings Account (HSA)?

Save by reducing your taxable gross income, spending pre-tax dollars for medical care and growing your HSA tax-free.

An HSA is a personal savings account that can be used to pay for medical, dental, vision and other qualified expenses now or later in life. To contribute to an HSA you must be enrolled in a qualified high-deductible health plan and your contributions are limited annually. If your employer offers payroll deduction, you'll see immediate tax savings on your contributions.

Since it is a savings account, you are encouraged to save more than you spend. Unlike FSA funds which are "use-it-or-lose-it," your HSA balance rolls over from year-to-year earning interest along the way. The funds can even be invested, making it a great addition to your retirement portfolio. The account is portable, meaning if you ever leave your employer, you can take the HSA with you because it's your money and your account.

## Why should I participate in an HSA?

HSAs offer a triple tax advantage:

- 1. Money goes in tax-free.** Most employers offer a payroll deduction through a Section 125 Cafeteria Plan, allowing you to make contributions to your HSA on a pre-tax basis. The contribution is deposited into your HSA prior to taxes being applied to your paycheck, making your savings immediate. You can also contribute to your HSA post-tax and recognize the tax savings by claiming the deduction when filing your annual taxes.
- 2. Money grows tax-free.** The interest on HSA funds grows on a tax-free basis. And, unlike most savings accounts, interest earned on an HSA is not considered taxable income when the funds are used for eligible medical expenses.
- 3. Money comes out tax-free.** Eligible healthcare purchases can be made tax-free when you use your HSA. Purchases can be made directly from your HSA account, either by using your benefits debit card, ACH, online billpay, or you can pay out-of-pocket and then reimburse yourself from your HSA.

## How can an HSA help me save for retirement?

Participation in a health savings account allows you to save pre-tax dollars to prepare for retirement. Although your funds can be used to pay for immediate healthcare expenses tax-free, you can save the money for healthcare expenses later in life. You can continue to contribute year after year and withdrawals can be made at any point in time. Whether you withdraw the money tomorrow, five years from now, or in retirement, funds used for qualified healthcare expenses are always tax-free when you save your receipt. Here are the current health savings recommendations for retirement:



<sup>1</sup> Fidelity Viewpoints. Retiree Health Care Costs Rise. September 06, 2017.

<sup>2</sup> HealthView Services: 2017 Retirement Health Care Costs Data Report

## Investing with an HSA<sup>3</sup>

Opening an Investment HSA gives you access to reputable mutual fund families selected by UBT experts. Once you reach the \$500 minimum investment threshold you have access to:

### 35 Investment Options

» 10 Life Cycle funds » 21 Individual funds » 4 Target funds

### Multi-Managed Fund Lineup



Vanguard®



Asset Management



<sup>3</sup> Investment HSA products: Not FDIC Insured—No Bank Guarantee—May Lose Value

# HEALTH SAVINGS ACCOUNT FAQ

## What is a qualified high deductible health plan (HDHP)?

An (HDHP) is a health insurance policy that offers higher deductibles and lower premiums than a traditional insurance plan. Like a traditional plan, you are responsible for paying for your qualified medical expenses up to the deductible. After the annual deductible is met, you are responsible only for a portion of your medical expenses through coinsurance or co-payments. A Qualified HDHP can be combined with a health savings account (HSA) to offer a tax-advantaged way to help pay for the medical expenses you may incur.

Year	Annual Deductible	Out-of-Pocket Expenses
2018	At least \$1,350 for individual coverage and \$2,700 for family coverage	Not exceeding \$6,650 for individual coverage and \$13,300 for family coverage
2019	At least \$1,350 for individual coverage and \$2,700 for family coverage	Not exceeding \$6,750 for individual coverage and \$13,500 for family coverage

## Who is eligible to open a HSA?

If you meet all the criteria listed below, you are eligible to open and contribute to an HSA.\*

- » Are covered by a qualified high-deductible health plan (HDHP) on the first day of a given month;
- » Are not covered by another non-HDHP, such as a health plan sponsored by your spouse's employer;
- » Are not enrolled in Medicare or TriCare;
- » Have not received VA benefits at any time during the preceding 3 months. If you are a veteran with a service-connected disability, this exclusion does not apply;
- » Are not claimed as a dependent on another individual's tax return.

## How much can I contribute to an HSA?

The Internal Revenue Service ("IRS") has established the following annual contribution limits:

Year	Family Coverage	Individual Coverage	Catch-Up for Those Age 55 +
2018	\$6,900	\$3,450	\$1,000
2019	\$7,000	\$3,500	\$1,000

## How do I contribute money to my HSA?

Payroll deduction is most likely offered by your employer. Your annual contribution will be divided into equal amounts and deducted from your payroll before taxes. Direct contributions can also be made from your personal checking account and can be deducted on your personal income tax return.

## What if I'm no longer covered by an HDHP?

Your HSA is portable. Funds are never lost due to changes in your employment or health insurance. If at some point you are no longer covered by an HDHP, you will still have access to use your funds to pay for qualified medical expenses. However, you are no longer eligible to make contributions.

## How do I access my HSA funds to pay for qualified medical expenses?

You can pay for IRS-qualified medical expenses with funds from your HSA by using your debit card or online billpay. You can also pay out-of-pocket for IRS-qualified medical expenses and reimburse yourself later with HSA funds.

## Do I need to submit receipts for my HSA expenses?

No. You do not need to submit any receipts to us. However, be sure to save receipts on any qualified medical expenses paid out of your HSA for tax purposes.

## Can an HSA be used to pay previous year expenses?

Yes, as long as the eligible medical expenses were incurred after your HSA was established and your HDHP coverage was in effect.

## What are the penalties for taking a non-qualified withdrawal from my HSA?

Nonqualified distributions will be subject to ordinary income tax, and in some cases, a 20% penalty. The only time tax is ever owed on principal or interest from your HSA is if the money is distributed for non-qualified expenses prior to your reaching age 65, becoming disabled or dying. Even if you use the funds for non-qualified expenses after you are 65 or disabled, you will only be subject to ordinary income tax on the money you withdraw without the 20% penalty.

## What happens to my HSA when I die?

Your HSA is an inheritable account. What happens to your HSA when you die depends who you named as your beneficiary.

- » If your spouse is your designated beneficiary, your spouse may assume your HSA as their own by establishing an HSA in their name.
- » If you designate someone other than your spouse, the account will no longer be treated as an HSA upon your death. The funds will be pass on to your beneficiary and be subject to any applicable taxes.
- » If you do not have a beneficiary on file, the HSA becomes part of your taxable estate.

## Is Tax reporting required for an HSA?

Yes, IRS Form 8889 is used to report HSA contributions and distributions. You must complete this form each year with your tax return. Please consult a tax professional regarding tax rules.

## What tax forms will I receive?

You may receive both a 1099-SA and 5498-SA tax form. The 1099-SA notifies the IRS of any distributions you made from your HSA during the tax year. Form 5498-SA notifies the IRS of any contributions made to your HSA during the tax year.

\*Other exceptions & restrictions may apply. Please consult a tax or legal professional to discuss your personal circumstances.

# HSA Qualified Medical, Dental & Vision Expenses

## Which expenses qualify for payment from your Union Bank & Trust HSA?

Below is a quick reference list of expenses that can be reimbursed from a Health Savings Account. Medical expenses allowed as deductions are determined by Section 213(d) of the Internal Revenue Code. For more detailed information, please refer to IRS Publication 502 titled "Medical and Dental Expenses," online at [www.irs.gov/pub/irs-pdf/p502.pdf](http://www.irs.gov/pub/irs-pdf/p502.pdf). For tax advice, please seek the services of a competent tax professional.

- » Abdominal supports
- » Acupuncture
- » Alcoholism treatment
- » Ambulance
- » Anesthetist
- » Arch supports
- » Artificial limbs & teeth
- » Autoette (when used for relief of sickness or disability)
- » Birth control pills (by prescription)
- » Blood tests
- » Blood transfusions
- » Braces
- » Cardiographs
- » Chiropractor
- » Contact lenses
- » Contraceptive devices (by prescription)
- » Convalescent home (for medical treatment only)
- » Crutches
- » Dental treatment, except for cosmetic dentistry
- » Dental X-rays
- » Dentures
- » Dermatologist
- » Diagnostic items/services
- » Diathermy
- » Drug addiction therapy
- » Drugs (prescription)
- » Elastic hosiery (prescription)
- » Eyeglasses
- » Eye Exams
- » Fluoridation unit
- » Guide dog
- » Gum treatment
- » Hearing aids
- » Hospital Services
- » Medical Services
- » Medicine
- » Nursing Services
- » Operations
- » Oxygen
- » Psychoanalyst
- » Psychologist
- » Psychotherapy
- » Radium therapy
- » Registered nurse
- » Special school costs for the handicapped
- » Spinal fluid test
- » Splints
- » Sterilization
- » Surgeon
- » Telephone or TV equipment to assist the hard-of-hearing
- » Therapy equipment
- » Transportation expenses (relative to health care)
- » Vaccines
- » Vasectomy
- » Vitamins (if prescribed)
- » Wheelchair/wheelchair maintenance
- » Wigs
- » X-rays

**For more information on HSAs or other consumer-driven healthcare products such as Limited Purpose Flexible Spending Accounts (LPFSAs) and Dependent Care Accounts (DCAs), contact us.**

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