

Introduction to health savings accounts



A health savings account (HSA) allows you to save money for qualified medical expenses that you're expecting, such as contact lenses or monthly prescriptions, as well as unexpected ones — for this year and the future.

Why have an HSA?

You own it

The money is yours until you spend it, even deposits made by others, such as an employer or family member. You keep it, even if you change jobs, health plans or retire.

Tax savings

HSAs help you plan, save and pay for health care, all while saving on taxes.

- The money you deposit is federal income tax-free.
- Savings grow income tax-free.
- Withdrawals for qualified medical expenses are also income tax-free.

It's not just for doctor visits

Once you've contributed to your account, you can use the funds in your HSA to pay for qualified medical expenses such as:

- Dental care, including extractions and braces
- Vision care, including contact lenses, prescription sunglasses and LASIK surgery
- Prescription medications
- Certain over-the-counter drugs and medications
- Chiropractic services
- Acupuncture

Save for the future

Your HSA rolls over from year to year, so you can continue to grow your savings and use it in the future - even into retirement.

Contribution limits

There are contribution limits, set by the Internal Revenue Service (IRS) and adjusted annually.

These limits are:

- **\$3,550** for individual coverage in 2020; **\$3,600** in 2021
- **\$7,100** for family coverage in 2020; **\$7,200** in 2021
- **\$1,000** extra if you're 55 or older, also known as catch-up contributions

Who can open an HSA?

To be an eligible individual and qualify for an HSA, you must have a high-deductible health plan (HDHP) that meets IRS guidelines for the annual deductible and out-of-pocket maximum.

In addition, you must:

- Be covered under a qualifying HDHP on the first day of a given month.
- Not be covered by any other health coverage except what is permitted (dental, vision, disability and some other types of additional coverage are permissible).
- Not be enrolled in Medicare, TRICARE or TRICARE for Life.
- Have not received Department of Veterans Affairs (VA) benefits within the past three months, except for preventive care. If you are a veteran with a disability rating from the VA, this exclusion does not apply.
- Not be claimed as a dependent on someone else's tax return.
- Not have a health care flexible spending account (FSA) or health reimbursement account (HRA). Alternative plan designs, such as a limited-purpose FSA or HRA, might be permitted.

Other restrictions and exceptions also apply. Consult a tax, legal or financial advisor to discuss your personal circumstances.

Open your account

Check with your employer or benefits specialist to learn about your company's application process. You may be able to sign up through your employer or enroll at optumbank.com or through myuhc.com[®]. You cannot use your HSA to pay for medical expenses you had before you opened your account — so be sure to open your HSA as soon as you are eligible.

And be sure to save your receipts! For a full list of qualified medical expenses, visit optumbank.com/qualifiedexpenses.



Have questions?

Visit optumbank.com or download the mobile app.

Contributions add up quickly.

When Marcus started his new job, he decided to open an HSA and contribute \$100 per month. Because he hasn't had many medical expenses, he decided not to touch the balance during his first year. Here's how his contributions added up:

Monthly contribution: **\$100**

Annual contribution: **\$1,200**

Annual income tax savings¹: **\$452**

¹ 25% federal | 5% state | 7.65% FICA

Use the HSA Calculator on optumbank.com to help determine your contributions and see how much you can save on taxes.

Open your HSA today.

Download the Optum Bank app.

Enjoy an easier way to manage your health savings account. You can pay bills, view transactions, upload receipts and more! Download today on your Apple or Android device.



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Frequently asked questions: HSAs

What are the benefits of a health savings account (HSA)?

HSAs are tax advantaged accounts that help people save and pay for qualified medical expenses. Benefits include:

- Contributions are pre-tax or tax deductible.
- Earnings are income tax-free.
- You can make tax-free withdrawals for qualified medical expenses.
- You can carry over unused funds from year to year.
- The HSA is yours to keep even if you change jobs, change health plans or retire.

Note: Contributions are tax deductible on your federal tax return. Some states do not recognize HSA contributions as a deduction, and some states tax interest earned on your HSA. Your own HSA contributions are either tax deductible or pre-tax (if made by payroll deduction). See IRS Publication 969, or consult a qualified tax advisor to see how your state treats HSA contributions.

Who qualifies for an HSA?

To open an HSA, you must have a qualifying high-deductible health plan (HDHP) and meet other IRS eligibility requirements. Unless an exception applies.

- You cannot be covered by any other health plan that is not an HDHP.
- You cannot be currently enrolled in Medicare or TRICARE.
- You cannot be claimed as a dependent on another individual's tax return.

What is a qualifying HDHP?

This is a health plan that satisfies certain IRS requirements with respect to deductibles and out-of-pocket expenses.

Year	Annual deductible	Out-of-pocket expenses
2020	At least \$1,400 for individual coverage and \$2,800 for family coverage	Not exceeding \$6,900 for individual coverage and \$13,800 for family coverage
2021	At least \$1,400 for individual coverage and \$2,800 for family coverage	Not exceeding \$7,200 for individual coverage and \$14,000 for family coverage

What happens to my remaining account balance at the end of the year?

Any remaining balance automatically rolls over year after year.

What can I use my HSA for?

You can use the funds in your HSA:

- To pay for qualified medical, dental, vision and prescription drug expenses, including certain over-the-counter drugs and medications, as defined in IRS Publications 502 and 969.
- As supplemental income after age 65. Once you are 65, you can withdraw funds for any reason without paying a penalty, but they will be subject to ordinary income tax. If you are under age 65 and use your HSA funds for nonqualified expenses, you will need to pay taxes on the money you withdraw, as well as an additional 20 percent penalty.

Can I use my HSA to pay for qualified medical expenses for a spouse or tax dependent?

Yes, even if your spouse or tax dependent is covered under another health plan. To get personalized details, consult a qualified tax advisor.

Are health insurance premiums considered qualified medical expenses?

In general, no, but exceptions include qualified long-term-care insurance, COBRA health care continuation coverage, any health plan maintained while receiving unemployment compensation under federal or state law and, for those 65 and over (whether or not they are entitled to Medicare), any employer-sponsored retiree medical coverage premiums for Medicare Part A or B or Medicare HMO. Conversely, premiums for Medigap policies are not qualified medical expenses.

Can I invest my HSA dollars?

Yes, you can choose to invest your HSA dollars once you reach your investment threshold. Visit [optumbank.com](https://www.optumbank.com) for more details.

What happens to my HSA if I no longer am covered by a qualifying high deductible plan (HDHP)?

While you can no longer contribute to your HSA, you can still use the remaining funds to pay or be reimbursed for future qualified medical expenses.

How much can I contribute to an HSA?

The IRS sets annual contribution limits each year.

Year	Individual coverage	Family coverage
2020	\$3,550	\$7,100
2021	\$3,600	\$7,200

Note that any contributions made to your HSA by family members, your employer or others count toward this limit.

If you are 55 or older, you can contribute an additional \$1,000 each year. **Note:** The primary account holder must be 55 or older (even if the spouse is of that age).

How can I make contributions?

There are three ways to make a deposit:

- Payroll deductions through your employer, if available.
- Online at optumbank.com using your personal checking account.
- Mail in a personal check along with the HSA Contribution Form. You can find this form after signing in at optumbank.com or myuhc.com®.

When can contributions be made?

Contributions for a taxable year can be made any time within that year and up until the tax filing deadline for the following year, which is typically April 15.

If I change employers, what happens to my HSA?

Since you are the owner of the HSA, you may continue to maintain the account if you change employers. The funds are yours to keep.

Can I reimburse myself with HSA funds for qualified medical expenses incurred prior to my enrollment in an HSA?

No, qualified medical expenses may be reimbursed only if the expenses are incurred after the date your HSA was established.

Is there a time limit for reimbursing myself?

You can reimburse yourself at any time for expenses you paid for out-of-pocket. There is no time limit, but the expenses must have been incurred since you opened your HSA.

How can I use my HSA to pay for medical services?

You can use your Optum Bank debit Mastercard®; use online bill pay; or pay out-of-pocket and then distribute funds from your HSA to reimburse yourself.

Can I use my HSA to pay for non-health-related expenses?

Yes. However, any amount of a distribution not used exclusively to pay for qualified medical expenses for you, your spouse or your tax dependents is includable in your gross income. These distributions could be subject to taxes and an additional 20 percent IRS tax penalty, except in the case of distributions made after your death, disability or reaching age 65.

What happens if my HSA contributions exceed the annual contribution limit?

If you contribute more than the IRS annual contribution limit, you have until the tax-filing deadline to withdraw excess contributions. If excess contributions are not withdrawn by the tax-filing deadline, an annually assessed excise tax of 6 percent will be imposed on any excess contributions.

Is tax reporting required for an HSA?

Yes, you must complete IRS form 8889 each year with your tax return to report total deposits and withdrawals from your account. You do not need to itemize. For more information about tax rules including distribution information, visit optumbank.com and consult a qualified tax advisor.

What happens to my HSA when I die?

If you are married, your spouse will become the owner of the account and assume it as their own HSA. If you are unmarried, your account will cease to be an HSA. The money in your account will pass to your beneficiaries or become a part of your estate, and it will be subject to applicable taxes.

Investments are not FDIC insured, are not guaranteed by Optum Bank®, and may lose value.



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GOOD HEALTH IS A JOURNEY SO IS SAVING THE MONEY NEEDED TO PAY FOR QUALIFIED MEDICAL EXPENSES

The 5 Stages of Health Saving and Spending



Whether you're just hearing about a health savings account (HSA) for the first time or you've been contributing for years, you likely have questions. We all do. That's why Optum Bank has put together this guide to explain the stages HSA account holders go through: Decide, Open, Use, Manage and Optimize.

Have questions? Ready to put your HSA to work? Visit optumbank.com.

DECIDE CONSIDERING AN HSA?

If you have a high-deductible health plan, you may be wondering just how you're going to cover those health care expenses.

An HSA lets you put pre-tax money into an account that continues to grow tax-free until you need it. You won't lose the money at the end of the year, even if you change jobs. So it's a better way to save money for your health care expenses than a regular savings account.

» SOME QUESTIONS YOU MAY BE ASKING IN THIS STAGE:

- Do my doctors accept HSAs?
- Is there a "use it or lose it" rule?

OPEN OPENED AN HSA, BUT HAVEN'T USED IT YET?

Congratulations. You've taken the first step. Now it's time to put your HSA to work.

With health care costs on the rise, it's important to be prepared for unexpected costs, like a trip to the emergency room for a broken arm, and planned ones, such as routine exams or chiropractic care.

Ask your employer if payroll deductions are an option, or set up a one-time or recurring deposit at optumbank.com or through myuhc.com[®].

You'll receive an Optum Bank debit Mastercard[®], which makes paying for qualified medical expenses quick and easy.

» SOME QUESTIONS YOU MAY BE ASKING IN THIS STAGE:

- How do I get up and running?
- Does my employer contribute to my HSA?

HAVE YOU REACHED YOUR CONTRIBUTION LIMITS?

2020 \$3,550 for individual coverage
\$7,100 for family coverage
\$1,000 extra if you're 55 or older

2021 \$3,600 for individual coverage
\$7,200 for family coverage
\$1,000 extra if you're 55 or older



USE WONDERING HOW MUCH TO CONTRIBUTE?

Once your HSA is up and running, you'll still have decisions to make, such as how much money you should save.

As you're thinking about how much to save in your HSA, think about expenses you might have this year. This checklist is a good place to start:

- Chiropractor or acupuncture visits
- Doctor visits for colds and other routine illnesses
- Prescription co-pays
- Hearing aids
- Physical therapy
- Glasses or contacts

» SOME QUESTIONS YOU MAY BE ASKING IN THIS STAGE:

- How much will I save on taxes?
- Can I order another debit card for a family member?



MANAGE WANT TIPS FOR MANAGING YOUR HSA?

Once you are in the Manage stage, you're starting to be a pro. If you're saving more than you're spending, keep it up. You can use that money years from now, even in retirement.

While you may have set up payroll deductions, you're not stuck with that amount. You can adjust your contribution at any time, and you can make additional contributions at optumbank.com or through myuhc.com®.

» SOME QUESTIONS YOU MAY BE ASKING IN THIS STAGE:

- Did I pay anything toward this bill already?
- Can I reimburse myself if I forgot to use my debit card?



OPTIMIZE READY TO TURN YOUR HSA INTO AN INVESTMENT?

As you build up your HSA balance, you might find you have more money saved than you need for the immediate year. That's great news. When you're retired, you can use your HSA money to pay for Medicare premiums and other expenses.

Now it may be time to invest that money. If you choose to invest, the money won't be locked in to that account. You can transfer it back to your regular HSA at any time.

» SOME QUESTIONS YOU MAY BE ASKING IN THIS STAGE:

- How should I think of my HSA as a financial planning tool?
- Can I use the money in retirement?



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Questions?

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