

Health Savings Accounts (HSA) Benefit Summary

A Health Savings Account (HSA) is an account that you can put money into to save for future medical expenses. There are certain advantages to putting money into these accounts, including favorable tax treatment.

WHO CAN HAVE AN HSA?

Any adult can contribute to an HSA if they:

- Have coverage under an HSA-qualified "high deductible health plan" (HDHP)
- Have no other first-dollar medical coverage (other types of insurance like specific injury insurance or accident, disability, dental care, vision care, or long-term care insurance are permitted).
- Are not enrolled in Medicare.
- Cannot be claimed as a dependent on someone else's tax return.

Contributions to your HSA can be made by you, your employer, or both. However, the total contributions are limited annually. If you make a contribution, you can deduct the contributions (even if you do not itemize deductions) when completing your federal income tax return. Contributions to the account must stop once you are enrolled in Medicare. However, you can keep the money in your account and use it pay for medical expenses tax-free.

WHY CHOOSE AN HSA?

- 100% of your HSA contributions are deducted from your pre-tax income.
- The interest earned by the money in your HSA is also tax-free.
- You pay no taxes or penalties when you use your HSA for qualified medical expenses.

An HSA allows you to purchase a high-deductible insurance plan with lower-premiums, making it an excellent way to save money on healthcare. And because your contributions to the fund are tax-free, you can enjoy considerable tax savings. Plus, the interest is tax-free and tax-deferred, so you can use HSAs to supplement your retirement income as well.

TOP 10 REASONS TO HAVE A HEALTH SAVINGS ACCOUNT

- 1. Tax Savings**
You can deduct your HSA deductions from your gross income on your federal tax return, even if you do not itemize deductions. However, California state income taxes do apply.
- 2. Earned Interest**
Funds in your HSA grow with tax-deferred interest.
- 3. Portability**
You own your account, so even if you change jobs, your HSA funds go with you.
- 4. Affordable Health Coverage**
Use your HSA to cover 100% of the cost of routine medical expenses like office visits, lab tests, and over-the-counter drugs (with a prescription only).
- 5. No Cost Withdrawals**
Use your HSA debit card to pay for qualifying medical expenses free of charge. In addition, expenses paid for with another method of payment may be withdrawn by EFT free of charge or stored for future qualified tax-free withdrawals.
- 6. Long-Term Savings**
Because your funds can roll over from year to year, you can let the funds in your account grow tax-deferred. That's why HSAs have been referred to as the "Medical IRA."

7. Retirement Bonus

After age 65, you may make withdrawals from your HSA for any reason without the 20% penalty imposed before age 65 for non-medical withdrawals. (Note: you'll still have to pay taxes on the money.)

8. Safety Net

There is no "use it or lose it" provision, so you can build up the savings in your HSA to use for major health events.

9. Coverage for the "Extras"

You can also use your HSA funds for programs not usually covered by other health plans, including dental, optical, and much more.

10. Empowerment

Take control of your routine healthcare decisions - you get to choose the healthcare and providers that you want.

HIGH DEDUCTIBLE HEALTH PLANS

You must have coverage under an HSA-qualified "high deductible health plan" (HDHP) to open and contribute to an HSA. Generally, this is health insurance that does not cover first dollar medical expenses. The following table illustrates the Federal limits required to qualify for Individual and Family coverage:

Health Savings Accounts	2017 Limit	2018 Limit
Individual		
Annual contribution limit	\$3,400	\$3,450
Minimum deductible for HDHP	1,300	1,350
Maximum out-of-pocket for HDHP	6,550	6,650
Family		
Annual contribution limit	6,750	6,900
Minimum deductible for HDHP	2,600	2,700
Maximum out-of-pocket for HDHP	13,100	13,300
Age 55 to 65		
Annual catch-up contribution limit	1,000	1,000

WHY INNOVA?



- HSAToday® offers 24/7 online access and management, investment tools, electronic receipts and claims storage and professional account assistance!
- The Claims VaultSM is a unique online alternative to "the shoebox" for retaining receipts for future tax-free withdrawals.