# Health Savings Account (HSA) – Tax Advantaged Account

A Health Savings Account (HSA) allows employees enrolled in a High Deductible Health Plan to use pretax dollars to pay for eligible healthcare expenses. Unused HSA funds can also be invested. HSAs are excellent savings vehicles for current and future medical expenses. Plus, they can play an important part in an individual's overall retirement strategy.

| Participant Benefits | Employer Benefits |
|---|---|
| No use-it-or-lose-it rule! Keep HSA funds until ready to use them, with unlimited rollover limits. | Money employers contribute to their employees' HSA accounts is considered a business expense and can be written off on their taxes. |
| Triple tax savings:<br>• Contributions are made pretax.<br>• This reduces take home pay and decreases taxable income.<br>• Participants are not taxed on the money they spend on medical expenses.<br>• Funds can be invested and there are no taxes on invested funds. | Employers will pay reduced FICA taxes as a result of reduced taxable income for employees.<br><br>Money In, Money Out Rule: Participants can't spend more than what has been contributed to the benefit account so employer is never responsible for covering expenses if a participant leaves the company prior to making all of their intended contributions. |

## How the plan works...

### Eligibility

Employees must be enrolled in a qualified High Deductible Health Plan (qHDHP). HSAs may be used with Limited Purpose Healthcare FSA or Limited Purpose HRA but not full ones.

Not eligible if:

- Enrolled in Healthcare FSA, or spouse has a Healthcare FSA
- Claimed as a dependent on another's tax return.
- Enrolled in Medicare
- Covered by VA or IHS benefits and have used their services within 3 months.

### Enrollment

Eligible employees may enroll at any time, but the account will not start until the first of the following month.

### Funding

As an employee-owned account, funds roll over year after year and are kept with the participant. HSA money is never forfeited and participants can maximize tax savings by contributing to the annual limit every year.

## Contributions

- Money In/Money Out - Participants can only spend what has been contributed, minus previous disbursements for requests.
- Participants can change contribution amounts throughout the year - no qualifying event required.
- Participants can also add more money throughout the year by making additional contributions
- Contributions are not taxed as long as the total amount from all sources is within the IRS limit.
- This includes contributions from the employer and anyone other than the participant.
- Participants are responsible for keeping track of contributions throughout the year, making sure not to exceed the yearly election maximum amounts established by the IRS.

| Catch-Up Contributions for Participants aged 55 and Older |
| --- |
| Are allowed to make an additional $1,000 per year in contributions. If a participant and spouse are both over the age of 55, they may each contribute an additional $1,000. Note that to contribute the catch-up, each spouse must have their own HSA. |

## Annual Elections

At enrollment, participants choose an annual election amount. This is the amount they want to contribute to the HSA for the year. The annual election amount is divided across the number of paychecks throughout the year.

Participants should contact their employer to make changes to their annual election. A qualifying event is not required to make a change.

## Eligible Expenses

Eligible Section 213(d) healthcare expenses are covered as determined by employer.

## Verification and Disbursements

Participants do need to submit verification with their requests for reimbursement. Non-covered medical services require a letter of medical necessity. Even though verification is not required, we recommend they keep receipts in case they are audited.

Participants can request a distribution online, through the mobile app, or via paper form (mail or fax). Participants can receive a disbursement without a request on the participant portal or by using the Distribution Request Form (Form HS-6252) to withdraw funds from the HSA.
Funds can be withdrawn for ineligible expenses with penalty.

- If they do this prior to age 65, they will be taxed on the money and face IRS penalties.
- After age 65 penalty is waived.

## Investing Funds

One of the great benefits of an HSA is that unused funds can be invested by the participant, and interest is earned tax-free.

| Funds in an HSA earn interest in two different ways: | |
|---|---|
| Cash Account | Investment Account |
| Money sitting in the cash account earns interest while it is sitting in the cash account. The interest will be applied quarterly. | Funds in the investment account earn dividends, which work the same way as interest, except earnings on dividends fluctuate based on market performance. |

**Sweeps**
Participants can easily move money from their cash account to their investment account by using sweeps. Here's how they work:

After a participant visits the investment portal and makes their investment selections, funds over the cash threshold (regardless of the threshold amount) remain in the cash account until they meet or exceed $100, at that time the entire amount over the cash threshold will automatically sweep to the investment account.

## Compliance – Summary Plan Description (SPD) Required

Before an HSA can be established, the participant must pass the identity verification process and accept the Terms of Use.

Because HSA are employee-owned accounts, they always move with that person no matter where they work.

## How does TASC differ from the competition?

- We offer **Top Rated** mutual funds
- Our cash account ($2,000 min. balance) offers the **highest** interest rate in the industry
- **NO** banking fees
- Participants do not have to submit receipts/substantiation
- Our stand-alone HSA is not tied to a health plan. So, if an employer changes health plans, the participant does not have to change HSAs.
- We offer EDI integration with HRIS/ Payroll partners for **NO** additional fee