

Understanding Health Savings Accounts



The guide to the features and benefits of your new HSA



Horizon
Federal Credit Union

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The information included in this guide is designed to provide a brief overview of Health Savings Accounts in general, and the specific account offered at Horizon Federal Credit Union. The amounts listed in this guide are accurate as of 6.15.2020 and may change as directed by the Internal Revenue Service. Eligibility and tax benefits are informational and may not apply to all individuals. We recommend you consult your tax advisor for specific details.

HSA Overview

A Health Savings Account (HSA), is a specialized tax-advantage account designed to pay for medical prescriptions, doctor visits, and other qualified medical expenses.

HSA Qualification

Not all individuals are eligible to open and contribute to an HSA. To be eligible, individuals must meet the following qualifications:

- Currently enrolled in a qualified Consumer Directed High Deductible health insurance plan.

Qualifications	Individual Plan	Family Plan
Minimum Annual Deduction	\$ 1,400	\$ 2,800
Maximum Out of Pocket Costs	\$ 6,900	\$13,800

- Not currently covered by another medical plan.
- Not currently enrolled in Medicare.
- Not claimed as a dependent on someone else's tax return.

Qualification amounts are for the 2020 tax year and may change for future years. Individuals should consult their tax advisor if they have questions regarding their qualifications for an HSA.

HSA Tax Benefits

Individuals who utilize an HSA can realize three tax benefits.

- 1) Annual contributions are tax deductible.
- 2) Interest earned is tax-deferred.
- 3) Withdrawals are tax-free if the proceeds are used to pay for a qualified medical expense.

Contribution Limits

Much like an Individual Retirement Account, there are annual limits to the amount which can be contributed to your HSA:

Age of Primary Insured	Individual Plan	Family Plan
Under 55	\$ 3,550	\$ 7,100
Aged 55 and over	\$ 4,550	\$ 8,100

- Limits include all contributions made to your HSA, including any contribution made by your employer.
- Limits are based on the tax year. Individuals can make a prior year contribution up to and including the tax deadline date, as long as they were enrolled in a qualified plan for that tax year.
- Limits listed above are for the 2020 tax year and may change for future years.

HSA Flexibility

Unlike other health care accounts, any remaining funds in your HSA rollover from year to year. Since the account belongs to the individual, not his/her employer, individuals can continue to access the account even if they change jobs.

An HSA can also serve as a retirement account. Once you reach the age of 65, you are eligible to withdraw from your HSA for any reason, without penalty. Funds withdrawn that are not tied to a qualified medical expense must still be claimed as taxable income. Please consult your tax advisor for further clarification.

Qualified Medical Expenses

The following is a quick list of the most common qualified medical expenses. A complete list is available in Publication 502 of the IRS guidelines.

- Prescription medications
- Doctor visits
- Emergency medical care
- Advanced medical care
- Surgical expenses
- Medical testing, imaging, radiology, blood work, etc.
- Medical equipment
- Dental care
- Eye Care, including exam, glasses, and contact lenses
- Chiropractic care
- Psychiatric care
- Nursing services
- Fertility treatments

Over-the-counter medication may be considered a qualified medical expense if a doctor prescribes the medication to treat a condition. For example, if you suffer from seasonal allergies which can be controlled by an over-the-counter medication, your doctor can write a prescription for that medication to qualify it for an HSA purchase.

Individuals who withdraw funds without paying for a qualified medical expense will be subject to an IRS early withdrawal penalty of 20%, and must claim the amount as taxable income.

Please consult your tax advisor for further clarification.

Opening an HSA at Horizon

Any individual eligible for membership at Horizon can open a Health Savings Account. Accounts can be opened either by an individual directly or through your company's Human Resources department. Horizon's Health Savings Account offers great benefits, including:

- No minimum balance.
- No service fees.
- Earns dividends at competitive rates. Please refer to the rate page on our website for current rates.
- Debit Card access to make purchases at pharmacy, doctor's offices, dentists, and other medical providers.
- Option to purchase checks.
- Balance and transaction history available through Online Banking and E-Statements.

Please consult your tax advisor for further clarification.

Funding Your HSA

Funding your Health Savings Account is easy. The simplest way is to set-up automatic payroll deductions with your employer. The money will be deducted from each paycheck pre-taxed, and credited to your account. Your employer may make an additional deposit to help fund your HSA. Consult with your Human Resource Department for details.

Individuals may also make deposits directly into their account by:

- branch deposit
- mail deposit
- mobile deposit using the Horizon Mobile Banking app
- online transfer from Horizon checking or savings account
- telephone transfer from Horizon checking or savings account

Remember, total deposits, including any made by your employer, cannot exceed your annual contribution limits.

Accessing the Funds in Your HSA

Individuals can access their Health Savings Account to make qualified medical purchases three different ways:

- **Debit Card.** Your Horizon Health Savings Account Debit Card is the most convenient way to purchase prescriptions, or pay for charges at the time the medical service is provided. If your medical provider sends you a bill, you can also write your debit card information in the "Pay by Credit Card" section.
- **Check.** Individuals can also write a check from your Health Savings Account to pay for bills received from medical providers. Checks are available to purchase separately for your Health Savings Account. Earns dividends at competitive rates. Please refer to the rate page on our website for current rates.
- **Transfer into your Horizon Checking Account.** Individuals have an additional option of transferring money from their HSA into their personal checking account and write a check from that account to pay their medical bills. HSA transfers can be initiated by calling our Account Solutions team, or visiting one of our branches.



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Contact us today to open your Health Savings Account,
or to obtain more information.

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