



insurance.

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## Health Savings Accounts (HSAs)

Statistically, the majority of Americans spend less than \$500 per year on health care. This means that most people have extra funds available for investing in the future, and a health savings account (HSA) is a simple way to simultaneously put money toward health care and grow your money for future use. Opening an HSA allows you to place money into an account specifically to cover qualified medical expenses. You can contribute to an HSA directly from your paycheck, in which case your contributions will be tax-free, or you can contribute after-tax contributions on your own. In this case, you can reduce your taxable income by the amount you put into your HSA. The money that you do not use remains in the account and can be invested in order to grow tax-free, making it a beneficial financial planning tool.

### Am I eligible to open an HSA?

To qualify for an HSA, you must meet the following requirements:

- You must be covered under a high deductible health plan (HDHP)
- In general, you must have no other health coverage
- You must not be enrolled in Medicare
- You must not be claimed as a dependent on someone else's tax return for the previous year

### Contribution Limits (2015)

Self-Only	\$3,350
Family	\$6,750
Catch-Up (55 & Older)	\$1,000

### Annual Deductible Limits (2015)

<i>Minimum</i>	
Self-Only	\$1,300
Family	\$2,600
<i>Maximum</i>	
Self-Only	\$6,550
Family	\$13,100

### What expenses are eligible for reimbursement with an HSA?

HSA dollars may be used for qualified medical expenses incurred by the account holder and his or her dependents. According to the IRS, "[an] expense has to be primarily for the prevention and alleviation of a physical or mental defect or illness." In addition, COBRA premiums, health insurance premiums in conjunction with unemployment benefits, qualified long-term care premiums and health insurance premiums paid by those over age 65 (other than for a Medicare supplemental policy) may be paid with HSA dollars.

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## **Can HSA dollars be used for non-eligible expenses?**

Money withdrawn from an HSA to reimburse non-eligible medical expenses is considered taxable income and is subject to a 20 percent tax penalty unless you are over 65, disabled or the account holder has died.

## **When can HSA dollars be used?**

HSA dollars can be used immediately following your account activation as long as contributions have been made to the account.

## **What happens to HSA dollars at the end of the year?**

The money remains in the account, continues to earn interest and can be used at any time in the future to pay for health care costs.

## **What if I change jobs?**

An HSA is “portable” so it stays with you if you change employers or leave the workforce.

## **Tax Benefits of an HSA**

- Contributions made through payroll deductions are not taxed. If you contribute directly to an HSA, contribution amounts are deducted from taxable income when you file your taxes.
- Interest you earn on investments inside the HSA grow tax-free.
- When you take money from your HSA to pay for qualified medical expenses, the payments are tax-free. ■