

Q&A

Health Savings Accounts

What is a Health Savings Account (HSA)?

A Health Savings Account is an account that you can put money into to save for future medical expenses for you and your family. An HSA works like an IRA, except that money is used to pay health care costs.

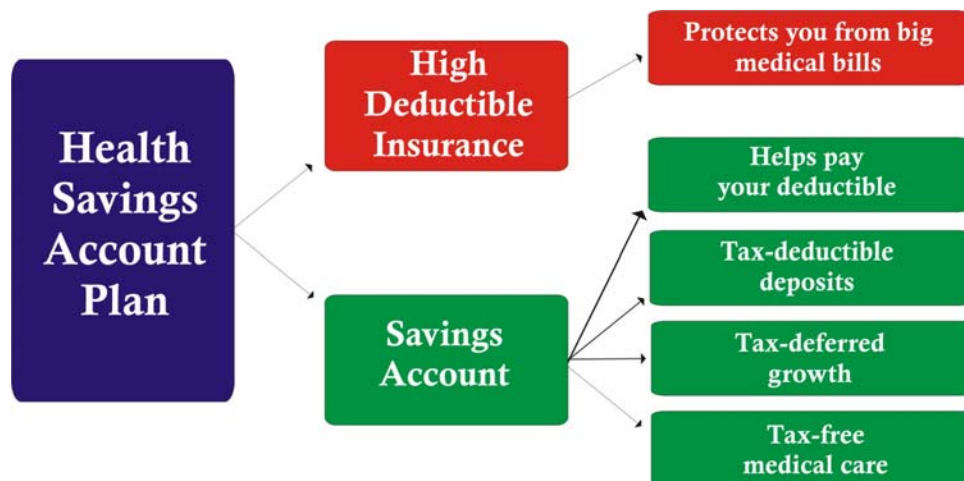
How will an HSA save me money?

An HSA may save you money through lower premiums and tax savings. The money deposited in your account can be used to pay your insurance deductible and other out-of-pocket medical expenses.

What are the additional benefits of an HSA?

Tax Savings. Annual contributions are tax-deductible from federal and even several qualifying states income taxes. Plus, qualified withdrawals are free from federal income tax. **Ownership.** Funds remain in the account from year to year, just like an IRA.

Earned Interest. Dividends earned are tax-free. **Portability.** You, not your employer, own the account so you can always keep your HSA.



Who is eligible to open an HSA?

To be eligible to contribute, the individual:

- Must be covered by a qualifying High Deductible Health Plan (HDHP)
- Cannot be covered by Medicare
- Cannot be covered by other health insurance that is not an HDHP (excluding accident, dental or vision plans)
- Cannot be claimed as a dependent on another person's tax return

What is a qualifying "High Deductible Health Plan" (HDHP)?

For 2010, a HDHP is a health plan with a minimum deductible of \$1,200 for self-only coverage and \$2,400 for family coverage. The maximum out-of-pocket expenses for allowed costs must be no more than \$5,950 for self-only coverage and no more than \$11,900 for family coverage. Other restrictions may apply.

What can I use my HSA funds for?

Funds used to pay for the following are tax-free and penalty-free:

- Qualified medical expenses such doctor visits, prescription drugs, and over-the-counter medicines. (See IRS Publication 502: Medical and Dental Expenses).
- COBRA insurance
- Qualified long-term care insurance and expenses
- Health insurance premiums for individuals receiving unemployment compensation
- Medicare and retiree health insurance premiums, but not Medicare Supplement premium

Funds may be used for eligible expenses for your spouse or dependents, even if they are not covered by the HDHP.

How do I access the funds in my HSA?

Funds may be accessed with an HSA debit card, HSA checks (there is a fee for this service) or by withdrawing funds at your local branch. Contact your local representative for complete details.

How much can I contribute to an HSA?

You can make a contribution to your HSA each year that you are eligible. For 2010, you can contribute up to \$3,050 for an individual or \$6,150 for a family. If you will be 55 or older by the end of 2010, you may contribute an additional catch-up contribution of \$1000.

Can any unused funds be rolled over each year?

Yes. Your funds will accumulate without a maximum cap.

What happens at age 65?

When you turn 65 you become eligible for Medicare. If you enroll in Medicare, you may no longer contribute to your HSA. You may use your existing HSA funds to pay qualified medical expenses. You may withdraw any amount from your account for any reason, penalty free (though you must pay income taxes on the withdrawals at that time).

What happens to my HSA when I die?

If you are married, your HSA will pass to your surviving spouse, tax-free. If you are unmarried and do not have a named beneficiary, the money is disbursed to your estate and is subject to any applicable taxes. Funds paid to a non-spouse beneficiary are also subject to applicable taxes.

Where can I open my HSA?

You can open an HSA at your Credit Union. We offer Savings, Checking and Health Investment Fund accounts. To open your account, please contact your local representative or a call center representative at 877-325-CU4U(2848).