

Managing Health Care Costs

Health Savings Account



Live better

Designed to work with a qualifying high-deductible health plan (HDHP), a Health Savings Account (HSA) is a great way for eligible individuals to save for qualified medical expenses. An HSA offers unparalleled tax benefits that can be used in a variety of ways to help you reach your financial goals and live better.

What is an HSA and how does it work?

An HSA is an account you can put money into to save for medical expenses. You control this money and decide how you want to spend it to cover your health care needs.

Your HSA works in tandem with a high-deductible health insurance plan. Your HSA dollars can be used to help pay the insurance deductible and qualified medical expenses, including those not covered by the health insurance, such as dental and vision care. Each year, you are allowed to make contributions to pay for current and future health care costs. Your contribution limit depends on whether you have self-only coverage or family coverage. What you don't use in any given year will stay invested and continue to grow tax-free, assuming you eventually utilize the funds for qualified medical expenses.

Am I eligible to contribute to an HSA?

In order to contribute to an HSA, you must meet the following criteria:

- You must have coverage under an HSA qualified High-Deductible Health Plan (HDHP). If you aren't sure if your HDHP is qualified, contact your medical plan provider.
- You must have no other coverage that is not an HDHP.
- You must not be enrolled in Medicare.
- You cannot be claimed as a dependent on someone else's tax return.



What are the benefits of having an HSA?

- **Significant tax benefits.** Contributions are tax-deferred, funds grow tax-free and distributions for qualified medical expenses are not taxed. Consult a tax professional for advice regarding HSAs and how contributing may benefit your tax situation.
- **An HSA can pay for prior year medical expenses.** As long as the HSA was established before you incurred the medical expenses, an HSA can be used to reimburse that expense years later.
- **An HSA can provide retirement benefits.** Once you have reached the age of 65, if your qualified medical expenses did not exhaust your HSA balance, distributions can be made from an HSA for non-medical expenses without penalty.
- **An HSA can pay for COBRA premiums.** According to the IRS, an HSA generally cannot be used to reimburse the cost of health insurance premiums – COBRA is the exception to the rule.

- **An HSA can pay for Medicare premiums.** An HSA can be used to pay for Medicare Part B, Part D and Medicare Advantage premiums, as long as you're 65 or older (Medigap is not an eligible expense). Once over 65, you can also use your HSA to cover employee premiums at work.
- **Options for self-directed investments.** Invest wisely and potentially grow your savings for health care or retirement.

What are the 2022 contribution limits?

HSA contribution limit (employer and employee)	Self-only: \$3,650 Family: \$7,300
HSA catch-up contributions (age 55 or older)	\$1,000

When is the deadline for contributing to an HSA?

The deadline for regular and catch-up HSA contributions is your federal income tax filing due date, excluding extensions (usually April 15th).

If my employer contributes to my HSA, can I contribute also?

Yes, however, the total of what your employer contributes and what you contribute must not exceed your annual contribution limit.

What if my coverage changes during the year? Can I still contribute?

Yes! Depending on when you change your coverage, you will be able to contribute, though the contribution limit may be pro-rated. We recommend consulting a tax professional to help you determine how much you can contribute.

Are my HSA withdrawals taxed or penalized?

If you use any withdrawal for anything other than a qualified medical expense, it will be taxed. A 20 percent penalty also applies unless you have reached 65 years of age, or are disabled. The 20 percent penalty is waived when distributions are made to HSA beneficiaries after the death of the owner.



Keep in mind that you can withdraw from your HSA even if you are not currently eligible to contribute, and your withdrawals will still be tax and penalty free if used for qualified medical expenses.

What is considered a qualified HSA expense?

Qualified medical expenses generally include payment to doctors, dentists, optometrists, prescriptions, imaging (such as MRIs), medical services (such as home care) and medical equipment or supplies. You can also use the funds to reimburse yourself for any qualified medical expenses that your insurance didn't cover and you had to pay out-of-pocket. Examples of medical expenses that do not qualify include over-the-counter medications, cosmetic surgery, nutritional supplements and teeth whitening. For a complete list of qualified medical expenses, visit the IRS website at www.irs.gov.

How can I manage my HSA expenses?

Your HSA will be available in online banking in order for you to easily manage your transactions. You may also take advantage of MYINSIGHT, which is an online tool to help you manage all of your accounts in one convenient place.

How do I open an HSA?

Opening a Health Savings Account is easy. Stop by your local branch or call our Member Service Center at 800-482-9009.

How do I contribute to my HSA?

TFCU makes it easy to contribute to your HSA account. You have the option of setting up automatic payroll deductions, you can transfer funds by phone via the Member Service Center, or stop by any local branch and make a deposit.

How do I access my HSA funds?

You have a variety of options! We offer a free check card exclusively for your HSA. You may also access your account through online banking or at any one of our branches. In addition, you can order checks for your HSA account by visiting one of our branches or calling our Member Service Center at 800-482-9009.

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