



Frequently Asked Questions

What is a Health Savings Account?

Health Savings Accounts (HSAs) are investment accounts designed to help individuals save for qualified medical and retirement health expenses (as defined by the IRS) on a tax-advantaged basis. Any adult who is covered by a qualified high-deductible health plan (HDHP), and is not covered by any other plan that provides any of the same benefits as the qualified HDHP, may establish an HSA. Created by the Medical Prescription, Improvement and Modernization Act of 2003, and signed by President Bush on December 8, 2003, HSAs are designed to help individuals save for qualified medical and retirement health expenses as well as for businesses to be able to provide affordable health insurance plans with income tax benefits.

HSAs are portable, the account can travel with an employee from job to job, and funds can accumulate without the annual use-it-or-lose-it requirement of a Flexible Spending Account, enabling contributions and earnings to accrue tax-free, just like an Individual Retirement Account (IRA). Funds distributed from the HSA are not taxed if they are used to pay qualified medical expenses. To encourage saving for health expenses after retirement, individuals age 55 and older are allowed to make additional catch-up contributions to their HSAs.

Who can have an HSA?

Anyone covered by a qualified high-deductible health plan who is not covered by another health insurance plan, including Medicare, and is not claimed as a dependent on another person's tax return is eligible to establish an HSA. Qualified high-deductible health plans are those with a minimum deductible of \$1200 for individuals (annual deductible plus out-of-pocket expenses cannot exceed \$5950) or \$2400 for families (annual deductible plus out-of-pocket expenses cannot exceed \$11,900).

Can self-employed individuals have an HSA?

HSAs are often advantageous for the self-employed and for sole proprietors because:

- High-deductible health insurance plans generally have modest premium costs.
- The individual is protected against potentially catastrophic healthcare expenses.
- The HSA may serve the dual purpose of providing for both medical and retirement expenses.

What are the benefits of an HSA?

You, your employer, or both may contribute to your HSA. However, the total contributions are limited annually. The maximum contribution is \$3050 for individuals, \$6150 for families, regardless of the health plan deductible. (Dollar amounts are adjusted for inflation each year.)

- Distributions can be used for qualified medical expenses such as medical services, hospital costs, prescription drugs, dental and vision care, long-term care insurance and health insurance premiums during any period of unemployment.
- Spouses or dependents can also use the money for qualified, un-reimbursed medical expenses.
- Unspent balances accumulate year after year.

What are the advantages of an HSA?

- **Security** - Protect against high or unexpected medical bills.
- **Affordability** - Switching to health insurance with a higher deductible lowers health insurance premiums.
- **Flexibility** - Use funds from the account to pay for current medical expenses, including those not covered by insurance, and future needs.
- **Savings** - Grow your account through investment earnings.
- **Control** - You decide about how much to put into the account, which institution will hold the account, and which investments to make.
- **Portability** - Keep your HSA even through changes in employment, medical coverage, marital status, and state residency.
- **Ownership** - Funds remain in the account from year to year, just like an IRA. There are no "use-it-or-lose-it" rules.
- **Tax Savings** - Contributions are tax-deductible, and earnings and withdrawals for qualified medical expenses are tax-free.

Can HSA money be used for non-medical expenses?

If distributions from an HSA are used for non-medical expenses, the amounts will be taxed and subject to an additional 10% tax penalty. Those not subject to the 10% penalty include: people age 65 and older, disabled persons, and those who inherit an HSA upon the death of the account holder.



Open an HSA in Five Easy Steps

Step 1: Establish Eligibility

- As an individual account-holder, you are responsible for determining your eligibility to establish a health savings account. To help you do this, you must first complete an HSA Eligibility and Information Form.
- You must also have a qualified high deductible health plan (HDHP) in place prior to opening your HSA.
- We strongly urge you to confirm your eligibility with your tax accountant, attorney, or benefits consultant prior to opening an account.

Step 2: Complete the Health Savings Account Application

An Account Opening Checklist is included in the Health Savings Account (HSA) Owner's Manual. We recommend that you use it as a guide to ensure that all needed documentation is properly completed. Stop by or email hnbinfo@hnbanks.com to request a copy today.

Step 3: Open your HSA with HNB Bank

Within 48 hours, HNB Bank will open your account and you will be able to begin making contributions. A confirmation will be sent to you via email or phone upon your account opening. You will need to stop by one of our convenient locations to complete your signature card and other required account documentation.

- \$100 minimum balance to open
- No monthly service fee for our checking customers*
- No minimum balance fee. Instead, a \$25 hold will be placed on your HSA balance to maintain the account. This means that your available balance for check writing and debit card transactions will be \$25 less than your actual balance. The bank reserves the right to close your account if you allow the balance to fall below \$25 for three consecutive months.
- Unlimited transactions
- Free eBanking, eBill Pay, and eStatement
- No annual fee MasterMoney™ Debit Card (separate application required)
- No fee Automatic Savings Plans
- Safe. Secure. FDIC Insured
- Direct Deposit Service
- Competitive rate based on your balance

*Fees may reduce earnings. We reserve the right to limit deposit amount. A \$25.00 early closing fee may be imposed if account is closed within the first six (6) months of plan set-up.

Step 4: Use your Health Savings Account

To use your HSA, you can simply write checks or use your debit card for eligible medical expenses. You can also receive reimbursements by submitting a withdrawal form to HNB Bank.

HNB Bank, n.a.
Attn: Health Savings Account Administrator
100 North Main
Hannibal, MO 63401

573-221-0050
hnbinfo@hnbanks.com
hnbanks.com

Step 5: Reap the Tax Benefits

Qualified contributions can be deducted from your gross income upon filing your Federal Income Tax return (see your tax advisor for additional information).

More Health Savings Account Information is also available by visiting:

- U.S. Department of the Treasury: www.treas.gov/offices/public-affairs/hsa/
- Internal Revenue Service: www.irs.gov

