

HSA for America's Guide to Health Savings Accounts

About Health Savings Accounts

A Health Savings Account (HSA) is a tax-favored savings account combined with a qualifying high-deductible health insurance plan. By allowing you to deposit tax-deductible funds into an account that you can use to cover medical costs, HSAs enable you to save money while taking control of your own health care decisions.



First you must have a high-deductible health insurance plan that qualifies to be partnered with an HSA. These plans are available through various insurance companies, depending in what part of the country you live. The plans are all similar in the fact that they have deductibles between \$1,050 and \$5,250 for singles, and between \$2,100 and \$10,500 for families.

Once your insurance policy has become effective, you may fund your Health Savings Account. Any money deposited in the account is tax deductible. The money can be withdrawn any time, tax-free, to pay for a medical expense. If the funds are not withdrawn, they grow tax-deferred like an IRA.

Health Savings Accounts are simple and easy to understand. They enable you to lower your health insurance premiums and reduce your income taxes.

Tax Deductible Contributions

HSAs allow you to legally avoid federal income tax by saving 100% of the health plan's deductible, up to \$2,700 for singles or \$5,450* for families, into your HSA account. Whatever you deposit into your account up to April 15, is an "above the line" tax deduction for the previous year's income taxes, meaning you get a federal income tax deduction for money you put in even if you don't itemize deductions. If your employer makes an HSA contribution for you, it is "excluded" from income, and not subject to any income tax or FICA. Either way, this will immediately reduce your federal income tax due for the year.

*Maximum for a family in 2006. Individuals over age 55 may deposit into their account and take a tax deduction of an additional \$700 in 2006, \$800 in 2007, \$900 in 2008, \$10,000 in 2009. This "catch up" provision is scheduled to end after 2009.

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Tax-subsidized Medical Expenses

Even though you have received a tax deduction by putting your money into this account, the money is still yours to spend tax free, as long as you spend it on qualified medical expenses. Since you have a high-deductible plan, this would of course include any expenses you incur from going to the doctor, purchasing prescription drugs, or paying other expenses toward your deductible. Once your deductible is met, the health insurance covers your medical expenses as defined in the policy.

In addition to being able to withdraw your money tax free to cover these types of expenses (which might otherwise be covered by a traditional low-deductible high-premium policy), you can use your HSA account to cover other costs that would not normally be covered by a health insurance policy.

These include:

Dental expenses. Individuals can typically only purchase dental discount plans, or fairly expensive dental policies with a limited choice of dentists. Coverage for braces is normally very limited. Any of these medically necessary procedures can be paid for from your HSA account.

Mental therapy. This includes the charges of psychiatrists, psychologists, psychoanalysts, and psychotherapists.

Physical therapy. This could include hydrotherapy, chiropractor services, or medical massage therapy.

Alternative treatments. This could include acupuncture, Ayurvedic Medicine, aromatherapy, homeopathy, Traditional Chinese Medicine (TCM), nutritional consulting, or even healing services provided by a Christian Science Practitioner or other type healer.

Transportation and lodging expenses, when related to health care.

Charges incurred as part of a preventative health program. This could include vaccines, blood tests, metabolism tests, and other lab tests, and even fees paid to a health institute or vitamins if prescribed by a doctor.

Nonprescription medications, such as aspirin or cough syrup.

Special fees incurred by handicapped individuals including wheelchairs, telephone or TV equipment to assist the hard-of-hearing, the cost and care of guide dogs, or special school costs for the handicapped.

Maternity expenses that are not covered by your health insurance policy.

Insurance premiums to pay for qualified long-term care.

Also note that the HSA account can be used to pay these expenses for any spouse or dependent member of the family, even if they are not covered under the insurance policy.

More complete information can be found in IRS Publication 502, or at www.HSAforAmerica.com.

Premium and Tax Savings

Health Savings Accounts can help you save money on both your insurance premiums, and your income taxes. Because HSAs must be paired with a high-deductible premiums are normally much lower than a typical plan that has a \$500 deductible. And there is currently no other investment that offers a tax deduction today along with a tax-free withdrawal tomorrow. The savings from the lower premiums along with the tax deductions could be \$5,000 or more every year. In fact, some people save enough money on their taxes to entirely cover the cost of their premium.

In addition to the tax and premiums savings shown above, self-employed individuals are also eligible to deduct 100% of their health insurance premiums from their federal income tax. Also, most states allow you to deduct HSA contributions when calculating state income taxes.



	TYPICAL NON-HSA PLAN Individual Deductible \$500	TYPICAL HSA PLAN Aggregate Family Deductible \$5,250
PREMIUM PAID	– \$7,630	– \$2,636
YOUR SHARE OF MEDICAL EXPENSES (<small>\$1,500 CLAIM</small>)	– \$700 <small>\$500 for deductible, \$200 for coinsurance</small>	– \$1,500
NON-COVERED MEDICAL EXPENSES	–\$550	–\$550 <small>(dental and eye wear expenses)</small>
EXPENSES SUBTOTAL	= –\$8,880	= –\$4686
TAX SAVINGS ON HSA DEPOSITS <small>(Assumes a 28%** tax bracket on deposit of \$5,250, the maximum contribution allowed with a \$5,250 deductible)</small>	+ \$0	+ \$1,470
NET EXPENSES <small>(out-of-pocket minus savings)</small>	– \$8,880	– \$3,216
TOTAL NET SAVINGS WITH HSA PLAN		= + \$5,664

The chart above shows a typical example of how much a family could save in premiums and taxes by switching from a \$500 deductible policy, to a high-deductible plan combined with a Health Savings Account.

The example above is based on an average health insurance premium of a family of four living in a metropolitan area, covered medical expenses totaling \$1,500, and \$550 in expenses for vision and dental care. Health insurance premiums vary substantially based on age, geographic location and other variables. Federal tax savings calculations assume that contributions are deducted from federal taxes. Withdrawals for nonqualified expenses prior to the age of Medicare eligibility are subject to a 10% penalty by the IRS.

Long-Term Savings

A particularly appealing aspect of HSAs is that they encourage individuals to stay healthy. Any money from your HSA account that is not used to pay medical expenses is yours to keep. The money grows in the account free from federal taxes and remains free from federal tax when you take it out and use for qualified medical expenses. There is a 10% penalty if the funds are withdrawn before age 65 for a non-medical expense, but after age 65 they can be withdrawn penalty-free for any reason (you do pay income tax on the money withdrawn).



Because all your deposits that are not used to pay medical expenses grow tax-deferred, the investment opportunity is tremendous. Potential return of course depends upon the interest rate at which your investment grows, and on how much of your deposit is used to pay medical bills. Investments can be placed in savings accounts paying 1 - 4%, or in stocks, bonds, or mutual funds, with higher potential returns.

MEDICAL EXPENSES PER YEAR	4% ANNUAL RETURN	10% ANNUAL RETURN
\$0	\$149,914	\$488,265
\$500	\$121,458	\$395,585

*Individual's Savings HSA Growth Over 30 Years.
Based on a maximum yearly contribution of \$2,750.*

If you regularly fund your HSA, stay healthy, and do not use a lot of medical care, a substantial amount of wealth can accumulate in your account.

These savings are based on 4% and 10% interest rates. Your interest rate will of course vary depending on your investment and the prevailing market conditions. There are many companies that can administer your Health Savings Account. Some offer a fixed interest rate, while others allow you to place your investment into a variety of stocks, bonds, or mutual funds. For a detailed list of HSA administrators we recommend, please visit our web site, www.HSAforAmerica.com. To calculate the future value of your account, you can go to http://www.hsabank.com/accountholders/tax_savings_calculator.asp?id=69495

How to Choose an HSA

1. Run instant quotes at www.HSAforAmerica.com.

2. Choose a High Deductible Health Plan.

Most HSA plans are very similar, due to federal regulations that control the types of plans that can be offered. Here are some things to consider when comparing plans:

Deductible: All HSA plans have deductibles between \$1,050 and \$10,500, and they all cover hospitalization. Most plans also cover doctor visits and outpatient prescriptions after the deductible has been met. Lower rates can sometimes be obtained by choosing the American Medical Security Plan without wellness benefits, or the Golden Rule Saver plan. Not all

MEDICAL EXPENSES PER YEAR	4% ANNUAL RETURN	10% ANNUAL RETURN
\$500	\$268,944	\$875,939
\$1,000	\$240,002	\$781,676

*Family's Saving HSA Growth Over 30 Years.
Based on a maximum yearly contribution of \$5,450.*

plans are available in all states – please see www.HSAforAmerica.com for a quote on all available plans in your area.



Aggregate deductibles: All HSA plans have an aggregate family deductible, meaning that each individual family member does not have to reach the deductible. Plans from Humana also have a lower individual deductible, where coverage can then kick in before the family deductible is met.

Organ transplants: A few companies, including Assurant and Golden Rule, place \$100,000 limits on organ transplants. Most companies do not limit this expenditure, other than by the lifetime maximum.

PPO network: Different companies use different PPO Networks. Also, some companies, including Assurant, American Medical Security, Imerica, and Unicare, charge an extra deductible for out-of-network expenses. Most of these PPO networks are very large, but you may want to check to make sure your doctor and hospital is in the network before applying.

There can be other relatively minor differences, including rate guarantees, air ambulance coverage, or routine physical coverage (after meeting the deductible).

Insurance company rating: A.M. Best is an independent rating organization that rates insurance companies and publishes opinions about them based on their financial strength. Ratings for all the insurance companies we represent can be found on our website.

3. Apply for Health Insurance.

You can apply for most plans online, or download an application and fax or mail it to us.

4. Open your Health Savings Account.

After getting your insurance in place, you'll want to go ahead and open your HSA. You can place your money with any HSA Administrator, regardless of who you get your health insurance through. Some administrators just offer savings accounts, while others offer mutual funds or even complete investment services. You can get complete information through our website, and download an application for whichever administrator you choose.

5. Contact us if you need any assistance.

By setting them up with an HSA plan, we have helped thousands of individuals and families save up to 50% on their health insurance, and shelter up to \$5,450 from federal income taxes, state income taxes, and social security taxes. If you need assistance in choosing a plan, we would be happy to help. Just call our office and let the receptionist know that you'd like to schedule a telephone appointment.

We'll help you choose a plan, apply for coverage, and even set up your HSA. We're knowledgeable, friendly, and easy to deal with.

You can reach us in the following ways:

Email: info@HSAforAmerica.com

Toll-Free Phone: 800-707-9849

Toll-Free Fax: 866-284-0082

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Why HSAs Are Good for America

Health Savings Accounts are one of the best things to come out of Washington in a long time. By promoting a free-market approach to healthcare, HSAs encourage several things that are positive for America's future:

HSAs encourage price-competition among pharmaceutical companies, doctors, hospitals, and other healthcare providers. Because most first-dollar expenses are paid for by a third party (insurance companies) instead of the consumer, medical expenses have soared out of control. Individual consumers are better able to decide how and where to spend their health care dollars than are insurance companies. People who buy medical services using their personal HSA funds will shop around for the best value for their dollars, and health care providers will be required to charge competitive rates in order to compete for patients.

HSAs encourage people to take better care of their health. Our previous system has led to a population that has the highest rates of diabetes, heart disease, and other degenerative diseases in the world. By making many preventative expenses eligible for coverage through HSA accounts, and by letting people keep any money they don't use, HSAs provide a powerful incentive for people to take a more proactive approach to their own healthcare.

HSAs encourage medical innovation. Only by giving individuals the freedom to make their own choices can we as a society learn of the best solutions. By allowing the use of HSA funds to pay for alternative, holistic, and preventative treatments, innovation and investment will be encouraged in areas where the current system has failed to find solutions.

The end result should be a healthier populace with access to a wide choice of treatment options.

" We are experts on every aspect of Health Savings Accounts. Please let us show you how you can save insurance premiums and taxes by setting up an HSA-qualified health insurance plan."

Wiley Long, President