

# Health Savings Account



## What is a Health Savings Account?

A Health Savings Account (HSA) is an individual savings account that is paired with a qualifying high-deductible health plan. HSAs allow the account holder or their employer to deposit money into the account and to use those funds (*which are tax deductible*) for qualified medical expenses including insurance co-pays, deductibles and COBRA insurance premiums.

Contributions to your HSA can be made either pre-tax through your employer's cafeteria plan or are tax deductible much like IRA contributions. Income earned on funds in an HSA is tax-deferred.

## High Deductible Health Plan

HSAs require the account holder to belong to a qualified high-deductible health plan. A high-deductible health insurance policy is designed to insure for catastrophic events, while you pay for smaller expenses until your deductible is met. Contact your tax professional to determine if your health plan qualifies you for an HSA.

## Eligibility Requirements

### To qualify for an HSA:

- You must be covered under a high-deductible health plan (HDHP)
- You must not be covered by another health plan (*certain supplemental programs excepted*)
- You must not be eligible for Medicare
- You may not be claimed as a dependent on another person's tax return

### When opening your HSA you must:

- Verify that you have a qualifying HDHP (*speak to your tax adviser, insurance agent or employer to determine if you qualify*)
- Complete all HSA account opening forms. Please visit any of our convenient offices to open your account!

## PremierWest Bank HSA Features

- An HSA can only have one owner, but your contributions and disbursements can be for your family
- You will receive monthly image or safekeeping statements
- Direct Deposit
- MasterMoney Debit Card. No fees to use.
- Online Banking/Online Bill Pay
- Free use of PremierWest ATMs
- 24/7 TeleBank Phone Banking access
- Check writing capability is available for a monthly service charge.
- Combined Statements
- ACH (*such as insurance premiums*) can be automatically deducted

## Benefits of a PremierWest Bank HSA

### Contributions:

- Can be made by the account holder, family member and/or employer.
- Maximum yearly contributions (and associated tax deduction) are determined as follows: **Currently for individuals, it is \$3,100, and for families it is \$6,250 (for tax year 2012).**
- Catch-up contributions are available to individuals and spouses who are between the ages of 55 and 65

### Tax Benefits:

- Contributions can be made pre-tax through a Cafeteria Plan or as an above the line tax-deduction (*similar to an IRA*)
- Interest and/or earnings on the assets grow tax-deferred
- Distributions are tax-free if used for qualified medical purchases

### Allowable Distributions:

- Money saved in an HSA can be used for qualified medical expenses (*see IRS Publication 502*)
- HSA funds can be used to pay COBRA or other medical insurance premiums during periods of unemployment or temporary lay-off
- **After age 65** HSA funds may be withdrawn for non-medical reasons but are taxed as regular income
- **Before age 65** HSA funds may be withdrawn for non-medical reasons but are treated as taxable income and carry a tax penalty.

### Peace of Mind:

- It's convenient and safe
- It saves you money and time
- It earns you money



*People doing business with people.*

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