



**Take Control Of Your Health And Financial
Fitness With A Health Savings Account
From IncredibleBank**

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Introduction To Health Savings Accounts

Welcome to the world of Health Savings Accounts commonly known as an HSA. These are accounts designed to help the account-holder save on out-of-pocket medical expenses related to their high deductible health insurance plans through various tax advantages. Contributions to HSAs are tax-deductible and withdrawals for qualified medical related expenses are also tax-free.

An HSA from IncredibleBank allows you to open your account with no upfront deposits. Other benefits of an HSA include:

- The account is yours, you own it, your employer, if you have one, does not own the account. That means if you change jobs or retire, the funds stay with you.
- You have the flexibility to choose your own healthcare provider, services and products. Shopping around is always a tremendous benefit.
- The funds you don't use in your HSA rollover to the next year, and years after, earning tax-free interest every year.*

* This information does not constitute tax advice, and the taxation of HSAs by each state varies and may be subject to change. For more information, please contact your tax advisor or refer to the complete tax forms and [IRS Publication 969](#). Please keep in mind that your state might have additional applicable tax rules. Always refer to your state's tax guidance regarding HSA filing and taxation.

Now, let's set the record straight – some people confuse an HSA with an FSA. An FSA is a Flexible Spending Account and differs significantly from an HSA. While both FSAs and HSAs allow people to save for their medical expenses on a tax-advantaged basis by using pretax money to pay for qualified medical costs, FSAs are limited as to how much money can rollover from one year to the next whereas HSAs don't have the same "use it or lose it" requirement. Annual contributions you make to an FSA may also be lower than that of an HSA. Another significant difference is that you control an HSA while FSAs are less flexible and are owned by an employer. So, if you leave your job, the funds in your FSA might be forfeited while any funds in your HSA are yours to keep and transfer into another HSA.



You Must Qualify Before Anything Else Happens

In order to maximize your wealth, you must first qualify for an HSA. In order to do this, you'll need a high-deductible health insurance plan (HDHP). For the year 2020, this is defined by the IRS as a health insurance plan with a deductible of at least \$1,400 of coverage for an individual, or \$2,800 for a family. You should always review IRS guidelines for complete detail and exceptions.

Your health plan also needs to conform to an out-of-pocket maximum. For 2020, the out-of-pocket maximum for an HSA qualified health plan can't be more than \$6,900 for individual coverage or \$13,800 for family coverage.

These requirements can change from year-to-year so ask your employer or health insurance provider about the present requirements. But remember this, you must qualify from one year to the next so you can't make additional contributions in one year and expect to make them in the following year if you don't have the right plan. If you do or can qualify for an HSA, you'll be well on your way to achieving a very useful and significant retirement investment.



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There Are **Fixed Limits** To What You Can Contribute

Contribution levels can change each year, but currently you can contribute \$3,550 to your account if you're an individual or \$7,100 if you're a family. And don't forget this, if you are 55 or older, you can make a one-time, \$1,000 "catch-up" contribution to your account.

However, when it comes to HSAs, there's no double-dipping. If you have an employer making contributions to your account, those contributions count toward your annual limit. So, if it's a 50-50 benefit, you'll be able to contribute \$1,775 as an individual and \$3,550 as a family. Typically, you'll have until the April 15 tax filing date to make contributions to your HSA.

What Can **HSA Funds** Be Used For?

Here is a brief list of what the funds can be used for, but the IRS published [a complete list found here](#):

- Office-visit co-payments
- Health insurance deductibles
- Dental expenses
- Vision care (eye exams and eyeglasses)
- Prescription drugs and insulin
- Medicare premiums
- Hearing aids
- Hospital and physical therapy bills
- Wheelchairs and walkers
- X-rays



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Using Your HSA As An Investment

Health Savings Accounts are a relatively new investment vehicle, having been available for deposits and investments in 2003. According to a 2019 [report from Devenir](#), a company that tracks HSA usage in the U.S., people are putting more money than ever into their HSAs. In fact, in 2021, it is anticipated that there will be over \$88 billion in deposits and investments in HSA accounts and their usage is dramatically increasing by as much as 12% year-over-year. You should view your HSA as another investment resource like a 401(k) or an IRA.

Remember, your employer or insurance provider might assist you with opening an HSA, and that's when the real returns begin; particularly when your employer contributes to your HSA on your behalf. It's important to capitalize on this key benefit just like you would take advantage of a 401(k) matching benefit. Then, if you're enrolled in a high-yield HSA, like the one offered by IncredibleBank, your returns can be significant.

Triple Tax Benefits

There are three tax advantages to an HSA. They are:

1. Your contributions are tax-deductible up to your annual maximum
2. Just like an IRA or 401(k), your invested HSA funds grow tax-deferred
3. When you withdraw from your account for eligible health-related expenses, those are 100% tax free



The Magic Happens At Age 65; That's How You Maximize Your Wealth

If you're younger, you should begin to start contributing the maximum amounts into your HSA because you could see a retirement windfall after you turn 65 years old. People forget that an HSA is not just a medical tax advantage, but also a valuable retirement asset like an IRA or 401(k).

Here's what happens: before age 65, the money in an HSA can only be used tax-free for qualified medical expenses. If you withdraw your HSA funds for anything else, the money will be taxed, and you will pay a 20% penalty on top of the taxes. After age 65, how you decide to use your HSA funds becomes far more flexible. Now you can use that money for other retirement essentials and pleasures.

Health insurance premiums: you can use your HSA funds tax and penalty-free to pay premiums for health coverage or for Medicare.

Nonmedical retirement expenses: although money used for nonmedical expenses will be subject to federal and state income taxes (in most cases), after age 65 you will not be subject to the 20% penalty fee when you use your HSA for other expenses.

If you are enrolled in Medicare, your eligibility will end for HSA contributions. However, your options expand for using the money that you have saved in the account. Travel, buy things, or use the money to improve your retirement in ways you never thought imaginable.

The point is this. Open an IncredibleBank HSA as soon as you can. Contribute to it at the annual maximum levels. Let it earn interest. And then when you're 65 years old, use it for any expenses, medical or otherwise.



Why Choose IncredibleBank For An Incredible Health Savings Account?

As a leader in high yield HSA offerings, IncredibleBank makes it simpler and better for:

- Using your HSA for health care expenses
- Earning interest on tax-deferred retirement savings
- Tax reporting distributions and contributions
- Helping you with your account transfer and answering all your questions with IncredibleBank HSA Specialists
- Potentially reducing fees if you have multiple accounts; all in one place is always better

Questions? Contact An IncredibleBank Health Savings Account Specialist Today At 877-261-4750 To Assist You With Transferring Your HSA Funds To IncredibleBank.

This eBook is being distributed for informational-only purposes and is merely intended to serve as an overview. The information provided is not intended to serve as an exhaustive list of IRS rules pertaining to HSA or our terms. As each individual's circumstances may be unique, information provided may not apply to all individuals and/or circumstances. For more detailed information, please refer to www.irs.gov or consult a financial advisor.



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