

Health Savings Accounts

MainSource's Health Savings Account (HSA) provides a tax advantaged method to save and pay for qualified medical expenses.

Reason to Use

PREPAREDNESS

Money can be contributed before qualified medical expenses are incurred.

When needed, the money will be there.

NO "USE IT OR LOSE IT"

When a deposit is made into your HSA, it stays there until you use it. The money rolls year after year.

Save a bucket of money for qualified medical expenses even into retirement.

TAX DEDUCTIONS¹

HSA contributions are tax deductible.

Funds deposited from your paycheck into your HSA avoid taxes.

Funds deposited outside your paycheck are tax deductible.

FAMILY COVERAGE

Funds can be used to pay for qualified medical expenses of anyone you claim on your tax return.

EARN INTEREST

Interest earned tax-free.

Owner Responsibilities

TRACK YOUR ACCOUNT

Ensure that funds are available and overdrafts are avoided.

Overdrafts may result in penalties and negative tax consequences to you.

Overdrafts may result in account closure.

Review for errors with your account.

Remedies may be available for mistaken distribution.

CONTRIBUTION LIMITS

Be aware of the annual contribution limit and don't exceed it.

Employer contributions count toward the limit.

Exceeding contribution limits may result in taxes and penalties on the excess amount.

MAKE DEPOSITS

Paycheck contributions.

Employer match contributions.

Other contribution sources.

Contributions until tax filing deadline.

BENEFICIARY DESIGNATION

Designate a beneficiary

IRS REPORTING¹

Keep receipts, statements, etc for qualified expenses paid.

Payment of non-qualified expenses may result in penalties and negative tax consequences to you.

Keep records of existing High Deductible Health Plan.

Make the Most of your Health Savings Account



HSA is employee-owned



Money rolls over year after year



Employee chooses contribution dollars



Must be enrolled in high-deductible health plan



Contributions are deposited, grow and withdrawn tax-free

How it Works

DEPOSIT DOLLARS²

Paycheck, Employer Match, Other Contribution Sources

TAX SAVINGS²

Contributions are tax deductible, qualified distributions are tax free, and interest earned tax free

PAY FOR HEALTH CARE

Qualified Medical Expenses Now or Later

Frequently Asked Questions

What is a Health Savings Account?

A Health Savings Account (HSA) is a deposit account that allows individuals to deposit pre-tax funds into an account to be used for qualified medical expenses.

Who is eligible to establish a Health Savings Account?

To be eligible for an HSA, you:

- Must be covered by a qualifying high deductible health plan (HDHP)
- Are not yet enrolled in Medicare
- Are not listed as a dependent on another person's income tax return
- Cannot be covered by any other health insurance before your HDHP deductible is met, including a spouse's health plan or general purpose FSA account

What is a High-Deductible Health Plan?

A High-Deductible Health Plan (HDHP) is a type of health insurance that generally has lower monthly fees and higher annual deductibles than traditional health plans (minimum annual deductible of \$1,300 for individual and \$2,600 for family coverage are required). Annual out-of-pocket costs (including deductibles and co-pays) cannot exceed \$6,550 for individual coverage and \$13,100 for a family plan.

What expenses can I cover with my HSA?

Most medical, dental and vision care, as well as prescription drugs are eligible for tax-free withdrawals from your HSA. These expenses must be incurred by you, your spouse or dependents. For a complete list of acceptable expenses, see IRS Form 502.

What happens if I use my HSA for ineligible expenses?

The withdrawal will be subject to regular income tax (if you're under 65), as well as a 20% penalty tax. A prescription or medical necessary form will be required for over-the-counter medicines in order to be reimbursed through an HSA. If you use HSA dollars to purchase ineligible expenses (non-health care expenses), you will pay income tax plus a 20% penalty tax.

Are there HSA income limits?

There are no income limits to qualify for a HSA, and your contributions do not need to come from employment earnings. You can make deposits from personal savings, dividends, and unemployment or welfare benefits.

Who can make contributions to a Health Savings Account?

Contributions can be made by the account owner, family members, or the account holder's employer. Contribution limits are \$3,400 for individuals and \$6,750 for family HDHP.

Can I make "catch-up" contributions?

Individuals who are 55 years and older can deposit additional funds each year to help your account "catch up" before retirement. The maximum annual catch-up contribution per person is \$1,000.

Are HSA contributions tax-deductible?

Yes. Money you deposit in your HSA qualifies for an "above-the-line" deduction. However, you do not get tax breaks on the contributions your employer makes.

Can I make pre-tax contributions through my employer?

If your employer provides a salary reduction plan (also called a "Section 125" or "cafeteria" plan), you can make contributions to your HSA on a pre-tax basis. Once you claim this tax advantage, you can no longer take the "above-the-line" deduction on the amounts contributed pre-taxed through your employer.

Does my HSA roll over each year?

Yes. The money in your HSA is always yours to keep, with no “use it or lose it” rules. Funds are allowed to grow year after year, with no maximum cap.

What happens to my HSA when I turn 65?

You can continue to use the account tax-free for eligible out-of-pocket medical expenses. When your Medicare coverage takes effect, your HSA can take care of Medicare premiums, deductibles and co-pays. At this age, you can also use HSA funds for non-medical reasons. The amount withdrawn will be taxable as income, but is not subject to penalties.

What happens to my HSA when I die?

If you are married and your spouse is a named beneficiary, he/she becomes the owner of the account and assumes it as his/her own HSA. If you are unmarried, your account will cease to be a HSA. It will pass to beneficiaries or become a part of your estate, and be subject to applicable taxes.

What if I lose my HDHP coverage?

You can continue to pay for qualified medical expenses from your HSA balance without having to pay tax or penalties. However, you won't be able to make any more contributions to the account. There is no time limit on using the funds. They will remain in your HSA until you need them.

Call or stop by your nearest MainSource Branch to learn more.

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