



FREQUENTLY ASKED QUESTIONS

# Health savings accounts (HSAs)

What are HSAs? | Contributing to your HSA | Paying with your HSA

## WHAT ARE HSAs?

### **What is an HSA and how does it work?**

In simple terms, an HSA is a tax-advantaged account that helps you save and pay for healthcare expenses now and in the future. Your unused money automatically carries over year to year, and the HSA is yours to keep — even if you leave your job or change health plans.

---

### **What are the tax benefits?**

1. Your contributions are made on a pretax basis through payroll deduction or are tax-deductible.
2. Any investment growth is income tax-free.
3. Withdrawals made for qualifying medical expenses are income tax-free.

Contributions, any earnings and withdrawals are federal income tax-free if used to pay for qualified medical expenses. State income taxes may still apply. HSA funds used for nonqualified medical expenses may be subject to applicable federal and state income taxes and/or penalties.

---

### **Who qualifies for an HSA?**

You're eligible to open an HSA if you meet the following criteria:

- Covered under an IRS-qualifying high-deductible health plan (HDHP)
- Not covered by any other health plan that is not an HDHP
- Not currently enrolled in Medicare or TRICARE
- May not be claimed as a dependent on another individual's tax return

Please take a look at IRS publication 969 for additional eligibility information.

---

### **What can I use the HSA for?**

The funds in the HSA can be:

- Used to pay for qualified medical, dental and vision expenses and prescription drugs, including over-the-counter drugs that have been prescribed by a doctor. Check out IRS publication 502 for a complete list (at [IRS.gov](https://www.irs.gov)).
- Withdrawn from your HSA for nonqualified medical expenses without penalty after you turn 65 or enroll in Medicare benefits (although you may have to pay income taxes on the withdrawal).

**Are health insurance premiums qualified medical expenses?**

Health insurance premiums are generally not qualified medical expenses. However, there are some exceptions, including:

- Qualified long-term care insurance.
- COBRA healthcare continuation coverage.
- Any health plan maintained while receiving unemployment compensation under federal or state law.
- Any health plan for those age 65 or over (whether or not they are entitled to Medicare).
- Any employer-sponsored retiree medical coverage premiums for Medicare Part A or B or Medicare HMO.

*Note that premiums for Medigap policies are not qualified medical expenses.*

---

**Can I invest my HSA dollars?**

Yes, you can choose to invest\* your HSA dollars into a variety of mutual fund options once you reach your plan's investment threshold (typically \$2,000). Doing so may help you grow your savings to cover expenses in retirement, including healthcare.

\*Investing involves risk, including possible loss of principal.

---

**What happens to my HSA if I switch coverage or change employers?**

Since you own the HSA you can continue to use the remaining funds for future medical expenses, or you may also choose to invest\*\* those funds if you meet the investing threshold. You will no longer be able to make contributions to your HSA.

---

**Can I enroll in an HSA and a health flexible spending account (FSA) or health reimbursement arrangement (HRA)?**

A specific set of criteria determines whether or not you can enroll in an HSA and an FSA or HRA. Check out publication 969 at IRS.gov for details. It's also a good idea to contact your legal or tax advisor to review these situations.

---

**What happens to my HSA if I die?**

- **If you're married and you've named your spouse as a beneficiary,** your spouse will become the owner of the account and will assume it as their own HSA.
- **If you're unmarried,** your account will cease to be an HSA. The funds will either pass to your beneficiaries or become a part of your estate (subject to applicable taxes).

**How much can I contribute to my HSA?**

The IRS sets annual contribution limits each year.

**2021 IRS limits**

Individual	\$3,600
Family	\$7,200
Catch-up	\$1,000 (age 55 and older)

**2020 IRS limits**

Individual	\$3,550
Family	\$7,100
Catch-up	\$1,000 (age 55 and older)

Your employer contributions count toward the annual contribution limits.

**What is my contribution limit if I enroll in an HDHP mid-year?**

The point in time when you enroll in your HDHP will impact your contribution limit for that year. Please refer to IRS Publication 969 or consult your tax advisor regarding your specific situation.

**How do I make contributions?**

Contributions can be made:

- Through payroll deductions with your employer if it's offered.
- Online by making a contribution from your personal checking account.
- By mailing a personal check and the HSA Contribution form to Optum Bank®, the administrator of the Empower HSA.

**When can contributions be made?**

Contributions for the taxable year can be made in one or more payments at any time after the year has begun and prior to the tax-filing deadline for the following year, which is typically April 15.



**What happens when HSA contributions exceed the annual contribution limit?**

If you contribute more than the IRS annual contribution limit, you have until the tax-filing deadline to withdraw excess contributions. Otherwise a 6% excise tax will be assessed annually.

**Are rollover contributions from other HSAs permitted?**

Yes, you can roll over funds from another HSA to your Empower HSA. It's a good idea to discuss rolling money from one account to another with a financial advisor to understand fees and/or limitations that may apply.

**How do I pay for qualified medical expenses?**

Qualified medical expenses can be paid for with:

- Your Empower HSA Debit Mastercard®.
- Online bill pay.

You can also pay for medical expenses out of pocket and reimburse yourself from your HSA for qualified medical expenses.

---

**When can I start paying with my HSA?**

You can initiate distributions from the HSA at any time once your account is funded and activated. Please keep in mind that qualified medical expenses may only be reimbursed, federal income tax-free, if the expenses are incurred after the date your HSA was established.

---

**Can I use my HSA to pay for medical expenses for a spouse or dependent?**

Yes, you can. You may use your HSA funds without penalty to pay for qualified medical expenses for yourself, your spouse or eligible dependents — even if they are covered under another health plan. Consult a qualified tax advisor for advice.

---

**What if I use my HSA for nonqualified medical expenses?**

If HSA funds are used for something other than qualified medical expenses (and not reimbursed to your HSA), the expenses are subject to applicable income tax and an additional 20% tax penalty for individuals who are not disabled or over age 65.



► To learn more go to [empowermyretirement.com](https://empowermyretirement.com) and select your HSA or call **800-331-5455** to talk to a representative.

**NOW** IS A GOOD TIME

**\* Investments are not FDIC insured, are not guaranteed by Optum Bank® and may lose value.**

**Securities offered and/or distributed by GWFS Equities, Inc., Member FINRA/SIPC.** GWFS is an affiliate of Empower Retirement, LLC; Great-West Funds, Inc.; and registered investment advisers, Advised Assets Group, LLC and Personal Capital. This material is for informational purposes only and is not intended to provide investment, legal or tax recommendations or advice.

Educational, communication and operational services regarding Empower HSA may be provided by registered representatives of GWFS. By electing Empower HSA, plan participants are contracting directly with Optum and its affiliates for this service. GWFS, or its affiliates, is not affiliated with Optum and is not responsible for their services.

Health savings accounts (HSAs) are individual accounts offered or administered by Optum Bank®, Member FDIC, and are subject to eligibility and restrictions, including but not limited to restrictions on distributions for qualified medical expenses set forth in section 213(d) of the Internal Revenue Code. State taxes may apply. Fees may reduce earnings on account. This communication is not intended as legal or tax advice. Please contact a competent legal or tax professional for personal advice on eligibility, tax treatment and restrictions. Federal and state laws and regulations are subject to change.

All Optum trademarks and logos are owned by Optum®. All other brand or product names are trademarks or registered marks of their respective owners. Because we are continually improving our products and services, Optum reserves the right to change specifications without prior notice. Optum is an equal opportunity employer.

©2020 Empower Retirement, LLC. All rights reserved. GEN-FBK-WF-763473-1020 RO1349261-1020

©2020 Optum Bank, Inc. All rights reserved.