Health Savings Account in Action

How Does a Health Savings Account Work?

Health Savings Account + **High-Deductible Health Insurance Plan**

You establish a Health Savings Account, into which you make tax-free contributions up to specified maximums each year. Contributions may be made by you and/or your employer.

Your employer provides you and, possibly, your family with a qualifying high-deductible health plan.

If an illness or injury strikes, funds can be withdrawn tax free from the HSA to pay for qualified medical expenses.

Once the health insurance deductible is satisfied, insurance benefits become available to pay for covered expenses.

Funds not withdrawn to pay for qualified medical expenses remain in the HSA and grow from year to year in an investment account whose earnings grow free of tax.

HSA funds may be withdrawn for purposes other than paying qualified medical expenses, but are subject to income tax plus a 10% penalty tax. Beginning at age 65, HSA funds may be withdrawn for any reason, subject to regular income tax without penalty, or can continue to be used to pay qualified medical expenses without tax.

VSA 2D2-02
ed. 01-08

© VSA, LP The information, general principles and conclusions presented in this report are subject to local, state and federal laws and regulations, court cases and any revisions of same. While every care has been taken in the preparation of this report, VSA, L.P. is not engaged in providing legal, accounting, financial or other professional services. This report should not be used as a substitute for the professional advice of an attorney, accountant, or other qualified professional.