

# Health Savings Accounts

## What Is a Health Savings Account?

A Health Savings Account (HSA) is a tax-advantaged personal savings account designed to provide funds to pay qualified medical expenses, including health insurance deductibles and co-payments.

An HSA is available to eligible individuals only in conjunction with a high-deductible health plan provided by an employer or purchased by an individual.

The tax benefits of an HSA are significant. **Your contributions to a Health Savings Account are tax deductible on an "above the line" basis**, resulting in a dollar-for-dollar reduction in adjusted gross income. What might this mean to you? For example:

<b>Annual HSA Contribution</b>	<b>\$3,000</b>
Marginal Federal Income Tax Rate	25%
Tax Savings per Year	\$750
<b>Net Cost to You</b>	<b>\$2,250</b>

**Contributions by your employer to your HSA are not taxable income to you** and are not subject to withholding.

**Funds in an HSA can be invested, with earnings not subject to income tax** so long as they remain in the HSA.

**Distributions from an HSA may be made at any time.** If used to pay for qualified medical expenses, the distributions are not subject to federal income tax. If used for non-medical expenses, HSA distributions are considered taxable income to you and are subject to a 20% penalty tax (10% prior to 2011) if you are under age 65 when the distribution is taken.