

Are you covered by a High-Deductible Health Insurance Plan?

If you answered YES, consider a Health Savings Account.

HEALTH SAVINGS ACCOUNTS

Your Questions Answered

Health savings accounts (HSAs) were established to provide people covered by high-deductible health insurance a tax-free way to save for current and future medical expenses.

An individual owns the HSA and makes decisions regarding contributions and distributions. HSAs can be funded by you, your employer or both.

Eligibility Factors

To be eligible:

- You must be covered by a health plan with a minimum deductible of \$1,200 for individuals or \$2,400 for families.*
- Your annual out-of-pocket expenses (including deductibles and co-pays) cannot exceed \$5,950 for individuals or \$11,900 for families.*
- You cannot be covered by other health insurance.
- You cannot be enrolled in Medicare.
- You cannot be claimed as a dependent on someone else's tax return.

Potential Benefits

In addition to providing a tax-free way to save for medical expenses, HSAs give account holders more control over how their health care dollars are spent. It can also provide security for those concerned about saving for health expenses in retirement, because tax-free money from HSAs can be used to purchase long-term care insurance and fund medical expenses throughout retirement.

Open an account today and join others who receive tax-free benefits.

Who can contribute to an HSA?

Employers and individuals can contribute to an HSA. Contributions made by an employer are excluded from income and not taxable to the employee. Contributions made by an individual are treated as an "above the line" deduction, which means there's no need to itemize deductions in order to take advantage of the tax break.

How much can I contribute?

The maximum annual contribution for HSAs is \$3,050 for individuals and \$6,150 for families* or the amount of the health plan deductible, whichever is less.

Can anyone make catch-up contributions?

Individuals age 55 and older can contribute an additional \$1,000 in 2010.

What can distributions be used for?

Distributions used for qualified medical expenses such as medical services (including dental and vision care), hospital costs, prescription drugs, over-the-counter drugs and long-term care insurance are always tax-free.

Can I use HSA money to pay for medical expenses of a spouse or dependent?

Individuals can use money from an HSA to pay for the medical expenses of spouses and dependents, even if the spouse or dependent is not covered by the same health insurance.

Can I use HSA money for non-medical expenses?

If distributions from the account are used for non-medical expenses, the amounts will be taxed and subject to an additional 10% penalty tax. People age 65 and older, disabled persons, and those who inherit an HSA upon the death of the account holder are not subject to the 10% penalty.

What happens to the HSA once I turn 65?

Once enrolled in Medicare, a person can no longer make contributions to an HSA, but may continue taking tax-free distributions for medical expenses and taxable distributions for non-medical expenses.

See Us

We can help you learn if an HSA is right for you. Call us, stop by or visit us at www.cambridgestatebank.com for more information.



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