

Toll Free: 1-800-492-0165  
Fax: 866-722-8514  
www.LTRetire.com

*HEALTH SAVINGS ACCOUNT (HSA)*

**Establishment Documents**

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**FACTS****WHAT DOES LT Trust Company  
DO WITH YOUR PERSONAL INFORMATION?**

<b>Why?</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share and protect your personal information. Please read this notice carefully to understand what we do.
<b>What?</b>	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>• Social Security number and account balance</li> <li>• Account transactions and related transaction history</li> <li>• Checking account and wire transfer instructions</li> </ul> <p>When you are no longer our customer, we continue to share your information as described in this notice.</p>
<b>How?</b>	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons LT Trust Company chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does LT Trust Company share?	Can you limit this sharing?
<b>For our everyday business purposes –</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
<b>For our marketing purposes –</b> to offer our products and services to you	No	We don't share
<b>For joint marketing with other financial companies</b>	No	We don't share
<b>For our affiliates' everyday business purposes –</b> information about your transactions and experiences	Yes	No
<b>For our affiliates' everyday business purposes –</b> information about your creditworthiness	No	We don't share
<b>For nonaffiliates to market to you</b>	No	We don't share

**Questions?** Call 1-800-492-0165 or go to [www.LTRetire.com](http://www.LTRetire.com)

**Who we are**

**Who is providing this notice?**

LT Trust Company

**What we do**

**How does LT Trust Company protect my personal information?**

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

Prospective employees are screened for criminal convictions and drug use. Once hired, employees are advised of LT Trust privacy policies.

**How does LT Trust Company collect my personal information?**

We collect your personal information, for example, when you

- open an account or deposit money
- wire out or otherwise withdraw from your account
- direct us to buy or sell securities

We also collect your personal information from others, such as credit bureaus, affiliates or other companies.

**Why can't I limit all sharing?**

Federal law gives you the right to limit only

- sharing for affiliates' everyday business purposes – information about your creditworthiness
- affiliates from using your information to market to you
- sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

**Definitions**

**Affiliates**

Companies related by common ownership or control. They can be financial and nonfinancial companies.

- LT Plan Services
- Plan Strategies Incorporated, a financial company

**Nonaffiliates**

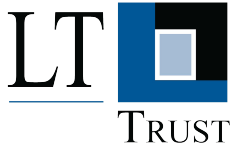
Companies not related by common ownership or control. They can be financial and nonfinancial companies.

- *LT Trust Company does not share with nonaffiliates so they can market to you.*

**Joint marketing**

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- *LT Trust Company does not jointly market.*



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## *FINANCIAL INSTITUTION INFORMATION*

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

The above-named Financial Institution facilitates the establishment of your Health Savings Account (HSA), serves as the depository of the funds you deposit into your HSA, maintains your Plan investments, and plays a significant role in the administration of your HSA.

As the Sponsor/Trustee of your HSA, LT Trust monitors this Plan document to ensure its compliance with all applicable laws. The Sponsor/Trustee does not, however, engage in the daily administration of your Plan or in the relationship between you and your chosen Financial Institution.

Your chosen Financial Institution also shares in many of the same duties as the Sponsor/Trustee. Because of the relationship between your Sponsor/Trustee and your chosen Financial Institution, most of the references to Sponsor/Trustee in this booklet also carry with them an implied reference to your chosen Financial Institution.

Notice: If you are the Participant of this HSA who is participating in a self-directed HSA, your investments in the deposit accounts (including money market, certificates of deposit and savings accounts) of your chosen financial institution (including Credit Unions and Savings and Loans), are insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Association (NCUA), subject to their rules and regulations. Your self-directed investments, however, may not be insured by the FDIC or the NCUA. Self-directed investments may include stocks, bonds, mutual funds, etc.



## HEALTH SAVINGS ACCOUNT (HSA) INSTRUCTIONS FOR COMPLETING THE ADOPTION AGREEMENT/DESIGNATION OF BENEFICIARY/ POWER OF ATTORNEY AUTHORIZATION

### STEP 1 – HSA OWNER INFORMATION

The HSA owner must provide the following information in the spaces provided:

1. full legal name; and
2. street address (this cannot be a P.O. box due to Patriot Act requirements); and
3. social security number; and
4. date of birth; and
5. phone number; and
6. and place a check mark in the appropriate box next to married or single.

### STEP 2 – CONTRIBUTION INFORMATION

Place a check mark next to the appropriate box indicating where the initial contribution is coming from.

### STEP 3 – BENEFICIARY INFORMATION

**IMPORTANT INFORMATION – MONEY IN AN HSA IS NO LONGER CONSIDERED TO BE HSA FUNDS AS OF THE DATE OF DEATH OF THE HSA OWNER IF THE BENEFICIARY IS NOT THE SPOUSE OF THE HSA OWNER.**

1. Choose the beneficiary(ies) of the account:
  - the HSA owner can also choose not to name any beneficiary(ies), the HSA will then pass to the estate of the HSA owner;
  - the primary beneficiary(ies) will inherit the HSA first;
  - the contingent beneficiary(ies) will only inherit the HSA if no primary beneficiary(ies) was named or the primary beneficiary(ies) died before the HSA owner.
2. If the HSA owner is married and did not name his/her spouse as the beneficiary, the spouse should sign in the space provided under spousal consent. (if the spouse refuses or otherwise cannot sign, state the reason on the signature line)

### STEP 4 – VESTING INFORMATION

The HSA must be plated as LT Trust Trustee FBO (for the benefit of) <<HSA owner's name>>.

### STEP 5 – LIMITED DURABLE POWER OF ATTORNEY

If the HSA owner wants to allow another individual to take distributions from his/her HSA, they must complete this section. This Limited Durable Power of Attorney is only effective as to this HSA and not to any other accounts the HSA owner has at this or any other financial institution, insurance company or any other establishment.

**The HSA owner must also have his/her signature notarized at the end of the form if they have completed this section.**

### STEP 6 – SIGNATURES AND CERTIFICATIONS

1. Have the HSA Owner sign and date the form;
2. Have the HSA Owner's signature notarized if he/she completed the Limited Durable Power of Attorney Section; (you may skip this step if this section was left blank)
3. Mail the original, keeping a copy for your records, to LT Trust.

Financial Institution Name

Branch Name or Number

Institution ID # / Participant ID #

## ADOPTION AGREEMENT/DESIGNATED OF BENEFICIARY/ POWER OF ATTORNEY AUTHORIZATION

### IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT

**NOTE:** Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account.

#### HSA ACCOUNT OWNER INFORMATION *(please print or type)*

Name

Address

City

State

Zip

Social Security Number (SSN)

Date of Birth

Phone Number (       )

Marital Status:     Married     Single

#### CONTRIBUTION INFORMATION — This HSA can accept contributions from you, your employer or a third party.

- Individual (Annual) Contribution (funds are from you or a third party)     Transfer from another HSA     Rollover Contribution  
 Employer (Annual) Contribution (funds are from your employer)

#### BENEFICIARY INFORMATION

I hereby designate the following persons as Primary and Contingent Beneficiaries to receive my interest in this HSA, hereby revoking any prior designations made by me. I understand that if I have named my spouse as the beneficiary of this HSA, the HSA will become my spouse's HSA on the date of my death. If I have named a beneficiary who is not my spouse, this HSA will cease to be an HSA on the date of my death.

[           ] Initial here if additional beneficiaries are designated on a separate attachment.

#### PRIMARY BENEFICIARIES

1. Full Legal Name

Social Security Number

Date of Birth

Address

City

State

Zip

Relationship to Account Owner

2. Full Legal Name

Social Security Number

Date of Birth

Address

City

State

Zip

Relationship to Account Owner

**HSA ADOPTION AGREEMENT/DESIGNATION OF BENEFICIARY/POWER OF ATTORNEY AUTHORIZATION**

**NOTICE TO GRANTOR:** If you are married and live in a community property state or if you accumulated your assets while living in a community property state, your HSA assets may be subject to community property rules. If so, and if you wish to name a beneficiary other than your spouse, spousal consent may be required under state law. You should seek advice from your attorney for consent language that will constitute an effective waiver of community rights in your state.

**SPOUSAL CONSENT:** I am the spouse of the above-named HSA grantor. I acknowledge that I have received a fair and reasonable disclosure of my spouse's property and financial obligations. Due to the important consequences of giving up my interest in this HSA, I have been advised to see a tax professional. I hereby give the HSA holder any interest I have in the funds or property deposited in this HSA and consent to the beneficiary designation(s) indicated above. I assume full responsibility for any adverse consequences that may result. No tax or legal advice was given to me by either the Trustee or the Financial Institution.

Spouse Signature **X**

Date

**CONTINGENT BENEFICIARIES**

1. Full Legal Name

Social Security Number

Date of Birth

Address

City

State

Zip

Relationship to Account Owner

2. Full Legal Name

Social Security Number

Date of Birth

Address

City

State

Zip

Relationship to Account Owner

**GENERAL PROVISIONS (refer to Plan and Trust Agreement for complete provisions)**

1. Except as otherwise provided in the designations above, the balance of my HSA shall be paid upon my death to those Primary Beneficiaries who survive my death. If no Primary Beneficiary survives such death, the balance of the HSA shall be payable in equal shares, unless otherwise stated, to those Contingent Beneficiaries who survive my death.
2. If the beneficiary is not my spouse, his/her portion of the HSA will immediately, upon my death, cease to be an HSA.
3. If I have named my spouse as a Primary Beneficiary, that portion of the HSA that I have designated my spouse as the beneficiary of, will as of the date of my death, become my spouse's HSA. Any remaining portion of the HSA will, as of the date of my death, cease to be an HSA and passed to the named beneficiary.
4. If no Primary or Contingent Beneficiaries survive me, the HSA will cease to be an HSA, as of the date of my death, and be paid to the personal representative of my estate.
5. The terms of the Trust Agreement, including any Amendments thereto that may hereafter be made, are controlling over these General Provisions and shall always govern all of my rights, the rights of my spouse and all beneficiaries and the rights of all persons claiming through any of them.

**ACCOUNT TITLE**

The HSA will be plated as follows: (\*FBO = For the Benefit Of)

LT Trust Trustee FBO\*

(insert Participant name)

HSA ADOPTION AGREEMENT/DESIGNATION OF BENEFICIARY/POWER OF ATTORNEY AUTHORIZATION

ADOPTION OF PLAN AND SIGNATURES

I, the undersigned Participant, make the following declarations:

I hereby establish an HSA under the HSA Plan and Trust Agreement which is incorporated with this Adoption Agreement by this reference. I designate LT Trust as the Trustee of this HSA and make the following declarations.

I agree to participate only in the savings investments offered by the financial institution that is acting as the custodian of this HSA.

I have received a copy of the Plan and Trust/Disclosure Agreement and a schedule of fees and/or charges from the financial institution that is acting as the custodian of this HSA.

I understand the eligibility requirements for this HSA and I state that I do qualify to open an HSA. I acknowledge that I am fully responsible for determining whether I am eligible to participate in an HSA and whether and to what extent I am otherwise entitled to favorable tax treatment by reason of my participation in this HSA.

To the best of my knowledge, the information furnished above is correct and complete.

HSA Participant Signature X

Date

LIMITED DURABLE POWER OF ATTORNEY - FOR DISTRIBUTIONS ONLY (this section is OPTIONAL)

I hereby authorize the following individual to have the authority to take distributions from this HSA, as my attorney-in-fact. I understand that it is still my responsibility to determine whether each distribution meets the requirements to be a qualified distribution. This Power of Attorney is only effective as to this HSA and remains in effect until my death, and is not affected by my subsequent physical or mental disability or incapacity, unless I revoke it. I am solely responsible for revoking this Power of Attorney, by executing a new Adoption Agreement.

I authorize

to act as my attorney-in-fact for this HSA. (insert name of individual)

HSA Participant Signature X

Date

State of \_\_\_\_\_ )
) ss
County of \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by

WITNESS my hand and official seal.

My commission expires: \_\_\_\_/\_\_\_\_/\_\_\_\_

Notary Public X





## HEALTH SAVINGS ACCOUNT (HSA) INSTRUCTIONS FOR COMPLETING THE PARTICIPANT/ BENEFICIARY DISTRIBUTION REQUEST

### STEP 1 – HSA OWNER INFORMATION

The HSA owner must provide the following information in the spaces provided:

1. full legal name; and
2. mailing address; and
3. social security number; and
4. date of birth

### STEP 2 – BENEFICIARY INFORMATION\*

\*Complete this section only if the distribution is being taken after the death of the HSA Owner.

The beneficiary must provide the following information in the spaces provided:

1. full legal name; and
2. street address (this cannot be a P.O. box due to Patriot Act requirements); and
3. social security number; and
4. date of birth; and
5. proof of identity (such as a valid driver's license number, etc.)

### STEP 3 – DISTRIBUTION REASON

Place a check mark next to the box indicating the reason the distribution is being taken.

If the HSA owner is deceased, you **MUST** also provide the fair market value of the HSA as of the date of the HSA owner's death.

### STEP 4 – AMOUNT OF THE DISTRIBUTION

Place a check mark next to the box indicating whether the distribution is:

1. a lump sum distribution (the HSA is being closed and no funds remain in the HSA); or
2. a partial distribution (the HSA will remain open and still contains funds); or
3. periodic distributions are being established. (if this selection is marked you must also indicate the frequency that the distributions will be taken)

Only the HSA owner can elect periodic distributions.

### STEP 5 – SIGNATURES AND CERTIFICATION

If the form is being completed by the HSA Owner:

1. Have the HSA Owner sign and date the form;
2. Have the representative of the financial institution completing the form sign and date the form;
3. Mail the original, keeping a copy for your records, to LT Trust.

If the form is being completed by a non-spouse beneficiary after the death of the HSA Owner:

1. Have the non-spouse beneficiary sign and date the form;
2. Have the representative of the financial institution sign and date the form;
3. Mail the original, keeping a copy for your records, to LT Trust.

If the form is being completed by the spouse of the deceased HSA Owner:

1. Have the spouse complete the spousal assumption paragraph by inserting his/her name and the name of the financial institution in the space provided;
2. Have the spouse sign and date the form;
3. Have the representative of the financial institution sign and date the form;
4. Mail the original, keeping a copy for your records, to LT Trust.

Financial Institution Name \_\_\_\_\_  
Branch Name or Number \_\_\_\_\_  
Institution ID # / Participant ID # \_\_\_\_\_

## PARTICIPANT/BENEFICIARY DISTRIBUTION REQUEST

### HSA ACCOUNT OWNER INFORMATION

Name of Account Owner \_\_\_\_\_  
Account Owner Mailing Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Social Security Number \_\_\_\_\_ Date of Birth \_\_\_\_\_

### FOR DEATH DISTRIBUTIONS ONLY

(Complete this section only if a beneficiary is taking a distribution after the death of the HSA Account Owner.)

**NOTE: If you are the Spouse of the Account Owner, you must also complete the Spousal Beneficiary Assumption form. If you are not the spouse of the Account Owner you must also complete the Non-Spousal Beneficiary Election section on page 2.**

Name of Beneficiary \_\_\_\_\_  
Relationship to Account Owner \_\_\_\_\_  
Mailing Address of Beneficiary (must be a street address, a P.O. box is not acceptable) \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Social Security Number \_\_\_\_\_ Date of Birth \_\_\_\_\_  
ID used to identify beneficiary (example: passport/driver's license number) \_\_\_\_\_

### DISTRIBUTION REASON (the reason selected will be reported to the IRS)

- Normal (this includes distributions taken from this HSA to pay for qualified and non-qualified medical expenses)
- Excess Contribution (this applies when removing an excess contribution)  
\$ \_\_\_\_\_ (amount of the excess contribution being removed)  
\$ \_\_\_\_\_ (amount of Net Income Attributable being removed, if being removed prior to tax filing deadline plus extensions)
- Disability
- Death Date of death \_\_\_\_/\_\_\_\_/\_\_\_\_ (attach a certified copy of death certificate)

### AMOUNT OF THE DISTRIBUTION

- Lump Sum \$ \_\_\_\_\_ (the HSA is being closed)
- Partial\* \$ \_\_\_\_\_ (the HSA still holds funds)

\*This option is only available to the Account Owner and NOT beneficiaries.

Provide the fair market value of the HSA as of the date of death of the HSA owner \$ \_\_\_\_\_.

**PARTICIPANT/BENEFICIARY DISTRIBUTION REQUEST**

**SIGNATURES AND CERTIFICATIONS**

I am aware of the possible tax consequences of taking a distribution from this HSA, and I assume full responsibility for such in making this request. I am aware that the Internal Revenue Service (IRS) may tax this withdrawal unless this distribution is being taken to pay for qualified medical expenses as defined by the IRS. Under penalty of perjury, I certify that the information on this HSA Cash Distribution Request form is true, correct and complete.

Account Owner Signature  \_\_\_\_\_ Date \_\_\_\_\_

Financial Institution Representative Signature  \_\_\_\_\_ Date \_\_\_\_\_

Printed Name of Financial Institution Representative \_\_\_\_\_

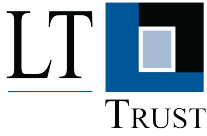
**NON-SPOUSAL BENEFICIARY ACKNOWLEDGMENT**

I understand that as a non-spouse designated beneficiary of this HSA, as of the date of death of the Account Owner, that the IRS no longer considers this account to be an HSA. You should seek assistance from your tax advisor to determine the specific tax consequences this distribution may have on you. I understand that I am not eligible to transfer or rollover these funds to my own HSA. I indemnify and hold harmless LT Trust and this financial institution from any all liabilities associated with this distribution.

Beneficiary Signature  \_\_\_\_\_ Date \_\_\_\_\_

Financial Institution Representative Signature  \_\_\_\_\_ Date \_\_\_\_\_

Printed Name of Financial Institution Representative \_\_\_\_\_



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## INSTRUCTIONS FOR COMPLETING THE TRUSTEE-TO-TRUSTEE TRANSFER/ROLLOVER LETTER

Use this form when funds are being transferred to your institution)

Use this form to complete the movement of assets directly between Trustees/Custodians without making a distribution to the Health Savings Account (HSA) owner.

**Do not use this form to complete a 60-day rollover.**

### STEP 1 – CURRENT (RESIGNING) TRUSTEE/CUSTODIAN INFORMATION

- Provide the name, address and phone number of the financial institution that currently holds the funds.

### STEP 2 – PARTICIPANT INFORMATION

- Provide the name and social security number of the Participant.

### STEP 3 – TIMING INSTRUCTIONS TO CURRENT TRUSTEE/CUSTODIAN

- Indicate whether this is a transfer of the entire FSA, HRA, HSA, MSA or IRA or a transfer of only a portion of the current account;
- Indicate when the transfer is to take place; when the investments (within the account) reach maturity or immediately;
- Indicate the type of transaction being completed.

### STEP 4 – VESTING AND MAILING INSTRUCTIONS TO CURRENT TRUSTEE/CUSTODIAN

- Provide the name, address and to whose attention the funds should be mailed to; (this is the financial institution who is accepting the funds)
- The check is being made out in the name of the Trustee **LT Trust**, but the funds should be **mailed to**, and deposited into the HSA, at the **financial institution** listed in this section.

### STEP 5 – SIGNATURES

- Have the Participant sign and date the form;
- Have the representative of the financial institution accepting the funds sign and date the form.
- Mail a completed copy to LT Trust.

**Important Notice:** An individual can move funds from his/her IRA into an HSA once during his/her lifetime.

Financial Institution Name \_\_\_\_\_

Branch Name or Number \_\_\_\_\_

Institution ID # / Participant ID # \_\_\_\_\_

## TRUSTEE-TO-TRUSTEE TRANSFER/ROLLOVER LETTER

### CURRENT TRUSTEE/CUSTODIAN INFORMATION

Name of Current Custodian/Trustee \_\_\_\_\_

Phone Number (       ) \_\_\_\_\_

Attention \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip \_\_\_\_\_

Name of Participant \_\_\_\_\_

Social Security Number \_\_\_\_\_

### NOTICE TO CURRENT TRUSTEE/CUSTODIAN

You are directed to convert into cash the assets identified herein that you hold for the Participant and transfer these funds to the Successor Trustee in the manner described below under "Transfer Instructions." If funds are not currently held in a HSA or you require additional information in order to honor this request, please notify the financial institution indicated below immediately.

**Please transfer the following:** (attach list of assets to be liquidated, if applicable)

- All plan assets  
 Partial assets from the above account: \$ \_\_\_\_\_

**Transfer timing:**

- At Maturity (date) \_\_\_\_/\_\_\_\_/\_\_\_\_\_  
 Immediately (participant acknowledges potential early withdrawal penalty)

\*An exception to the "one transfer during your lifetime" may apply if your coverage changes from self-coverage to family coverage during the year in which you make the transfer. Consult IRS Publication 969 and/or your tax advisor for details.

Make the check payable as follows:

LT Trust Trustee FBO \_\_\_\_\_ (insert Participant's name) **THE CHECK IS MADE PAYABLE IN THE NAME OF THE TRUSTEE (LT TRUST), BUT THE FUNDS MUST BE MAILED TO THE CUSTODIAN AT THE ADDRESS BELOW.**

**Mail the check to:**

Attention \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

Zip \_\_\_\_\_

### SIGNATURES

Participant Signature **X** \_\_\_\_\_

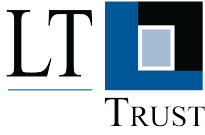
Date \_\_\_\_\_

Financial Institution Representative Signature **X** \_\_\_\_\_

Date \_\_\_\_\_

**Letter of Acceptance** – To the prior custodian/trustee of the account designated for transfer:

Please be advised that LT Trust does hereby accept appointment as the successor trustee when this form has been accurately completed in full and signed by the participant and by the custodian of funds.



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## HEALTH SAVINGS ACCOUNT (HSA) TRUST ACCOUNT AGREEMENT

Form **5305-B**  
(Rev. October 2016)  
Department of the Treasury  
Internal Revenue Service

### Health Savings Trust Account (Under section 223(a) of the Internal Revenue Code)

**DO NOT File  
With the Internal  
Revenue Service**

#### ARTICLE I

1. The trustee will accept additional cash contributions for the tax year made by the account owner or on behalf of the account owner (by an employer, family member or any other person). No contributions will be accepted by the trustee for any account owner that exceeds the maximum amount for family coverage plus the catch-up contribution.
2. Contributions for any tax year may be made at any time before the deadline for filing the account owner's federal income tax return for that year (without extensions).
3. Rollover contributions from an HSA or an Archer Medical Savings Account (Archer MSA) (unless prohibited under this agreement) need not be in cash and are not subject to the maximum annual contribution limit set forth in Article II.
4. Qualified HSA distributions from a health flexible spending arrangement or health reimbursement arrangement must be completed in a trustee-to-trustee transfer and are not subject to the maximum annual contribution limit set forth in Article II.
5. Qualified HSA funding distributions from an individual retirement account must be completed in a trustee-to-trustee transfer and are subject to the maximum annual contribution limit set forth in Article II.

#### ARTICLE II

1. For calendar year 2011, the maximum annual contribution limit for an account owner with single coverage is \$3,050. This amount increases to \$3,100 in 2012. For calendar year 2011, the maximum annual contribution limit for an account owner with family coverage is \$6,150. This amount increases to \$6,250 in 2012. These limits are subject to cost-of-living adjustments after 2012.
2. Contributions to Archer MSAs or other HSAs count toward the maximum annual contribution limit to this HSA.
3. For calendar year 2009 and later years, an additional \$1,000 catch-up contribution may be made for an account owner who is at least age 55 or older and not enrolled in Medicare.
4. Contributions in excess of the maximum annual contribution limit are subject to an excise tax. However, the catch-up contributions are not subject to an excise tax.

#### ARTICLE III

It is the responsibility of the account owner to determine whether contributions to this HSA have exceeded the maximum annual contribution limit described in Article II. If contributions to the HSA exceed the maximum annual contribution limit, the account owner shall notify the trustee that there exist excess contributions to the HSA. It is the responsibility of the account owner to request the withdrawal of the excess contribution and any net income attributable to such excess contribution.

#### ARTICLE IV

The account owner's interest in the balance in this trust account is nonforfeitable.

#### ARTICLE V

1. No part of the trust funds in this account may be invested in life insurance contracts or in collectibles as defined in section 408(m).
2. The assets of this account may not be commingled with other property except in a common trust fund or common investment fund.
3. Neither the account owner nor the trustee will engage in any prohibited transaction with respect to this account (such as borrowing or pledging the account or engaging in any other prohibited transaction as defined in section 4975).

#### ARTICLE VI

1. Distributions of funds from this HSA may be made upon the direction of the account owner.
2. Distributions from an HSA that are used exclusively to pay or reimburse qualified medical expenses of the account owner, his or her spouse, or dependents are tax-free. However, distributions that are not used for qualified medical expenses are included in the account owner's gross income and are subject to an additional 20 percent tax on that amount. The additional 20 percent tax does not apply if the distribution is made after the account owner's death, disability, or reaching age 65.
3. The trustee is not required to determine whether the distribution is for the payment or reimbursement of qualified medical expenses. Only the account owner is responsible for substantiating that the distribution is for qualified medical expenses and must maintain records sufficient to show, if required, that the distribution is tax-free.

**ARTICLE VII**

If the account owner dies before the entire interest in the account is distributed, the entire account will be disposed of as follows:

1. If the beneficiary is the account owner's spouse, the HSA will become the spouse's HSA as of the date of death.
2. If the beneficiary is not the account owner's spouse, the HSA will cease to be an HSA as of the date of death. If the beneficiary is the account owner's estate, the fair market value of the account as of the date of death is taxable on the account owner's final return. For other beneficiaries, the fair market value of the account is taxable to that person in the tax year that includes such date.

**ARTICLE VIII**

1. The account owner agrees to provide the trustee with information necessary for the trustee to prepare any report or return required by the IRS.
2. The trustee agrees to prepare and submit any report or return as prescribed by the IRS.

**ARTICLE IX**

Notwithstanding any other article that may be added or incorporated in this agreement, the provisions of Article I through VIII and this sentence are controlling. Any additional article in this agreement that is inconsistent with section 223 or IRS published guidance will be void.

**ARTICLE X**

This agreement will be amended from time to time to comply with the provisions of the Code or IRS published guidance. Other amendments may be made with the consent of the persons whose signatures appear below.

**ARTICLE XI****11.1 Right to Withdrawal and Methods of Distribution**

The account owner shall have the right to request the withdrawal of all or any part of the HSA provided that such withdrawal is made to and reported under the account owner's name and social security number. Withdrawals may be requested by the account owner at any time, using a form as outlined by the financial institution and the trustee. Distributions will be made in cash.

A distribution may only be taken in the manner specified by the financial institution that is acting as the custodian of the HSA. The manner may include, debit card transactions, checking account withdrawals and in-person withdrawals. Not all financial institutions may offer all types of distribution methods. The financial institution establishes the rules regarding the use of all methods of distribution. See the disclosures provided by the financial institution for specific questions regarding these rules.

**11.2 Trustee Under No Duty of Notification**

The trustee shall be under no duty of notification to the account owner or any other individual and shall have no liability with respect to any adverse consequences (including, but not limited to, taxes and or penalties), resulting from the

account owner's failure to timely provide the trustee with the required notifications or instructions.

**11.3 Trustee's Right to Rely on Information**

The trustee may assume the truth of any statement made by the account owner under the provisions of this HSA. The trustee shall be under no duty of inquiry with respect to any action taken in reliance upon any such statement. Any notice from the trustee to any person provided for in this HSA shall be effective if sent by first class mail to such person at the person's last known address. The trustee, account owner, or designated beneficiary may waive any notice required to be received by he/she under this HSA.

**11.4 Investment Responsibility**

For purposes of this HSA and applicable statutory rules, the account owner or his/her authorized agent is a fiduciary with respect to this HSA and the assets in this HSA. The trustee acts in a nondiscretionary trustee capacity and does not act as a fiduciary with respect to the selection and retention of HSA investments. The account owner accepts full and sole responsibility for the success or failure of any selection made.

**11.5 Trustee Limitation on Liability**

The trustee acts in a nondiscretionary trustee capacity and has no fiduciary capacity or authority with respect to any matter involving the HSA or the HSA assets, including but not, limited to the selection and retention of HSA investments and the selection of HSA assets in order to make any distribution from the HSA whether in kind or in cash. The trustee shall not be liable for the acts or omissions of the account owner or his/her agent. The trustee shall not have any responsibility nor any liability for any loss of income or of capital, nor for any expense which the trustee may incur, relating to any investment, or the sale or exchange of any asset which the account owner or his/her authorized agent directs the trustee to make. The trustee will not act as an investment advisor to an account owner and shall not have any duty to question the account owner's or his/her authorized agent's directions regarding the purchase, retention or sale of any asset. The trustee shall not incur any liability by reason of any action taken or not taken by the account owner or his/her authorized agent resulting from the trustee transmitting or not transmitting to the account owner or his/her authorized agent any information of any kind and from wherever derived concerning the authorized agent or concerning any investment. The trustee shall not assume or incur any liability by reason of, or have any duty or responsibility to inquire into, or take action with respect to, any acts performed or not performed by the former trustee of any HSA which has transferred all or a portion of its assets to the trustee of this HSA.

**11.6 Appointment of Agent**

By notifying the trustee on a form acceptable to the trustee, the account owner, if applicable, may delegate the investment responsibility for all or any portion of the HSA to an authorized agent, provided that the assets managed by such agent are held within the United States. The trustee shall assume that the appointed agent is at all times qualified to act in that capacity. The trustee shall further assume

## HEALTH SAVINGS ACCOUNT (HSA) TRUST ACCOUNT AGREEMENT

the agent possesses the authority to direct the investment and/or manage the trading of the Trust until such time as the account owner notifies the trustee in writing that he/she has removed the agent and appointed another agent or that the account owner has assumed responsibility for directing the investment of the HSA.

### 11.7 Trustee's Powers

Subject to the investment directions of the account owner or his/her authorized agent, the trustee shall have the power or duty:

- (a) To hold any securities or other property in the HSA in the name of the trustee or its nominee, or in another form as it may deem best, with or without disclosing the trustee relationship;
- (b) To retain any funds or property subject to any dispute without liability for the payment of interest and to decline to make payment or delivery of the funds or property until a court of competent jurisdiction makes the final adjudication, and to pay all reasonable expenses and attorney's fees which may be necessarily incurred by the trustee with respect to the foregoing matter;
- (c) To charge against and pay from the HSA all taxes of any nature levied, assessed, or imposed upon the HSA, and to pay all reasonable expenses and attorney's fees which may be necessarily incurred by the trustee with respect to the foregoing matter;
- (d) To file any tax or information return required of the trustee, and to pay any tax, interest or penalty associated with any such tax return;
- (e) To act pursuant to written blanket settlement authorization given by the account owner on transactions executed by his/her authorized agent. The trustee is authorized to honor all trade confirmations received from such agent;
- (f) To furnish or cause to be furnished to the account owner, at least annually, reporting concerning the status of the HSA, including a statement of the assets of the HSA held at the end of the calendar year;
- (g) To begin, maintain or defend any litigation necessary in connection with the administration of the HSA, except that the trustee shall not be obligated or required to do so unless indemnified to its satisfaction.

### 11.8 Prohibited Transactions

Neither the trustee nor the account owner shall engage, either directly or indirectly, in any prohibited transaction within the meaning of Code Section 4975 with respect to any portion of the HSA.

### 11.9 Delegation of Trustee Powers

The trustee may delegate or employ any person or persons to carry out any powers or responsibilities of the trustee.

### 11.10 Fees and Expenses of the Trustee

All expenses incurred by the trustee, the recordkeeper, and the broker under this trust agreement, including fees for legal services rendered, and such reasonable compensation to the trustee as may be agreed upon from time to time between the financial institution, the recordkeeper, and the trustee, may be paid from the assets of this trust or charged to the account owner separately as the trustee in its dis-

cretion deems equitable. The trustee reserves the right to charge any additional fee upon 30 days' notice to the account owner that the fee will be effective.

### 11.11 Amendment

The trustee shall have the right at any time and from time to time to amend the additional provisions under this Article XI consistent with the provisions of applicable law without obtaining the consent of the account owner. The account owner shall be furnished a copy of any such amendment.

### 11.12 Termination

The account owner shall have the right, at any time, to terminate the HSA created under this Plan and Trust Agreement. The HSA shall terminate upon the first to occur of the following:

- (a) The date determined by the account owner's written notice given to the trustee at least 60 days prior to the termination;
- (b) Upon written request of the account owner to terminate the HSA after the trustee has distributed all assets in the HSA;
- (c) On the date the HSA ceases to be an HSA within the meaning of Code Section 223.

### 11.13 Resignation or Removal of Trustee

The trustee may resign at any time with or without cause upon written notice to the account owner. Resignation will take effect 30 days after the date the notice is sent, unless a successor trustee is duly appointed before that date. The trustee may be removed at any time with or without cause by the account owner on 60 days' written notice to the trustee. Such effective date may be changed upon written mutual agreement. To be effective, the account owner notice of removal of trustee must include notice of the appointment of a successor trustee and a written acceptance of such appointment by the successor trustee. If, by the effective date of either the Trustee's resignation, removal, or such longer time as the trustee may agree to, the account owner has not appointed a successor trustee which has duly accepted such appointment, the trustee shall terminate the HSA which shall be effective by distributing all assets in the HSA in a single lump sum in cash or in kind to the account owner, subject to the trustee's right to reserve funds as provided below. Upon the resignation or removal of the trustee, the trustee shall be entitled to deduct from the HSA such reasonable amount as it deems necessary to provide for expenses in the settlement of the HSA, the amount of compensation due to it, and any taxes or other sums chargeable against the HSA for which it may be liable. If the trust is not sufficient for such purposes, the trustee shall have the right to a settlement of its account, which, at the option of the trustee, may be by judicial settlement in an action the trustee institutes in a court of competent jurisdiction; or by a settlement agreement between the trustee and the account owner. Upon settlement under this section 11.13, all right, title and interest of the trustee in the assets of the HSA shall vest in the successor trustee or, if no duly appointed successor trustee, in the account owner. At that time, all future liability of the trustee shall terminate under the HSA; provided, however, that trustee shall execute, acknowledge and deliver all documents and written instruments necessary to transfer and convey the right, title and interest in the assets of the trust, to the successor trustee or, if no duly appointed successor trustee, to the account owner.



11.14 No Responsibility for Account Owner Action

The trustee shall have no obligation or responsibility with respect to any act of, or failure to act, on the part of an account owner or his/her duly authorized agent. The trustee is not required to determine the correctness of the amount of any contributions, nor is the trustee required to determine whether a rollover contribution satisfies the requirements of the IRC. The trustee or the account owner may waive any notice required to be received by it under this HSA and, in the case of any written notice or election required under this HSA, the trustee may accept such notice or election in any form (including electronically) approved by the trustee for such notice or election.

11.15 Trust Not Guaranteed

The trustee does not, in any way, guarantee the trust from loss or depreciation. The liability of the trustee to make any payment from the trust at any time and all times is limited to the then available assets of the HSA.

11.16 Controlling Provisions

Any provision under this HSA shall be wholly invalid if it is inconsistent, in whole or in part, with the IRC. This HSA shall be governed by and construed, administered, and enforced according to the laws of the state in which it is located the trustee's principal place of business except to the extent preempted by Federal Law.

11.17 Successors

The HSA shall be binding upon all persons entitled to benefits under the HSA, their respective heirs and legal representatives, and upon the trustee and its successors.



## HEALTH SAVINGS ACCOUNT (HSA) ADDITIONAL INFORMATION AND FREQUENTLY ASKED QUESTIONS

The questions and answers contained in this Disclosure Statement summarize the requirements for a HSA. An HSA is a tax-exempt trust/custodial account that the account owner sets up with a qualified HSA trustee/custodian to pay or reimburse certain medical expenses incurred by the account owner. You must be an eligible individual to qualify for an HSA.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 authorized the establishment of new health savings accounts (HSA). HSAs are governed by section 223 to the Internal Revenue Code (IRC). A qualified HSA trustee can be a bank, an insurance company, or anyone already approved by the Internal Revenue Service (IRS) to be a trustee of individual retirement arrangements (IRA) or Archer Medical Savings Accounts (Archer MSA). An HSA can be established through a trustee that is different from your health plan provider.

Because the rules with respect to HSAs are very complex, you should consult your own tax advisor if you have questions about the information contained in this Disclosure Statement. Further information is contained in IRS Publication 969, which can be obtained from any District Office of the IRS.

Generally, contributions made to an HSA, within permissible limits, by or on behalf of a taxpayer who is an eligible individual are deductible by a taxpayer under IRC section 223(a). If an employer makes a contribution, within permissible limits, to the HSA on behalf of an employee who is an eligible individual, the contribution is excluded from the employee's gross income and wages, under section 106(d) of the IRC.

The following questions and answers are excerpts from guidance provided by the US Department of Treasury. You can find additional information about HSAs at [www.irs.gov](http://www.irs.gov) and IRS Publication 969. Not all the questions and answers provided below will apply to your individual situation. We strongly suggest that you consult with your tax advisor for assistance in answering questions specific to your individual situation.

**Q1:** What is a Health Savings Account ("HSA")?

**A1:** A Health Savings Account is an alternative to traditional health insurance; it is a savings product that offers a different way for consumers to pay for their health care. HSAs enable you to pay for current health expenses and save for future qualified medical and retiree health expenses on a tax-free basis.

You must be covered by a High Deductible Health Plan (HDHP) to be able to take advantage of HSAs. An HDHP generally costs less than what traditional health care coverage costs, so the money that you save on insurance can therefore be put into the HSA.

You own and you control the money in your HSA. Decisions on how to spend the money are made by you without relying on a third party or a health insurer. You will also decide what types of investments to make with the money in the account in order to make it grow.

**A2:** What is a "High Deductible Health Plan" (HDHP)?

**Q2:** You must have an HDHP if you want to open an HSA. Sometimes referred to as a "catastrophic" health insurance plan, an HDHP is an inexpensive health insurance plan that generally doesn't pay for the first several thousand dollars of health care expenses (i.e., your "deductible") but will generally cover you after that. Of course, your HSA is available to help you pay for the expenses your plan does not cover.

For 2017, in order to qualify to open an HSA, your HDHP minimum deductible must be at least \$1,300 (self-only coverage) or \$2,600 (family coverage). The annual out-of-pocket (including deductibles and co-pays) cannot exceed \$6,550 (self-only coverage) or \$13,100 (family coverage). HDHPs can have first dollar coverage (no deductible) for preventive care and apply higher out-of-pocket limits (and copays & coinsurance) for non-network services.

**Q3:** How can I get a Health Savings Account?

**A3:** Consumers can sign up for HSAs with banks, credit unions, insurance companies and other approved companies. Your employer may also set up a plan for employees as well.

**Q4:** How much does an HSA cost?

**A4:** An HSA is not something you purchase; it's a savings account into which you can deposit money on a tax-preferred basis. The only product you purchase with an HSA is a High Deductible Health Plan, an inexpensive plan that will cover most of your medical expenses should your expenses exceed the funds you have in your HSA.

**Q5:** Who is eligible for a Health Savings Account?

**A5:** To be eligible for a Health Savings Account, an individual must be covered by a HSA-qualified High Deductible Health Plan (HDHP) and must not be covered by other health insurance that is not an HDHP. Certain types of insurance are not considered "health insurance" (see below) and will not jeopardize your eligibility for an HSA.

**Q6:** Can I get an HSA even if I have other insurance that pays medical bills?

**A6:** You are only allowed to have auto, dental, vision, disability and long-term care insurance at the same time as an HDHP. You may also have coverage for a specific disease or illness as long as it pays a specific dollar amount when the policy is triggered. Wellness programs offered by your employer are also permitted if they do not pay significant medical benefits.

**Q7:** Does the HDHP policy have to be in my name to open an HSA?

**A7:** No, the policy does not have to be in your name. As long as you have coverage under the HDHP policy, you can be eligible for an HSA (assuming you meet the other eligibility requirements for contributing to an HSA). You can still be eligible for an HSA even if the policy is in your spouse's name.

## HEALTH SAVINGS ACCOUNT (HSA) ADDITIONAL INFORMATION AND FREQUENTLY ASKED QUESTIONS

**Q8:** I don't have health insurance, can I get an HSA?

**A8:** Unfortunately, you cannot establish and contribute to an HSA unless you have coverage under a HDHP.

**Q9:** I'm on Medicare, can I have an HSA?

**A9:** You are not eligible for an HSA after you have enrolled in Medicare. If you had an HSA before you enrolled in Medicare, you can keep it. However, you cannot continue to make contributions to an HSA after you enroll in Medicare.

**Q10:** I am a Veteran, can I have an HSA?

**A10:** If you have received any health benefits from the Veterans Administration or one of their facilities, including prescription drugs, in the last three months, you are not eligible for an HSA.

**Q11:** I'm active-duty military and have Tricare coverage, can I have an HSA?

**A11:** At this time, Tricare does not offer an HDHP options so you are not eligible for an HSA.

**Q12:** My employer offers an FSA, can I have both an FSA and an HSA?

**A12:** You can have both types of accounts, but only under certain circumstances. General Flexible Spending Arrangements (FSAs) will probably make you ineligible for an HSA. If your employer offers a "limited purpose" (limited to dental, vision or preventive care) or "post-deductible" (pay for medical expenses after the plan deductible is met) FSA, then you can still be eligible for an HSA.

**Q13:** My employer offers an HRA, can I have both an HRA and an HSA?

**A13:** You can have both types of accounts, but only under certain circumstances. General Health Reimbursement Arrangements (HRAs) will probably make you ineligible for an HSA. If your employer offers a "limited purpose" (limited to dental, vision or preventive care) or "post-deductible" (pay for medical expenses after the plan deductible is met) HRA, then you can still be eligible for an HSA. If your employer contributes to an HRA that can only be used when you retire, you can still be eligible for an HSA.

**Q14:** My spouse has an FSA or HRA through their employer, can I have HSA?

**A14:** You cannot have an HSA if your spouse's FSA or HRA can pay for any of your medical expenses before your HDHP deductible is met.

**Q15:** I don't have a job, can I have an HSA?

**A15:** Yes, if you have coverage under an HDHP. You do not have to have earned income from employment – in other words, the money can be from your own personal savings, income from dividends, unemployment or welfare benefits, etc.

**Q16:** Does my income affect whether I can have an HSA?

**A16:** There are no income limits that affect HSA eligibility. However, if you do not file a federal income tax return, you may not receive all the tax benefits HSAs offer.

**Q17:** Can I start an HSA for my child?

**A17:** No, you cannot establish separate accounts for your dependent children, including children who can legally be claimed as a dependent on your tax return.

**Q18:** I'm a single parent with HDHP coverage but have child/relative that can be claimed as a dependent for tax purposes, and this dependent also has non-HDHP coverage. Am I still eligible for an HSA?

**A18:** Yes, you are still eligible for an HSA. Your dependent's non-HDHP coverage does not affect your eligibility, even if they are covered by your HDHP.

**Q19:** How much can I contribute to my HSA each year?

**A19:** The annual contribution limits are set by statute and are subject to periodic cost of living increases. For 2017, the maximum contribution limits are \$3,400 (self-only coverage) or \$6,750 (family coverage). If you are age 55 or older, you can also make additional "catch-up" contributions (see below).

**Q20:** Do my HSA contributions have to be made in equal amounts each month?

**A20:** No, you can contribute in a lump sum or in any amounts or frequency you wish. However, your account trustee/custodian (bank, credit union, insurer, etc.) can impose minimum deposit and balance requirements.

**Q21:** Does my contribution depend on when I establish my HSA account or when my HDHP coverage begins?

**A21:** Your eligibility to contribute to an HSA is determined by the effective date of your HDHP coverage. Your annual contribution depends on the number of months of HDHP coverage you have during the year (technically, the months where you have HDHP coverage on the first day of the month). The amount you can contribute is not determined by the date you establish your account. However, medical expenses incurred before the date your HSA is established cannot be reimbursed from the account.

**Q22:** Can my employer contribute to my HSA?

**A22:** Contributions to HSAs can be made by you, your employer, or both. All contributions are aggregated to determine whether you have contributed the maximum allowed. If your employer contributes some of the money, you can make up the difference.

**Q23:** Do my contributions provide any tax benefits?

**A23:** Your personal contributions offer you an "above-the-line" deduction. An "above-the-line" deduction allows you to reduce your taxable income by the amount you contribute to your HSA. You do not have to itemize your deductions to benefit. Contributions can also be made to your HSA by others (e.g., relatives). However, you receive the benefit of the tax deduction.

**Q24:** If my employer contributes to my HSA, does that also provide me any tax benefit?

**A24:** If your employer makes a contribution to your HSA, the contribution is not taxable to you the employee (excluded from income).

**Q25:** Can I make contributions through my employer on a “pre-tax” basis?

**A25:** If your employer offers a “salary reduction” plan (also known as a “Section 125 plan” or “cafeteria plan”), you (the employee) can make contributions to your HSA on a pre-tax basis (i.e., before income taxes and FICA taxes). If you can do so, you cannot also take the “above-the-line” deduction on your personal income taxes.

**Q26:** Can I claim both the “above-the-line” deduction for an HSA and the itemized deduction for medical expenses?

**A26:** You may be able to claim the medical expense deduction even if you contribute to an HSA. However, you cannot include any contribution to the HSA or any distribution from the HSA, including distributions taken for non-medical expenses, in the calculation for claiming the itemized deduction for medical expenses.

**Q27:** Can I take a tax deduction for my HDHP premium?

**A27:** Not at this time. President Bush has proposed allowing individuals not covered by an employer plan to deduct their HDHP premiums as well as their HSA contributions. However, this proposal will not be effective until enacted by Congress.

**Q28:** I’m over 55 and would like to make catch-up contributions to my HSA, like I’ve done with my IRA. Is that possible?

**A28:** Yes, individuals 55 and older who are covered by an HDHP can make additional catch-up contributions (of up to \$1,000) each year until they enroll in Medicare.

**Q29:** I turned 55 this year. Can I make the full “catch-up” contribution?

**A29:** If you had HDHP coverage for the full year, you can make the full catch-up contribution regardless of when your 55th birthday falls during the year. If you did not have HDHP coverage for the full year, you must pro-rate your “catch-up” contribution for the number of full months you were “eligible,” i.e., had HDHP coverage.

**Q30:** If both spouses are 55 and older, can both spouses make “catch-up” contributions?

**A30:** Yes, if both spouses are eligible individuals and both spouses have established an HSA in their name. If only one spouse has an HSA in their name, only that spouse can make a “catch-up” contribution.

**Q31:** If each spouse has self-only HDHP coverage (neither spouse has family coverage), how much can we contribute?

**A31:** Each spouse is eligible to contribute to an HSA in their own name, up to the amount of the statutory limit.

**Q32:** If both spouses have family HDHP coverage but one spouse has other coverage, are both spouses eligible for an HSA? How much can each spouse contribute?

**A32:** The following examples describe how much can be contributed under varying circumstances. Assume that neither spouse qualifies for “catch-up contributions.”

**Example 1:** Husband and wife have family HDHP coverage with a \$5,000 deductible. Husband has no other coverage. Wife also has self-only coverage with a \$200 deductible. Wife, who has coverage under a low-deductible plan, is not eligible and cannot contribute to an HSA. Husband may contribute to an HSA up to his statutory limit.

**Example 2:** Husband and wife have family HDHP coverage with a \$5,000 deductible. Husband has no other coverage. Wife also has self-only HDHP coverage with a \$2,000 deductible. Both husband and wife are eligible individuals. Husband and wife are treated as having only family coverage. The combined HSA contribution by husband and wife cannot exceed the statutory limit for family coverage, to be divided between them by agreement.

**Example 3:** Husband and wife have family HDHP coverage with a \$5,000 deductible. Husband has no other coverage. Wife also has family coverage with a \$200 deductible. Husband and wife are treated as having family coverage with the lowest annual deductible (\$200). Neither husband nor wife is an eligible individual and neither may contribute to an HSA.

**Example 4:** Husband and wife have family HDHP coverage with a \$5,000 deductible. Husband has no other coverage. Wife also is enrolled in Medicare. Wife is not an eligible individual and cannot contribute to an HSA. Husband may contribute to an HSA up to the statutory limit.

**Q33:** Does tax filing status (joint vs. separate) affect my contribution?

**A33:** Tax filing status does not affect your contribution.

**Q34:** I’m a single parent with HDHP coverage but have child/relative that can be claimed as a dependent for tax purposes, and this dependent also has non-HDHP coverage. Am I still eligible for an HSA?

**A34:** Yes, you are still eligible for an HSA. Your dependent’s non-HDHP coverage does not affect your eligibility, even if they are covered by your HDHP. You can contribute up to the amount of your HDHP deductible to your HSA.

**Q35:** May a self-employed person contribute to an HSA on a pre-tax basis?

**A35:** No. Self-employed persons may not contribute to an HSA on a pre-tax basis and may not take the amount of their HSA contribution as a deduction for SECA purposes. However, they may contribute to an HSA with after-tax dollars and take the above-the-line deduction.

**Q36:** Does an HSA pay for the same things that regular insurance pays for?

**A36:** HSA funds can pay for any “qualified medical expense,” even if the expense is not covered by your HDHP. For example, most health insurance does not cover the cost of over-the-counter medicines, but HSAs can. If the money from the HSA is used for qualified medical expenses, then the money spent is tax-free.

**Q37:** How do I know what is included as “qualified medical expenses”?

**A37:** Unfortunately, we cannot provide a definitive list of “qualified medical expenses.” A partial list is provided in IRS Pub 502 (available at [www.irs.gov](http://www.irs.gov)). There have been thousands of cases involving the many nuances of what constitutes “medical care” for purposes of section 213(d) of the Internal Revenue Code. A determination of whether an expense is for “medical care” is based on all the relevant facts and circumstances. To be an expense for medical care, the expense has to be primarily for the prevention or alleviation of a physical or mental defect or illness. The determination often hangs on the word “primarily.”

## HEALTH SAVINGS ACCOUNT (HSA) ADDITIONAL INFORMATION AND FREQUENTLY ASKED QUESTIONS

- Q38:** Who decides whether the money I'm spending from my HSA is for a "qualified medical expense?"
- A38:** You are responsible for that decision, and therefore should familiarize yourself with what qualified medical expenses are (as partially defined in IRS Publication 502) and also keep your receipts in case you need to defend your expenditures or decisions during an audit.
- Q39:** What happens if I don't use the money in the HSA for medical expenses?
- A39:** If the money is used for other than qualified medical expenses, the expenditure will be taxed and, for individuals who are not disabled or over age 65, subject to a 20% tax penalty.
- Q40:** Are dental and vision care qualified medical expenses under a Health Savings Account?
- A40:** Yes, as long as these are deductible under the current rules. For example, cosmetic procedures, like cosmetic dentistry, would not be considered qualified medical expenses.
- Q41:** Can I use the money in my HSA to pay for medical care for a family member?
- A41:** Yes, you may withdraw funds to pay for the qualified medical expenses of yourself, your spouse or a dependent without tax penalty. This is one of the great advantages of HSAs.
- Q42:** Can I use my HSA to pay for medical services provided in other countries?
- A42:** Yes.
- Q43:** Can I pay my health insurance premiums with an HSA?
- A43:** You can only use your HSA to pay health insurance premiums if you are collecting Federal or State unemployment benefits, or you have COBRA continuation coverage through a former employer.
- Q44:** Can I purchase long-term care insurance premiums with an HSA?
- A44:** Yes, if you have tax-qualified long-term care insurance. However, the amount considered a qualified medical expense depends on your age. See IRS Publication 502 for the amounts deductible by age.
- Q45:** I have an HSA but no longer have HDHP coverage. Can I still use the money that is already in the HSA for medical expenses tax-free?
- A45:** Once funds are deposited into the HSA, the account can be used to pay for qualified medical expenses tax-free, even if you no longer have HDHP coverage. The funds in your account roll over automatically each year and remain indefinitely until used. There is no time limit on using the funds.
- Q46:** What happens to the money in my HSA if I lose my HDHP coverage?
- A46:** Funds deposited into your HSA remain in your account and automatically roll over from one year to the next. You may continue to use the HSA funds for qualified medical expenses. You are no longer eligible to contribute to an HSA for months that you are not an eligible individual because you are not covered by an HDHP. If you have coverage by an HDHP for less than a year, the annual maximum contribution is reduced; if you made a contribution to your HSA for the year based on a full year's coverage by the HDHP, you will need to withdraw some of the contribution to avoid the tax on excess HSA contributions. If you regain HDHP coverage at a later date, you can begin making contributions to your HSA again.
- Q47:** Do unused funds in a Health Savings Account roll over year after year?
- A47:** Yes, the unused balance in a Health Savings Account automatically rolls over year after year. You won't lose your money if you don't spend it within the year.
- Q48:** What happens to the money in a Health Savings Account after you turn age 65?
- A48:** You can continue to use your account tax-free for out-of-pocket health expenses. When you enroll in Medicare, you can use your account to pay Medicare premiums, deductibles, copays, and coinsurance under any part of Medicare. If you have retiree health benefits through your former employer, you can also use your account to pay for your share of retiree medical insurance premiums. The one expense you cannot use your account for is to purchase a Medicare supplemental insurance or "Medigap" policy.
- Once you turn age 65, you can also use your account to pay for things other than medical expenses. If used for other expenses, the amount withdrawn will be taxable as income but will not be subject to any other penalties. Individuals under age 65 who use their accounts for non-medical expenses must pay income tax and a 20% penalty on the amount withdrawn.
- Q49:** Can I use my HSA to pay for medical expenses incurred before I set up my account?
- A49:** No. You cannot reimburse qualified medical expenses incurred before your account is established. We recommend you establish your account as soon as possible.
- Q50:** Who will be the "bookkeeper" for my HSA?
- A50:** It is your responsibility to keep track of your deposits and expenditures and keep all of your receipts. If you run out of HSA funds (and therefore need to use your HDHP), you may need to send those receipts to your insurer.
- Q51:** How do I use my HSA to pay my physician when I'm at the physician's office?
- A51:** If you are still covered by your HDHP and have not met your policy deductible, you will be responsible for 100% of the amount agreed to be paid by your insurance policy to the physician. Your physician may ask you to pay for the services provided before you leave the office. If your HSA custodian has provided you with a checkbook or debit card, you can pay your physician directly from the account. If the custodian does not offer these features, you can pay the physician with your own money and reimburse yourself for the expense from the account after your visit.
- If your physician does not ask for payment at the time of service, the physician will probably submit a claim to your insurance company, and the insurance company will apply any discounts based on their contract with the physician. You should then receive an "Explanation of Benefits" from your insurance plan stating how much the negotiated payment amount is, and that you are responsible for 100% of this negotiated amount. If you have not already made any

## HEALTH SAVINGS ACCOUNT (HSA) ADDITIONAL INFORMATION AND FREQUENTLY ASKED QUESTIONS

payment to the physician for the services provided, the physician may then send you a bill for payment.

**Q52:** What do I have to do to “establish” my account?

**A52:** Your account trustee/custodian will determine what you need to do, which may include completing and processing appropriate paperwork, and making a minimum deposit.

**Q53:** Who can help me establish my account?

**A53:** Insured banks and credit unions are automatically qualified to handle HSAs. Any bank, credit union or any other entity that currently meets the IRS standards for being a trustee or custodian for an IRA or Archer Medical Savings Account (MSA) can be an HSA trustee or custodian. The law also allows insurance companies to be HSA trustees or custodians.

**Q54:** My bank/credit union doesn't offer HSAs, can I be my own trustee or custodian?

**A54:** No, you must establish your HSA with an approved institution.

**Q55:** What is the difference between an HSA “custodian” and an HSA “trustee”?

**A55:** The differences between a “custodian” and a “trustee” are minor. A trust is a legal entity under which assets are actually owned and held on behalf of a beneficiary. The trustee has some level of discretionary fiduciary authority over the assets of the fund. The trustee must exercise that authority in the best interests of the beneficiary. A custodial arrangement, on the other hand, is like a trust, but the custodian simply holds the assets on behalf of the owner of the assets. Other than holding the assets and doing as the owner orders, the custodian has no fiduciary obligations to the owner. The determination of what constitutes a trust or custodial arrangement is a determination made under state law.

**Q56:** Can couples establish a “joint” account and both make contributions to the account, including “catch-up” contributions?

**A56:** “Joint” HSA accounts are not permitted. Each spouse should consider establishing an account in their own name. This allows you to both make catch-up contributions when each spouse is 55 or older.

**Q57:** Must couples open separate accounts?

**A57:** If both husband and wife are eligible to contribute to an HSA, they are both eligible to establish separate HSAs. However, if both spouses want to make “catch-up” contributions when they are age 55+, they must establish separate accounts.

**Q58:** How soon can I fund my account?

**A58:** Your account can be funded as early as the effective date of your HDHP coverage. However, if your coverage begins on any day other than the first day of the month, you cannot contribute to your account until the first day of the following month.

**Q59:** I want to make sure my HSA is “established” as soon as possible. Can I establish my account before my HDHP coverage begins?

**A59:** You can complete all the paperwork and make a minimum deposit to your account prior to the effective date of your HDHP coverage. However, your account is not officially “established” until your HDHP coverage begins. But com-

pleting the necessary steps before your coverage begins ensures that your HSA will be “established” as early as possible. This is especially important when your HDHP coverage is effective on a non-business day.

**Q60:** Can the funds in an HSA be invested?

**A60:** Yes, you can invest the funds in your HSA. The same types of investments permitted for IRAs are allowed for HSAs, including stocks, bonds, mutual funds, and certificates of deposit.

**Q61:** Will my bank notify me if I've exceeded my allowable contribution amount?

**A61:** No, it is your sole responsibility to keep track of the amounts deposited and spent from your account, just like a normal savings or checking account.

**Q62:** Can I borrow against the money in my HSA?

**A62:** No. You may not borrow against it or pledge the funds in it. For more information on prohibited activities, see Section 4975 of the Internal Revenue Code.

**Q63:** Can I roll the money in a Health Savings Account over into an IRA?

**A63:** You cannot roll the HSA funds over into an IRA. They will stay in the HSA or be rolled into another HSA.

**Q64:** Can I roll over an IRA, 401(k) or other retirement plan into an HSA?

**A64:** You cannot directly roll funds in an IRA, 401(k) or other retirement plan into an HSA. You can withdraw funds from one of these accounts, pay applicable taxes (and penalties) on the amount you withdraw, and then use the remaining funds to make a contribution to your HSA. However, the amount you contribute to your HSA is still limited by the annual contribution limits.

**Q65:** Can I roll funds in my Archer MSA into my HSA?

**A65:** Yes, if you do so within 60 days of withdrawing the funds from the Archer MSA.

**Q66:** What happens to the money in my HSA when I die?

**A66:** The account will become payable to your designated beneficiary. If you have not designated a beneficiary and if you are married, your spouse becomes the owner of the HSA when you die. If unmarried, the HSA becomes part of your taxable estate.

**Q67:** As an employer, do I own my employees' HSAs? Can I control how they spend the money in them?

**A67:** No, you do not own your employees' HSAs. The employee fully owns the contributions to the account as soon as they are deposited, just as with a personal checking or savings account to which you would deposit their compensation.

**Q68:** My employees want to contribute to their HSAs but want to make sure they get a tax benefit out of doing so. How does that work?

**A68:** Employee contributions can be made to HSAs on either after-tax or pre-tax basis. If made on an after-tax basis they should be counted as an above-the-line deduction on their tax return, effectively making their contributions tax-free. If they want to make the contribution pre-tax it can be done through a Section 125 (also called a “salary reduction” or “cafeteria plan”).

## HEALTH SAVINGS ACCOUNT (HSA) TRUST ACCOUNT AGREEMENT

**Q69:** How much do I have to contribute to my employees' HSA, as an employer?

**A69:** As much or as little as you want (while staying below the legal limit on the account).

**Q70:** Do HSA contributions have to be made in equal amounts each month?

**A70:** No, you can contribute in a lump sum or in any amounts or frequency you wish. However, keep in mind that the funds belong to the employee after they are deposited.

**Q71:** As an employer, do I have to contribute the same amount to every employee's HSA?

**A71:** Employer contributions must be "comparable," that is they must be in the same dollar amount or same percentage of the employee's deductible for all employees in the same "class." You can vary the level of contributions for "full-time" vs. "part-time" employees, and employees with "self-only" coverage vs. "family coverage." You do not need to consider employees who do not have HDHP coverage as they are not eligible for HSA contributions.

**Q72:** Our company offers benefits through a Section 125 plan, do contributions have to be comparable under these plans as well?

**A72:** Section 125 plans (also known as "salary reduction" or "cafeteria" plans) must meet a different set of rules. Under these plans, contributions (both from employer and/or employee) must meet "non-discrimination" rules. These rules require the employer to ensure that contributions do not favor higher compensated employees.

**Q73:** Our company wants to offer "matching" contributions, can we do that?

**A73:** Yes, but your company can only offer "matching" contributions through a Section 125 plan. Remember that the non-discrimination rules still apply.

**Q74:** Where can I find additional information about HSAs?

**A74:** Additional information can be found in IRS Publication 969.