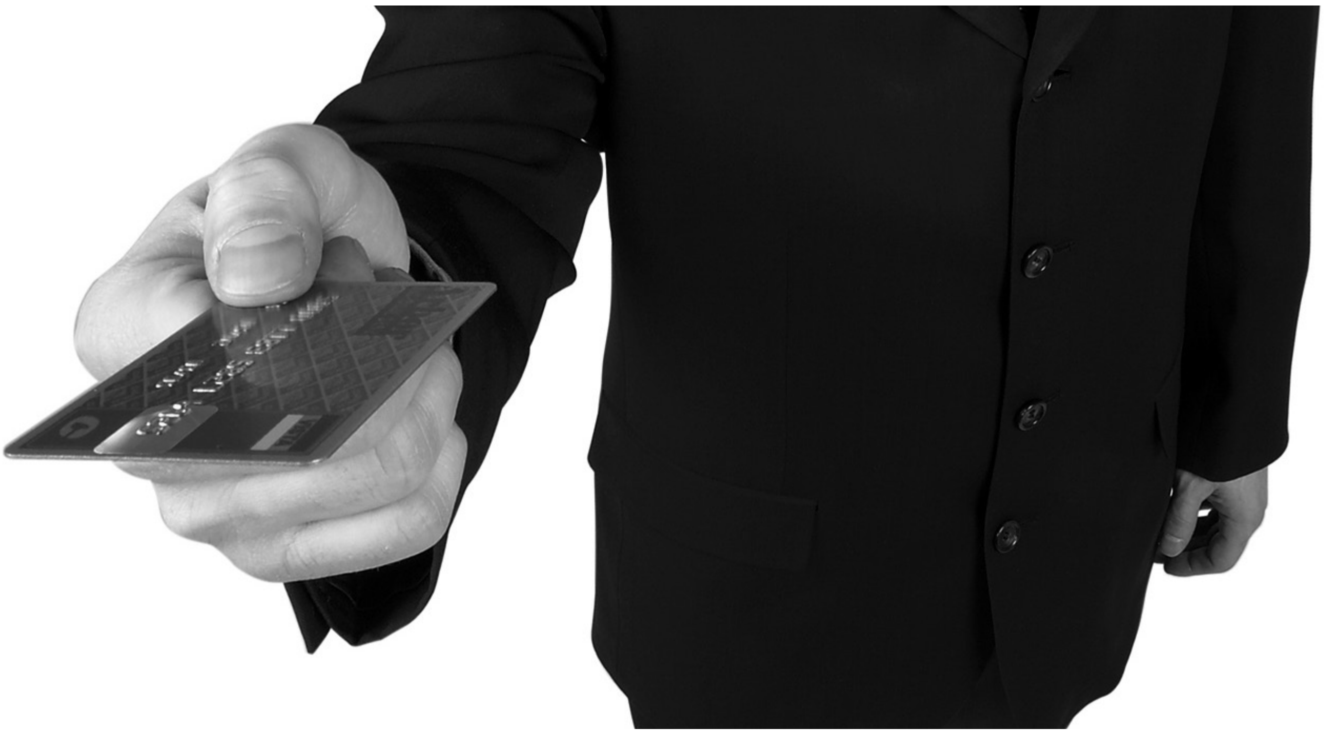
TAKE CHARGE.



So you've decided to take charge of your healthcare. You've made a good decision. Owning a Health Savings Account (HSA) is the first step.

Inside this booklet we have provided you with the nuts and bolts of HSAs, but don't worry about all the technical stuff right now. Leave that to us. We'll get you started, and we'll be by your side while you get the hang of how it all works.

Now get out there, live a healthy lifestyle, ask your doctor about lower cost treatment alternatives or generic drug options. Then maybe you'll spend less on medicine, less on doctor visits and have more money in your HSA for when you need it most. After all, it's your healthcare dollars you're spending. And for peace of mind, you are covered by a great health plan for those unexpected catastrophic events.

You are now becoming an active participant in the healthcare revolution, and aren't you glad you're in charge? We certainly are.

BASIC HSA

WHAT

is an HSA qualified health plan?

An HSA qualified plan, many times referred to as a "high deductible health plan" (HDHP), is health insurance that covers you and/or your family for catastrophic events. Generally speaking, it does not cover first dollar medical expenses except for some permitted coverage for preventative services and supplemental insurance plans. The following limits are also requirements of an HSA qualified plan.

Federal law requires that the health insurance deductible be at least:

2016 and 2017

$1,300* -- Self-only coverage $2,600* -- Family coverage

In addition, annual out-of-pocket expenses under the plan (including deductibles, co-pays, and co-insurance) cannot exceed:

2016 and 2017

$6,550** -- Self-only coverage $13,100** -- Family coverage

WHO

can have an HSA?

Any adult can contribute to an HSA if they:

- Have coverage under an HSA-qualified "high deductible health plan" (HDHP)
- Have no other first-dollar medical coverage (other types of insurance like specific injury insurance or accident, disability, dental care, vision care, or long-term care insurance are permitted).
- Are not enrolled in Medicare.
- Cannot be claimed as a dependent on someone else's tax return.

Contributions to your HSA can be made by you, your employer, or both. However, the total contributions are limited annually. If you make contributions post-tax, you may take an above-the-line deduction when you file your tax return, thus reducing your adjusted gross income. Contributions can no longer be made once you are enrolled in Medicare, however, you can keep the money in your account and use it to pay for medical expenses tax-free.

HOW MUCH

can I contribute to an HSA?

Individuals are allowed to make the statutory maximum contribution, regardless of the individual's deductible.

2016

$3,350* -- Self-only coverage $6,750* -- Family coverage

2017

$3,400* -- Self-only coverage $6,750* -- Family coverage

Beginning in 2007, contributions to HSAs will no longer be prorated for mid-year HDHP coverage, however the individual must remain covered under the HSA qualified plan for at least 12 months following the first year of coverage under the HDHP. Otherwise, income taxes and additional penalties will apply.

Individuals age 55 and older can also make additional "catch-up" contributions. The maximum annual catch-up contribution is as follows:

2011 and after - $1,000

The Tax Relief and Health Care Reform Act of 2006 allows for a one time rollover from an IRA to an HSA Account. Specific details on this provision should be discussed with your employer or IRA provider.

**adjusted annually for inflation.*

WHY
choose an HSA?

Security – Your health insurance coverage and HSA protect you against high and unexpected medical bills.

Affordability – You should be able to lower your health insurance premiums by switching to health insurance coverage with a higher deductible.

Flexibility – You can use the funds in your account to pay for current medical expenses, including expenses that your insurance may not cover, or save the money in your account for future needs, such as:

- Health insurance or medical expenses if unemployed
- Medical expenses after retirement (before Medicare)
- Out-of-pocket expenses when covered by Medicare
- Long-term care expenses and insurance

Savings – You can save the money in your account for future medical expenses and grow your account through investment earnings. After you turn age 65, you may use your HSA dollars for any expenses and the 20% tax penalty no longer applies (funds must be claimed as income).

Control – You make all the decisions about:

- How much money to put into the account
- Whether to save the account for future expenses or pay current medical expenses
- Which medical expenses to pay from the account
- Whether to invest any of the money in the account
- Which investments to make

Portability – Accounts are completely portable, which means you can keep your HSA even if you:

- Change jobs
- Change your medical coverage
- Become unemployed
- Move to another state
- Change your marital status

Ownership – Funds remain in the account from year to year, just like an IRA. There are no "use it or lose it" rules for HSAs.

Tax Savings – An HSA provides you triple tax savings:

(1) tax deductions when you contribute to your account
(2) tax-free earnings through investment
(3) tax-free withdrawals for qualified medical expenses.

WHAT
Happens to My HSA When I Die?

If you are married, your spouse becomes the owner of the account. If you are not married, the account will no longer be treated as an HSA upon your death. The account will pass to your beneficiary or become part of your estate (and be subject to any applicable taxes).

WHAT

can you use your HSA dollars for?

You can use the money in your account to pay for any qualified medical expense permitted under federal tax law. This includes most medical care and services, dental and vision care. You can generally not use the money to pay for medical insurance premiums, except under specific circumstances, including:

- Any health plan coverage while receiving federal or state unemployment benefits.
- COBRA continuation coverage after leaving employment with a company that offers health insurance coverage.
- Qualified long-term care insurance.
- Medicare premiums and out-of-pocket expenses, including deductibles, co-pays, and coinsurance for:
  Part A (hospital and inpatient services)
  Part B (physician and outpatient services)
  Part C (Medicare HMO and PPO plans)
  Part D (prescription drugs)

Not only can your HSA be used for your medical expenses, it can also be used for your spouse's or your dependent children's medical expenses, even if they are not covered by your HDHP. Remember that any amounts used for purposes other than qualified medical expenses are taxable as income and subject to an additional 20% tax penalty.

After you turn age 65, the 20% additional tax penalty no longer applies. If you become disabled and/or enroll in Medicare, the account can be used for other purposes without paying the additional 20% penalty.

BASIC HSA

www.basiconline.com
800-444-1922

Acupuncture

Alcoholism

Ambulance

Artificial Limb

Artificial Teeth

Autoette

Bandages

Breast Reconstruction Surgery

Birth Control Pills

Braille Books/Magazines

Capital Expenses

Chiropractor

Christian Science Practitioner

Contact Lenses

Crutches

Dental Treatment

Diagnostic Devices

Disabled Dependent Care Expenses

Eyeglasses

Eye Surgery

Fertility Enhancements

Guide Dog (or other animal)

Health Institute

Hearing Aids

Home Care

Hospital Services

Insulin

Laboratory Fees

Lead Paint Removal

Legal Expenses (authorizing treatment of mental illness)

Lifetime Care

Lodging ($50 per night)

Medical Conferences (admission and transportation)

Medical Services (physician, surgeon, etc)

Nursing Home

Nursing Services

Obstetrical

Operations

Optometrists

Orthodontia

Osteopaths

Oxygen and Equipment

Prosthesis

Psychiatric Care

Psychologists

Psychotherapists

Special Home for Mentally Impaired

Special Schooling

Sexual Dysfunction Treatment

Sterilization

Stop-Smoking Programs

Surgical Fees

Therapy

Transportation (For Medical Care)

Weight-loss Programs

Wheelchair

X-Rays

Please refer to IRS publication 502 for clarification on the above categories.

www.irs.gov/pub/irs-pdf/p502.pdf