

Understanding your Health Savings Account

Everything you need to know about your HSA

Whether you've had your Electric Cooperatives Federal Credit Union Health Savings Account (HSA) for years, or you just recently opened one, this guide will outline all the latest details on how your account works.

Benefits for Eligible Individuals

HSA's are designed to help individuals covered under a High Deductible Health Plan or a catastrophic health plan save money through tax-deductible contributions to cover current and future qualified medical expenses. Here are some other great perks of an ECFCU HSA:

Individuals may benefit from HSAs by...

- Carrying over their HSA balances from year-to-year
- Paying their qualified medical expenses with pretax dollars

- Lowering their out-of-pocket premium costs, and
- Having an additional source of taxable retirement income if they do not use HSA assets for qualified health care expenses

There are three major tax advantages to your HSA:

- 1) Cash contributions to an HSA are 100% deductible from your federal gross income (within legal limits).
- 2) Interest earnings accumulate tax-deferred.

- 3) Withdrawals from an HSA for "qualified medical expenses" are free from federal income tax.

An ECFCU HSA also comes with these benefits:

- Visa Debit Card(s)
- Free E-Statements
- Free Home Banking and Bill
- Unlimited debit card transactions
- Monthly Dividends
- Variety of investment options through CUNA Brokerage Services

How do I determine if my current health plan is eligible for an HSA?

A health plan is considered eligible if the plan satisfies the following annual deductible and maximum out-of-pocket expense requirements for self-only or family coverage. These amounts may be adjusted for cost-of-living increases in future years by the IRS.

Year	Type of Coverage	Minimum Annual Deductible*	Maximum Out-of-Pocket Expenses**
2012	Self-Only	\$1,200	\$6,050
	Family	\$2,400	\$12,100
2013	Self-Only	\$1,250	\$6,250
	Family	Family	\$12,500

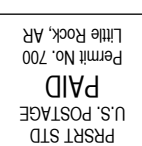
*Preventive care need not be subject to the minimum annual deductible

**The limit for maximum out-of-pocket expenses includes deductibles, co-payments, and other amounts, but not premiums.

Tax Reporting

Health Savings Accounts (HSAs) are subject to IRS reporting for contributions and distributions. If employer contributions are made they must be reported in Box 12 of Form W-2, Wages and Tax Statement, with a code W.

HSA owners must file Form 8889, Health Savings Accounts (HSAs), and Form 1040, U.S. Individual Income Tax Return, for Contributions and/or Distributions. You can find these IRS reporting forms and instructions at www.irs.gov.



Health Savings Account Eligible Expenses (2012-2013)

You can find a complete list of the eligible expenses at www.irs.gov IRS Publication 502. This list is not all-inclusive. Remember, the IRS may modify its list of eligible expenses from time to time. As always, consult your tax advisor should you require specific tax advice.

- Acupuncture
- Alcoholism treatment
- Ambulance
- Artificial limb
- Artificial teeth
- Breast reconstruction surgery (mastectomy-related)
- Chiropractor
- Contact lenses and solutions
- Cosmetic surgery (if due to trauma or disease)
- Dental treatment (X-rays, fillings, braces, extractions, etc.)
- Diagnostic devices (such as blood sugar test kits for diabetics)
- Doctor's office (including physicians, surgeons, specialists or other medical practitioners) visits and procedures
- Drug addiction treatment
- Drugs, prescription
- Eyeglasses and exams (for medical reasons)
- Eye surgery (such as laser eye surgery or radial keratotomy)
- Fertility enhancements
- Hearing aids (and batteries for use)

- Hospital services
- Laboratory fees
- Long-term care (for medical expenses and premiums)
- Nursing home
- Nursing services
- Operations/surgery (excluding unnecessary cosmetic surgery)
- Osteopath
- Physical Therapy
- Psychiatric care
- Psychologist
- Special education (for learning disabilities)
- Speech Therapy
- Stop-smoking programs (including nicotine gum or patches)
- Vasectomy
- Weight-loss program (to treat a specific disease diagnosed by a physician)
- Wheelchair

IRS Penalties for non-qualified expenses:
Any funds you withdraw for non-qualified medical expenses will be taxed at your income tax rate plus 20% tax penalty.

Exception-

This tax penalty does not apply if the withdrawal is made after the date you:

- 1) Attain age 65;
- 2) Become totally and permanently disabled; or
- 3) Die.

2013 HSA Contribution Limits, Deductibles and Out-of-Pocket Expenses

2013 offers individuals and families additional opportunities to save for current and future health care with a health savings account:

HSA holders can choose to save up to \$3,250 for an individual and \$6,450 for a family (HSA holders 55 and older get to save an extra \$1,000 which means \$4,250 for an individual and \$7,450 for a family). These contributions are 100% tax deductible from gross income.

	Contribution Limit 2013	55+ Contribution
Single	\$3,250	\$1,000
Family	\$6,450	\$1,000

For more detailed information on HSAs and taxes, visit the U.S. Department of Treasury Web site at www.ustreas.gov or talk with your tax advisor.

Death of Primary Account Holder

If the primary Health Savings Account owner passes, the HSA will be treated as their surviving spouse's HSA, but only if the spouse is the named beneficiary. If there is no surviving spouse or their spouse is not the beneficiary, then the savings account will cease to be an HSA and will be included in the federal gross income of the estate or named beneficiary.

Health Savings Account Fees:

Monthly Account/Admin Fee	\$2.00
Debit Card (Replacement)	\$5.00
Overdraft Fee and Courtesy Pay	\$20.00
Photocopy of Statement	\$5.00 (per statement)
Return Mail	\$3.00

All other fees can be reviewed at www.ElectricCoopFCU.org

Transfers and Rollovers

Transfers

Individuals may transfer assets from one HSA to another HSA. Additionally, a former spouse may transfer HSA assets to her own HSA if awarded all or a portion of a former spouse's HSA as part of a divorce settlement. There are no restrictions on how many times and HSA owner may transfer HSA assets during the year. However, an owner cannot have more than one HSA.

Rollovers

Individuals may roll over assets from one HSA to another HSA. The following restrictions apply to HSA rollovers:

60-Day Restriction

An HSA owner has 60 days following the day he receives the HSA assets to deposit the assets in an HSA as a rollover contribution.

12-Month Restriction

An HSA owner may make only one rollover contribution to an HSA during a 12-month period. (Note that this restriction for HSAs is different than the 12-month restriction for IRAs)

If you have any additional questions, don't hesitate to contact your credit union!



Electric Cooperatives
 Federal Credit Union

Phone: 501-570-2396
 Toll-Free: 800-442-0186

1 Cooperative Way
 P.O. Box 194208
 Little Rock, AR 72219

ElectricCoopFCU.org

Federally insured by NCUA