BANK OF CASHTON
Since 1899

Your Health Savings Account Solution

Bank of Cashton
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Q. WHAT IS A HEALTH SAVINGS ACCOUNT (HSA)?

A. An HSA is a tax-exempt trust or custodial account established exclusively for the purpose of paying qualified medical expenses of the account beneficiary who, for the months for which contributions are made to an HSA, is covered under a high-deductible health plan. (Notice 2004-2, Q-A #1)

Q. WHO IS ELIGIBLE TO ESTABLISH AN HSA?

A. Individuals who:

- Are enrolled in a high deductible health plan (HDHP)
- Are not enrolled in Medicare
- Are not claimed on someone else's income tax
- Have no other medical insurance

Q. WHAT IS A QUALIFIED HIGH DEDUCTIBLE HEALTH PLAN (HDHP)?

A. The IRS requirements for a health plan to be considered a HDHP are a minimum deductible and a max out of pocket that comply with the current IRS limitations. Those limits are referenced in the Q & A below.

Q. WHAT IS THE CONTRIBUTION LIMIT FOR AN HSA?

A.

IRS HSA Contribution Limits for 2013

	Single Plan	Family Plan
Minimum Deductible	$ 1,250.00	$ 2,500.00
Maximum Out-of-Pocket	$ 6,250.00	$ 12,500.00
Contribution Limit	$ 3,250.00	$ 6,450.00
Catch-Up Contribution (55 or older)*	$ 1,000.00	$ 1,000.00

* If a spouse is also 55 or older, a second HSA must be established to hold the second catch-up contribution of $1,000.

IRS HSA Contribution Limits for 2014

	Single Plan	Family Plan
Minimum Deductible	$ 1,250.00	$ 2,500.00
Maximum Out-of-Pocket	$ 6,350.00	$ 12,700.00
Contribution Limit	$ 3,300.00	$ 6,550.00
Catch-Up Contribution (55 or older)*	$ 1,000.00	$ 1,000.00

* If a spouse is also 55 or older, a second HSA must be established to hold the second catch-up contribution of $1,000.

Q. WHO OWNS THE FUNDS IN AN HSA?

A. You do! As the owner of the HSA you own all contributions made to your account even if you change health plans or change employers. The money in the account is for you to decide when and how to use it.

Q. HOW AM I ABLE TO KEEP TRACK OF THE MONEY I HAVE IN MY HSA?

A. Keeping track of your Bank of Cashton HSA is extremely simple. You can logon to our 24/7 online banking platform to review all transactions in your HSA or you can call our toll-free telephone banking line at (800) 461-7430. With the account you will also get a monthly statement which includes images of all checks that were written.

Q. WHO MAY CONTRIBUTE TO AN HSA?

A. Any eligible individual may contribute to an HSA. For an HSA established by an employee, the employee, the employee's employer or both may contribute to the HSA of the employee in a given year. For an HSA established by a self-employed (or unemployed) individual, the individual may contribute to the HSA. Family members may also make contributions to an HSA on behalf of another family member as long as that other family member is an eligible individual. (Notice 2004-2, Q-A #11)

Q. WHEN MAY HSA CONTRIBUTIONS BE MADE?

A. Contributions for the taxable year can be made in one or more payments, at the convenience of the individual or the employer, at any time prior to the time prescribed by law, typically April 15th,(without extensions) for filing the eligible individual's federal income tax return for that year, but not before the beginning of that year. (Notice 2004-2, Q-A #21)

Q. HOW ARE DISTRIBUTIONS FROM AN HSA TAXED?

A. Distributions from an HSA used exclusively to pay for qualified medical expenses of the account beneficiary, his or her spouse, or dependents are excludable from gross income. In general, amounts in an HSA can be used for qualified medical expenses and will be excludable from gross income even if the individual is not currently eligible for contributions to the HSA.

However, any amount of the distribution not used exclusively to pay for qualified medical expenses of the account beneficiary, spouse or dependents is includable in gross income of the account beneficiary and is subject to an additional 20% tax on the amount includable, except in the case of distributions made after the account beneficiary's death, disability, or attaining age 65. (Notice 2004-2, Q-A #25)

Q. WHAT IS A QUALIFIED MEDICAL EXPENSE?

A. 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). 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." (http://www.treas.gov/offices/public-affairs/hsa/faq_using.shtml)

Q. ARE HEALTH INSURANCE PREMIUMS QUALIFIED MEDICAL EXPENSES?

A. Generally, health insurance premiums are not qualified medical expenses except for the following: qualified long-term care insurance, COBRA health care continuation coverage, and health care coverage while an individual is receiving unemployment compensation. In addition, for individuals over age 65, premiums for Medicare Part A or B, Medicare HMO, and the employee share of premiums for employer-sponsored health insurance, including premiums for employer-sponsored retiree health insurance can be paid from an HSA. Premiums for Medigap policies are not qualified medical expenses. (Notice 2004-2, Q-A #27)

Q. HOW DO I ACCESS THE MONEY IN THE HSA?

A. Your money in the Bank of Cashton HSA can be accessed by a VISA® debit card(s) or by checks. If you would like to have both checks and a debit card(s) a charge of $8.25 will be assessed to your HSA, which is the cost of 40 checks.

Q. CAN I USE THE FUNDS IN THE HEALTH SAVINGS ACCOUNT TO PAY FOR QUALIFIED MEDICAL EXPENSES FOR OTHER MEMBERS OF MY FAMILY?

A. Yes, you can use the money in the Health Savings Account to pay for qualified medical expenses for yourself, dependant children or your spouse.

Q. I HAVE AN HSA WITH ANOTHER FINANCIAL INSTIUTION. AM I ABLE TO MOVE THAT MONEY TO THE BANK OF CASHTON HSA?

A. Yes, you can transfer your other Health Savings Account(s) to the Bank of Cashton by completing the "HSA Transfer Request Form".

Q. CAN I INVEST MY HSA MONIES IN THE STOCK MARKET? [1]

A. Yes. The Bank of Cashton HSA gives you the ability to open a **self directed** brokerage account so you can invest in stocks, bonds and mutual funds with your HSA dollars.

Q. DOES AN INDIVIDUAL FAIL TO BE AN ELIGIBLE INDIVIDUAL MERELY BECAUSE THE INDIVIDUAL IS ELIGIBLE FOR, BUT NOT ENROLLED IN, MEDICARE PART D (OR ANY OTHER MEDICARE BENEFIT)?

A. No. However, an individual is not an eligible individual under § 223(c)(1) in any month during which such individual is both eligible for benefits under Medicare and enrolled to receive benefits under Medicare. (Notice 2008-59, Q-A #5)

Q. IF THE ACCOUNT BENEFICIARY HAS ATTAINED AGE 65, ARE MEDICARE PART D PREMIUMS QUALIFIED MEDICAL EXPENSES?

A. Yes. If an account beneficiary has attained age 65, premiums for Medicare Part D for the account beneficiary, the account beneficiary's spouse, or the account beneficiary's dependents are qualified medical expenses. (Notice 2008-59, Q-A #29)

Q. WHY SHOULD I CHOOSE THE BANK OF CASHTON?

A. By choosing the Bank of Cashton HSA you get:

- **Experienced** and knowledgeable staff ready to answer your questions with a personal touch.
- **Competitive** interest rates as well as a fee structure with no hidden costs.
- **Independent** Custodian so we can accommodate your health insurance carrier changes seamlessly.
- **Exclusive** opportunity to invest in stocks and mutual funds with a direct link from the Bank of Cashton.[1]
- **Flexible** administration of accounts for any size company.

[1] Investment Accounts are not FDIC Insured. Not Bank Guaranteed. May Lose Value. Not a deposit. Not guaranteed by any federal agency.

Q. HOW DO I OPEN AN HSA WITH THE BANK OF CASHTON?

A. You can fill out the Health Savings Account Application or call Adam Anderson for the solution to any of your Health Savings Account questions.

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT ADAM ANDERSON AT (800) 205-7203