



# Your Account.

## What is a Health Savings Account?

Commonly referred to as an HSA, a Health Savings Account is a new option in health coverage. An HSA is a savings account used to pay for qualified healthcare expenses and is combined with a special type of major medical insurance called a high deductible health plan (HDHP).

An HSA allows you the opportunity to save tax free for routine healthcare and other qualified expenses while your HDHP insurance gives you financial security from the large expenses of a major illness. Ask your insurer or insurance agent whether a particular health plan qualifies as an HDHP.

## Benefits of an HSA

- **Tax Savings**—Your HSA contributions are tax deductible up to the allowable maximum even if you don't itemize deductions on your federal tax return.
- **Choice**—Your HSA can be used to pay for medical bills before your insurance deductible is met and a variety of other expenses such as eyewear, over-the-counter medicines, or braces. You spend the money on the doctor or pharmacy of your choice.
- **Control**—Since you own your HSA, you decide how the money is spent and you have the freedom to keep it whenever you change jobs or retire.
- **Convenience**—Paying qualified expenses from your HSA is as easy as writing a check or using your debit MasterCard®. Paying your healthcare expenses is easy.
- **Tax-Free Withdrawals**—There is never any tax on the money you withdraw to pay for qualified expenses, plus once you are eligible for Medicare you may also withdraw money for any reason and pay only normal income tax and no tax penalty.
- **Savings for the Future**—You keep any money you don't spend. It's always available for future qualified medical expenses or can be used for retirement.



# Your Bank.

## My Health Savings Bank™



My Health Savings Bank provides convenient and affordable Health Savings Accounts.

## Convenient and Affordable

### Convenient

- Apply online, by mail or by phone
- 24/7 Customer Service
- Full online account access to monitor deposits and withdrawals
- Options for contributions include direct deposit, E-Transfers and credit card
- Over 20,000 deposit locations nationwide
- Interest paid on account balances over \$1.00

### Affordable

- No fees to open an HSA
- No fees for the first 90 days
- No fees for HSAs when automatic monthly deposits selected
- No fees for HSAs when balances over \$3,000
- Free first order of checks
- Free HSA Debit MasterCard®

There are no application or account set-up fees to open an HSA with My Health Savings Bank. Banking services are provided by The Bancorp Bank, a full-service, FDIC insured institution that offers a wide range of personal and business financial services nationwide.

## How to Open Your HSA

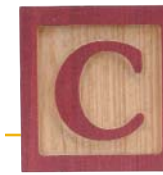
First, determine that you're eligible for an HSA. You're eligible if your answers match the answers on the checklist to the right. Then simply complete a My Health Savings Bank HSA application to get started. About 10 days after your application has been processed, a welcome kit will be mailed to you which explains how to make deposits into and withdrawals from your HSA.

When you make your initial deposit into your HSA, My Health Savings Bank will automatically mail your checks and debit card to you. They will arrive separately, about 10 business days after the initial deposit was applied to your account. If you have questions, please contact the My Health Savings Bank Customer Service Center at 1-800-555-5157. Representatives are available 24 hours a day, 7 days a week.

Visit [www.MyHealthSavingsBank.com](http://www.MyHealthSavingsBank.com) for details and application materials.

### Am I Eligible for an HSA?

1. Am I covered by a High Deductible Health Plan?  
YES. ✓
2. Am I covered by any other health insurance?  
NO. ✓
3. Am I enrolled in Medicare?  
NO. ✓
4. Can I be claimed as a dependent on someone else's tax return?  
NO. ✓



# Your Contributions.

## How Much Can I Contribute?

The annual maximum contribution is the annual deductible of your High Deductible Health Plan up to (for 2004) \$2,600 for single and \$5,150 for family coverage. However, this maximum is based on the full months you qualify. If you do not qualify for the entire year (for example, if you were not covered by

a HDHP the entire year) your maximum contribution will be a pro-rated amount. If you or your spouse are between the ages of 55 and 65, there is an additional catch-up contribution available. In 2004 it is \$500 and it increases by \$100 a year until it reaches \$1,000.

## Start Contributing—Start Saving

Use the worksheet below to figure your annual maximum and monthly contribution amounts. Then decide if you prefer to contribute monthly or contribute the maximum up front. You have until April 15 of the following year to make contributions. The money you earn on your HSA is 100% free from federal income tax while it is in your account. Also, after age 65, money you withdraw for any reason is only subject to normal income tax. If your spouse has been named as the beneficiary of your

HSA then upon your death your HSA ownership is transferred to him or her without any tax due.



## Figuring Your HSA Contribution

This worksheet can help determine the amount you can contribute to your HSA each month.

Coverage	Single	Family
<b>Your Deductible</b> The deductible of your HSA-qualified health plan	_____	_____
<b>2004 Maximum Contribution</b> Determined by type of coverage (single or family)	\$2,600	\$5,150
<b>Enter Lower Amount Here</b> If younger than age 55 this is your annual maximum	_____	_____
<b>Catch Up Contribution</b> Applies only if you are age 55 or older	_____	_____
<b>Your Annual Maximum*</b> (sum of two preceding lines) Maximum you may contribute in a year	_____	_____
<b>Your Monthly Amount*</b> Annual Maximum divided by 12	_____	_____

\* If your qualification status changes or you turn age 55 during the year these amounts will change.

Note that this worksheet is meant as a reference tool only. My Health Savings Bank is not liable for excess contributions as a result of the above calculations. If you have questions, consult your tax advisor.

## Paying Your Medical Bills Using the Money in Your HSA

Your HSA can be used to pay for qualified medical expenses such as doctor or hospital bills; or for any other purpose you like. If the amount distributed is used for qualified medical expenses, then the distribution is tax free. However, if not used for qualified medical expenses it's taxable and subject to an additional 10% tax unless you are disabled or over age 65.

A qualified medical expense can be for the HSA owner, spouse and dependents but to qualify it must not be reimbursed by insurance. For example, doctor and hospital bills you pay before the deductible of your High Deductible Health Plan is met are qualified medical expenses. Also, prescription drugs and certain non-prescription medicines qualify.

### Examples of Qualified Medical Expenses

- Acupuncture
- Alcoholism Treatment
- Ambulance
- Braces
- Home modifications for handicapped
- Childbirth preparation classes (mother)
- Chiropractors
- Contact lenses
- Crutches
- Hearing aid and batteries
- Dental fees
- Dentures
- Diagnostic fees
- Doctor's fees
- Drug addiction recovery
- Dyslexia language training
- Eyeglasses and examination fees
- Insulin
- Laboratory fees
- Artificial limbs
- Nursing homes
- Maternity expenses
- Non-prescription Medicines (antacids, allergy medicines, pain relievers, cold medicines)
- Optometrists
- Orthodontia
- Orthopedic shoes
- Oxygen/oxygen equipment
- Prescription Drugs
- Psychiatric care
- Therapy treatments (if prescribed)
- Transportation (essentially and primarily for medical care)
- Vision correction surgery (LASIK, etc.)
- Vitamins (if prescribed)
- Wheelchairs
- X-rays

More information is available in IRS Publication 502 available at [www.irs.gov/pub/irs-pdf/p502.pdf](http://www.irs.gov/pub/irs-pdf/p502.pdf). If you have questions about whether a specific expense qualifies, consult a tax advisor.

### Record Keeping

With an HSA you are responsible for the use of the account and may be required to show proof of your expenditures to the IRS. When you use your HSA, you will need to keep track of all of your expenditures. We recommend you designate a place to store all of your receipts so they are available when you need them.

With *My Health Savings Bank's* HSA you will be able to view all of your transactions using online account access. You are able to develop categories and classify transactions to easily track your expenditures. For tax reporting, we will also send you a summary of the contributions and distributions that were made during the year.

Contact us today for more information.

My Health Savings Bank

Phone: 1-800-555-5157

Or online at: [www.MyHealthSavingsBank.com](http://www.MyHealthSavingsBank.com)

## The **ABCs** of your Health Savings Account

SAVINGS



Start contributing. Start saving.

Note: This brochure is not intended to provide legal, health or tax advice. Consult your own legal, medical and tax counsel for guidance on issues that may be affected by your specific circumstances.