

# Top 20 Reasons to Open An HSA in 2012

**Purpose:** Use this list to help you gain a better understanding of Health Savings Accounts (HSAs). You are ultimately responsible for understanding your tax situation and you should consult with your tax or legal counsel for specific questions and to determine if you are eligible for an HSA. Your HSA custodian or trustee does not provide tax or legal advice.

1	<b>Save Money #1 – Deduct up to \$8,250 on Your 2012 Tax Return.</b>	You can deduct your HSA contribution and save money even if you do not itemize your taxes. With deduction amounts of up to \$8,250 (family plus two \$1,000 catch up contributions) the tax savings can be substantial. For 2012, you can deduct up to the government maximums (\$6,250 family and \$3,100 single) even if your deductible amount on your insurance is less (you must still have a High Deductible Health Plan). Check out the Tax Savings Worksheet to see how much you can save. See the Eligibility and Contribution Worksheet for details on how much you can contribute. Note: Catch-up contributions must go into each respective spouse's HSA so no more than \$7,250 can go into one HSA and you will need two HSAs to get to the \$8,250 maximum.
2	<b>Save Money #2 – Cut Your Health Insurance Costs</b>	High Deductible Health plans can be significantly cheaper than low deductible plans. The savings, put into an HSA, can be used to cover your entire medical expenditures for the year or, better yet, rolled over and saved for future years.
3	<b>Save Money #3 – Pay for Eligible Medical Expenses Tax Free</b>	Use your HSA to pay for <i>eligible</i> medical expenses tax free. If you have an HDHP, you must open your HSA before you incur any medical expenses if you want to pay for the expenses with your HSA. "Eligible medical expenses" include prescription drugs, co-pays, dental, vision and more. See the Eligible Medical Expenses list for a list of eligible and not eligible expenses.
4	<b>No Use it or Lose it Provisions</b>	There's no need to stock up on glasses, contacts and other things you don't need just so you can spend everything left in your health care account. With an HSA the funds belong to you. There are no "use it or lose it" provisions. Any unused funds stay in your HSA for your benefit in the future. Even better, earnings on the HSA are not taxable.
5	<b>Take a Full Deduction Even If You Start Mid-Year</b>	You can take a full deduction (\$6,250 family, \$3,100 single plus catch-up) even if you start mid-year (must be prior to December 1 and you must remain eligible on December 1) Caution: A penalty applies if you fail to maintain high deductible coverage for a testing period. See the HSA Testing Period Worksheet for details.
6	<b>Transfer Money from Your IRA into your HSA</b>	You can transfer money from your Individual Retirement Account into an HSA to fund the HSA. You are limited to the amount you are eligible to contribute to your HSA for the year and you cannot make a double contribution. This is a once in a lifetime option. See the IRA to HSA Worksheet for details.
7	<b>Take Control Over Your Medical Spending</b>	Take charge in 2012. HDHPs and HSAs give you more control over your health care expenses and let you use your money in your best interests. See the HSA Guide for more information.
8	<b>Keep Your Medical Expenses Private in 2012</b>	Your custodian does not share your medical receipts with your employer. Your medical expenses are private. However, you do need to save your receipts for tax purposes.
9	<b>Start Earning Interest for Medical Savings in 2012</b>	Tired of deferring money each year into a medical reimbursement account that pays no interest? And then takes your extra money at the end of the year? You enjoy the ability to earn interest in most HSAs.
10	<b>Contribute More than Your HDHP Deductible</b>	You can potentially contribute more to your HSA than the amount of your health insurance deductible. This presents an opportunity for you to get a better tax break and save more money. A High Deductible Health Plan (HDHP) is a plan with a deductible of at least \$1,200 (\$2,400 for families) and a maximum out-of-pocket cost of no more than \$6,050 (\$12,00 for families). You can contribute up to \$3,100 (\$6,250 for families) in 2012 (plus a \$1,000 catch-up if you are 55-65). For example, you buy a family HDHP with a deductible of \$2,500. You can contribute \$6,250 to your HSA, giving you more than you need to meet the deductible. Money you can use in the future or for non-deductible items like prescription glasses or future medical expenses.

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11	<b>No Money? –Start a Small HSA.</b>	HSAs are very flexible and one key point is to get the account opened! You cannot use your HSA to pay for medical expenses incurred prior to opening it. You never know when you will incur a large medical expense so it makes sense to open it right away. It's too late after the expense is incurred. If you open an HSA, even with a small balance, you can always add more to cover larger than expected medical expenses.
12	<b>Start your HSA Clock in 2012– So You Can Use Future Years' HSA Contributions To Pay 2012 Expenses</b>	You can use your HSA to pay for medical expenses incurred after you establish the HSA. If you do not have enough money in your HSA, you can use future year's HSA contributions to reimburse yourself for medical expenses you had to cover personally. For example, in 2012 you incur a dental bill of \$5,000. You are only allowed to contribute \$3,100 into your HSA for 2012 so you do not have enough money in the HSA to cover the bill. You can pay the bill and then reimburse yourself from the HSA next year or later.
13	<b>Use the HSA as a Savings Account – And an Emergency Fund</b>	Some HSA owners pay all their eligible medical expenses from personal funds and let the HSA grow tax-deferred. Basically, using the HSA as a tax-free savings account. Even better, the person can change his or her mind later. For example, Bill opens an HSA in 2012 and incurs \$2,000 in eligible medical expenses that he pays with personal funds – not the HSA. Assume in 2013, Bill needs an extra \$2,000 for a non-medical reason. He can reimburse himself the \$2,000 in medical expenses from 2012 to get the money (he needs to save the 2012 receipts in case he is audited).
14	<b>Simplify Your Life - Stop Submitting Receipts - Use a Debit Card or Checks to Pay Expenses</b>	Unlike some Flexible Spending Accounts or Health Care Reimbursement Accounts, you do not need to copy and forward receipts – you save them in case of a tax audit. Neither your HSA custodian nor your employer checks your receipts.
15	<b>Get Dental, Vision, Prescription Drugs, and Other Eligible Medical Expenses Paid Tax Free in 2012</b>	Use your HSA to pay for dental, vision, prescription drugs and non-drug over-the-counter medical items tax free. The rules on non-drug over-the-counter items is confusing, but includes items such contact lenses cleaner, bandages, blood pressure monitors and more. Starting in 2011, you can no longer use your HSA for over-the-counter drugs without a prescription (aspirin, cold medicines, etc.). See the Distribution Worksheet for details.
16	<b>Open an HSA for Your Family in 2012</b>	You can use your HSA to pay for eligible medical expenses of yourself, your spouse, and your dependants. That's true, even if your dependent is covered under a different medical plan that is not a High Deductible Health Plan.
17	<b>Pay for Medical Expenses Separately and Reimburse Yourself</b>	With an HSA you can pay for medical expenses out of your own funds and reimburse yourself later out of the HSA by writing yourself a check or electronically transferring money into your personal checking account. Or, if you prefer, pay medical expenses directly from the HSA. You decide.
18	<b>Save for health insurance premiums if you lose your job.</b>	You may be able to use your HSA to pay for health insurance premiums if you lose your job. There is an exception to the general rule against paying for health insurance premiums with HSA funds for individuals that are paying for COBRA continuation health insurance after separation of service. The exception also applies for individuals that are receiving unemployment compensation through a federal or state program. Using the HSA as a source of funds to pay the premiums can be a substantial benefit.
19	<b>Are You An Employer? Save Even More</b>	With double digit annual increases in health care costs common for group plans, High Deductible Health Plans combined with an HSA provide an alternative. See the Employer Resource Center for more information on HSAs for group plans.
20	<b>Start Accumulating Savings for Retirement</b>	Use your HSA funds for retirement at age 65 and get basically the same tax treatment as IRAs and 401(k)s. A better choice may be to use the money to pay for health insurance premiums after you are age 65, long-term care insurance or Medicare premiums after age 65 – all approved tax free reasons for your HSA.