

# HSA PARTICIPANT GUIDE

**Get the most out of your HSA benefit**

## INTRODUCING YOUR HEALTH SAVINGS ACCOUNT

A Health Savings Account (HSA) can be an effective savings tool to help you meet rising healthcare costs. Available as part of a qualified high-deductible health plan (HDHP), your HSA and the interest it earns allows you to pay for qualified medical expenses today and in the future, tax free. Associated Bank is pleased to offer an HSA solution to meet your health saving and spending needs.

### Tax advantages of an HSA

- ✓ Contributions are tax deductible
- ✓ Earnings are tax-deferred
- ✓ Distributions are tax-free for qualified expenses

## Benefits of an HSA

- **Enjoy triple tax savings**—An HSA is a savings vehicle like no other. Contributions to your HSA are tax-deductible, your savings grow tax-free, and any money you take out remains tax-free when you use it to pay for qualified medical expenses.
- **Take control**—You decide how much to contribute, when you want to use your savings, and whether or not to invest some of your savings for greater potential long-term growth.
- **Use or save your funds**—Unlike flexible spending accounts, there are no “use it or lose it” restrictions; your funds roll over from year to year. Funds in your HSA are fully vested, and any un-spent balances can be carried over from year to year and continue to grow on a tax-free basis.
- **Take it with you**—HSAs are portable. The account belongs to you and the funds are yours to keep, even if you change jobs or retire. You can continue to contribute funds to your HSA if you enroll in a new qualified high-deductible health plan (HDHP). Your funds may still be used for qualified expenses if your new employer does not offer an HDHP.
- **Supplement retirement income**—Once you turn 65, you can use your HSA like a retirement fund. Your withdrawals will count as taxable income.

## DETERMINE ELIGIBILITY

To be eligible for an HSA, you must meet these requirements:

- ✓ Enrolled in an HSA-qualified HDHP.
- ✓ Not enrolled in another non-HDHP health benefit.
- ✓ Are not claimed as a dependent on another individual's tax return.
- ✓ Have not received Veterans Affairs (VA) benefits within the past 3 months, except for preventive care, or have a disability rating from the VA.
- ✓ Not enrolled in a healthcare flexible spending account (FSA) plan or health reimbursement arrangement (HRA) plan. Alternative plan designs, such as a limited-purpose FSA or HRA, might be permitted.

### What is an HDHP?

A qualified HDHP is a type of health insurance plan that has a minimum annual deductible that meets a threshold determined by the IRS. While an HDHP has a higher annual deductible than a traditional insurance plan, it also offers tremendous savings, including:

- ✓ Lower monthly premiums than traditional health insurance plans.
- ✓ Coverage for preventative care services.
- ✓ A limit on the total out-of-pocket costs you are required to pay, including deductibles, covered medical expenses, co-payments, and co-insurance.

## Am I eligible to contribute to an HSA if I am enrolled in other benefit plans?

### Enrolled in a spouse's health plan

If you're covered by a qualified HDHP offered by your spouse's employer, you're eligible to contribute to an HSA. If you move to a new health plan that isn't HSA-eligible, you can still use your HSA to pay for qualified medical expenses, but you'll no longer be able to make contributions.

### Enrolled in other benefits

You may also contribute to an HSA if you're covered by an HDHP and the following:

- Dental
- Vision
- Short-term and long-term disability
- Life and accident insurance
- Long-term care insurance
- Limited-scope health coverage and certain limited flexible spending arrangements such as:
  - Insurance for specific types of diseases or illnesses (e.g., "carve outs" or cancer plans)
  - Hospital indemnity plans
  - Limited purpose FSA (dental/vision only)
  - Post-deductible HRAs

### Enrolled in an FSA

You may remain eligible for an HSA with an FSA, but the FSA must typically be limited to reimbursing dental and/or vision care expenses and/or medical expenses that exceed your HDHP deductible. Check with your benefits administrator to determine how your FSA enrollment may impact your HSA eligibility.

### How does an HSA work?

- ✓ Put money in
- ✓ Use money for qualified expenses
- ✓ Or save money for future expenses
- ✓ Invest funds to maximize savings
- ✓ Report expenses on taxes

Keep reading to better understand how to use and maximize your HSA account, plus important rules and reminders.

### Enrolled in a government-sponsored health plan

You are not eligible to contribute to an HSA if you're enrolled in Medicare or Medicaid or have coverage under TRICARE (military insurance).

### Receiving benefits under Veterans Affairs (VA)

Veterans who have received VA benefits in the last 3 months, except for preventative care or care for a service-related disability, are not eligible to contribute to an HSA.

### Enrolled in a different plan than spouse/dependents

You are eligible to contribute to your HSA if you remain enrolled in a qualified HDHP, even if your spouse and dependents are enrolled under a different health plan than your own. You may also use your HSA funds to pay for the qualified medical expenses of your spouse and IRS-qualified dependents, even if they're covered under another health plan.

### HSA-eligible HDHP deductible and out-of-pocket limits

HSA-eligible HDHP deductible and out-of-pocket limits		
Self-only coverage	2020	2021
Minimum annual deductible	\$1,400	\$1,400
Maximum out-of-pocket expenses	\$6,900	\$7,000
Family coverage	2020	2021
Minimum annual deductible	\$2,800	\$2,800
Maximum out-of-pocket expenses	\$13,800	\$14,000

## CONTRIBUTIONS TO YOUR HSA

There are several ways you can contribute to your HSA. You may elect to fund your own HSA or accept contributions made on your behalf from a spouse or an employer, for example.

### How do I contribute to my HSA?

- ✓ Payroll deduction
- ✓ Employer contribution
- ✓ Post-tax contributions
- ✓ One-time IRA rollover

### How do I contribute to my HSA?

- **Automatic payroll deductions.** Once you determine how much you want to contribute (see annual limits, below), your employer can arrange to make before-tax deductions from your paycheck, spread out over the plan year.
- **Employer contributions.** Your employer may elect to make contributions to your HSA, up to the annual limit set by the IRS.
- **Direct post-tax contributions.** You can contribute to your HSA with taxed contributions, up to the annual limit, and file a deduction on your tax return.
- **One-time IRA rollover.** You can make a one-time transfer from your individual retirement account (IRA) to your HSA.

## HOW MUCH MONEY CAN I CONTRIBUTE TO MY HSA?

The IRS sets annual limits for tax-free contributions to your HSA, regardless of where the contribution comes from (you, employer, etc.).

### General contribution limit

HSA annual contribution limits		
	2020	2021
Self-only coverage	\$3,550	\$3,600
Family coverage	\$7,100	\$7,200
Catch up (age 55+)	\$1,000	\$1,000

### Full contribution rule

If your HDHP coverage starts mid-year, you may make the full HSA contribution (single or family, whichever applies) for that entire year if:

- ✓ You are HSA-eligible on December 1 of that tax year; AND
- ✓ You remain HSA-eligible through the entire next calendar year (January - December).

If you do not remain HSA-eligible through the entire next calendar year (other than due to death or disability), you must work with your tax advisor to report any excess contributions made in both the current and prior tax years.

## Catch-up contribution limit

If you're at least age 55 by the end of the calendar year and meet the HSA eligibility requirements, you may make an additional tax-free catch-up contribution to your HSA, up to \$1,000. You and your spouse may make catch-up contributions to your own, separate individual HSA accounts. You may not make a catch-up contribution on behalf of your spouse to your HSA (i.e. make a \$2,000 catch-up contribution to one HSA).

## Special rules apply if both you and your spouse have an HSA

- If you and your spouse each have single HDHP coverage, you may each contribute up to the maximum single coverage limit to your respective HSAs.
- If one spouse has single HDHP coverage, and the other has family HDHP coverage, you and your spouse together may contribute no more than the maximum family coverage limit. You and your spouse can determine how you wish to divide it.
- If you and your spouse both have family HDHP coverage, you and your spouse together may contribute no more than the maximum family coverage limit. You and your spouse can determine how you wish to divide it.

## Mid-year contribution changes

Unlike other benefit accounts, there are no change-in-status limitations for making changes to your HSA contribution during the plan year. You can make changes to your contributions at any time during the plan year by submitting the applicable notice of change provided by your employer.

## Excess contributions

In order to make tax-free contributions to your HSA, you must be careful not to exceed the maximum contribution limit outlined by the IRS.

If you do exceed the annual contribution limit, remove the extra contributions before filing your taxes and report the excess contribution as taxable income.

### What if I contribute too much?

If you contribute more than the annual limit, remove the extra contributions before filing your taxes and report the excess contribution as taxable income.

Associated Bank HSA plan participants may request withdrawals via the Participant Portal, mobile app, or funds may be accessed via ATM.

## BUILD YOUR SAVINGS

HSA funds can be used for qualified expenses, but your HSA is much more beneficial to you as a savings account. Funds roll over year-to-year, allowing you to grow your balance and save your HSA dollars for when you need it most. Additionally, with an Associated Bank HSA, you can choose to invest a portion of your funds for greater potential growth.

### Invest your HSA funds for tomorrow

An added benefit of opening an HSA with Associated Bank is the ability to grow your funds through tax-free investing.

### Requirements to invest

Once an account balance has reached the minimum investment threshold, Associated Bank HSA participants may choose to invest a portion of HSA dollars in mutual funds—just like you would with a 401(k) retirement plan. Learn more about investing your HSA funds and your plan’s minimum investment threshold by contacting Participant Services at 800-270-7719 or visiting the Investments section of the Associated Bank Participant Portal.

Associated Bank offers a selection of mutual funds through our fully integrated investment portal. You can also set up “sweeps” that will automatically invest funds over a certain minimum.

### Earnings and risk

Earnings on money invested from your HSA grow tax-free. However, all investments carry the same risk as the stock market, and mutual funds are not federally insured.

### Managing your HSA investments

You can access and manage your HSA investments through the Participant Portal and mobile app. The portal’s investment features allow you to:

- ✓ Select mutual fund allocations from Associated Bank’s investment line-up.
- ✓ Track your portfolio’s performance.
- ✓ View market trends.
- ✓ Manually or automatically rebalance your portfolio assets.

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### Tips to help you move from spender to saver

- ✓ **Make a plan:** Start saving at least as much as your deductible. Increase your savings goals each year.
- ✓ **Monitor your balance:** Make sure you’re meeting your savings goals.
- ✓ **Save HSA dollars:** Unused funds roll over every year. Save HSA funds for larger expenses; pay for small expenses out-of-pocket.
- ✓ **Focus on retirement:** Use funds for qualified medical expenses in retirement; or as a retirement account once you turn 65, subject to income tax.

## INVESTMENT TOOLS

The investment platform is fully integrated into the Participant Portal to streamline investing and give you the ability to manage all your investments in one place. We also offer an Investment Guidance Tool that can help you determine which investments may be right for you. With the Guidance Tool, you can:

- Calculate healthcare expenses in retirement and create strategies to meet your future needs.
- Track multiple HSA accounts and healthcare expenses.
- Obtain a personalized risk assessment.
- Calculate HSA balance at retirement.
- Learn more about investment options.
- View recommendations for specific asset class allocations.
- Get help with meeting your investment goals.

### Can I move invested funds back into my HSA?

You can move money out of your investments and back into your HSA as needed with no tax penalties and without affecting your yearly contribution maximum.

#### Tax-advantaged savings two ways

- ✓ **Save:** Build your savings tax free
- ✓ **Invest:** Increase your earnings potential with tax-free investing

## USING YOUR HSA FUNDS (DISTRIBUTIONS)

Your HSA dollars can be used to cover qualified expenses tax-free for you, your spouse and eligible dependents, even if they are enrolled in a different health plan.

### What can I use my HSA funds for?

You can use the funds in your HSA to pay for qualified medical expenses, as defined by the IRS, incurred by you, your spouse, and your IRS-qualified dependents.

Qualified medical expenses are considered eligible for distribution from an HSA if the expense includes amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, and for treatments affecting any part or function of the body. The list of “qualified medical expenses” is defined by the IRS, and it includes a wide range of dental, vision, and medical expenses.

Other appropriate HSA expenses include Medicare insurance premiums (except Medicare Supplement policies), long-term care coverage, health coverage while receiving unemployment benefits, and healthcare continuation coverage required by federal law (known as COBRA coverage). HSAs may reimburse long-term care insurance premiums limited to the adjustment amounts as defined by the IRS, even when the HSA is offered through a cafeteria plan.

See the attached *Eligible expenses for HSAs* or you can find a list of eligible expenses online at [IRS.gov](https://www.irs.gov). Associated Bank HSA participants can use the Participant Portal or mobile app to track and organize receipts.

### Eligible expenses, at a glance

- ✓ Doctor office visits
- ✓ Dental care
- ✓ Vision care
- ✓ Medication
- ✓ Chiropractic and acupuncture
- ✓ Hearing aids

See the attached *Eligible expenses for HSAs* or visit [IRS.gov](https://www.irs.gov).

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## Health Shopper

Health Shopper is an easy way to search for, learn about and purchase HSA-eligible retail items in one convenient location, with checkouts powered by Amazon. Use your HSA Plus debit card to purchase the items you need, and even use your Amazon Prime membership for free shipping. Health Shopper also frequently highlights coupons and special deals on eligible products. Available to you as an Associated Bank HSA Plus participant at no additional cost, Health Shopper can be found in the Participant Portal or online at [My-HealthShopper.com/Associated-Bank](https://MyHealthShopper.com/Associated-Bank).

## HOW DO I USE MY HSA FUNDS TO PAY FOR IRS-QUALIFIED EXPENSES?

You can withdraw money for qualified medical expenses in several ways:

- Use your HSA Plus debit card to pay the pharmacy, doctor or other medical care provider directly.
- Make a withdrawal at an ATM.
- Use the Participant Portal or HSA Plus mobile app.
- You may use another account to pay for HSA-eligible items and reimburse using the Participant Portal or mobile app. Use the portal or app to upload and store copies of the receipts.

To receive reimbursement through direct deposit to a personal bank account or have a check mailed to you, create a disbursement in the Participant Portal or use the Distribution Request Form.

### Best practices for paying healthcare providers

- ✓ Wait for medical claims to be processed and any discounts applied before paying for healthcare services with HSA funds.
- ✓ Use your benefits debit card to pay for pharmacy services up front (after any plan discounts have been applied).
- ✓ You can always use another account to pay for qualified expenses as needed and request reimbursement through the Participant Portal or mobile app.

## Recordkeeping—Keep your receipts!

The IRS requires that you keep receipts for any qualified medical expense paid using HSA funds. Any money that comes out of your HSA and is coded as a distribution must have a receipt showing the distribution was an eligible medical expense. The only exception is if you have more than one HSA and wish to consolidate accounts; even then, that must be accounted for on your tax return.

## How long do I need to keep my receipts?

In the event of an IRS audit, the best practice is to keep HSA documentation records for at least as long as your income tax return is considered “open” (i.e. subject to an audit) and/or as long as you maintain the account. Also, hold onto the explanation of benefits (EOB) statements from your health insurance plan that document your expenses for services covered under your HDHP and receipts for all other items purchased with your HSA.

Associated Bank HSA participants have the added benefit of easily uploading, organizing and storing your receipts to the Participant Portal and mobile app.

## What happens if I use my HSA for non-qualified medical expenses?

If you're under age 65 and use your HSA funds to pay for a non-qualified medical expense, you may need to pay ordinary income taxes, tax penalties and excise taxes on the amount of the expense. If you're over age 65, or become disabled at any age, and use your HSA funds to pay for a non-qualified medical expense, you will pay ordinary income taxes, but not excise taxes or penalties on the amount of the expense. Though we can make it easier for you to track expenses, you are ultimately responsible for paying taxes and/or penalties on HSA withdrawals used for non-qualified medical expenses and report them on your tax return. Failure to do so may result in additional penalties.

## What happens to any money left in my HSA at the end of the year?

Any unused money carries over into the new year without counting toward the new year's annual contribution limit and may continue to earn interest.

## Getting the most out of your HSA

As you become more knowledgeable about how your health plan works and ways to manage the features of your HSA, you'll be able to stretch the dollars in your account to cover more healthcare needs or grow your savings and investments.

- **Put premium savings into your HSA**

A higher deductible generally means lower monthly premiums. If you are moving from a higher-deductible premium to a lower HDHP arrangement, you can deposit all or some of your premium savings into your HSA. The balance in your account can then be used to offset the higher deductible. If you don't need to use the money for medical expenses, your HSA balance will continue to grow over time.

- **Become a smarter healthcare consumer**

Use online resources and resources provided by your health plan to compare costs on providers and treatment options. Shop for bargains on prescriptions and medical supplies. Take advantage of the Health Shopper tool to research and buy HSA (and FSA) eligible items and access valuable coupons.

- **Consider hospital indemnity plans and other gap coverage**

While you cannot be enrolled in another health insurance plan to remain eligible for an HSA, you can use other types of insurance with your HDHP that can help offset the risk that comes with a higher deductible. These permitted plans help preserve your HSA balance and protect you from out-of-pocket expenses:

- Dental
- Vision
- Homeowners or personal auto
- Accidental injury
- Hospital indemnity
- Specific disease policies ("carve out" or cancer plans)

## ELIGIBLE EXPENSES FOR HSAs

To maximize the value of your Health Savings Account (HSA), you must use your account funds for expenses the IRS deems acceptable. Please note that the following is not meant to be an all-inclusive listing and may contain items which require specific criteria be met before the expense can be considered qualified. For a complete list, see Section 213 of the IRS rules([IRS.gov](https://www.irs.gov)) or contact the Internal Revenue Service.

When checking whether a procedure or product is qualified, consider the following general definition for medical care expenses before consulting the IRS: *Medical care expenses include amounts paid for the diagnosis, cure, mitigation, treatment or prevention of disease, and for treatments affecting any part or function of the body. The expenses must be primarily to alleviate or prevent a physical or mental defect or illness. Expenses solely for cosmetic reasons generally are not expenses for medical care. Also, expenses that are merely beneficial to one's general health (e.g., vacations) are not expenses for medical care.*

### Qualified medical expenses

You can generally include medical expenses you pay for yourself, as well as those you pay for someone who was your spouse or dependent either when the services were provided or when you paid for them.

- Acupuncture
- Adoption
- Alcoholism
- Ambulance services
- Artificial limb/Prosthesis
- Artificial teeth
- Automobile modifications
- Bandages
- Birth control pills
- Blood pressure monitoring devices
- Body scan
- Braille books and magazines
- Breast pumps and supplies
- Breast reconstruction surgery
- Childbirth classes
- Chiropractor services
- Christian science practitioner
- Circumcision
- Contact lenses and cleaning solutions
- Co-payments

### AT A GLANCE

- ✓ Medical expenses include amounts paid for diagnosis, cure, mitigation, treatment or prevention of disease.
- ✓ Expenses must be primarily to alleviate or prevent a physical or mental defect or illness.
- ✓ Expenses solely for cosmetic reasons or merely beneficial to one's general health are not typically expenses for medical care.
- ✓ Can include medical expenses paid for yourself spouse or dependent.

- Crutches
- Deductibles
- Dental treatment
- Dentures
- Diagnostic services
- Disabled dependent care expenses
- Drug addiction treatment
- Ear plugs
- Eye examination
- Eyeglasses and cleaner
- Eye surgery
- Fertility enhancements/Infertility treatments
- Fluoridation device
- Genetic testing
- Guide dog or other service animal
- Hearing aid and batteries
- Holistic or natural remedies
- Hospital services
- Immunizations/Vaccines
- Inclinator
- Insulin
- Laboratory fees
- Lead-based paint removal
- Legal fees
- Medic alert bracelet or necklace
- Medical conferences
- Medical monitoring and testing devices
- Medical services
- Menstrual care products
- Nursing home
- Nursing services

- Nutritionist's professional expenses
- Operations
- Optometrist
- Orthodontic services
- Osteopath
- Over-the-counter medicine
- Oxygen and equipment
- Patterning exercises
- Physical exams
- Physical therapy
- Pregnancy test
- Prescription drugs
- Prescription sunglasses
- Psychiatric care
- Psychoanalysis
- Psychologist
- Reading glasses
- Safety glasses
- Screening tests
- Smoking program
- Special education
- Special home for mentally handicapped
- Sterilization/Vasectomy
- Suntan lotion/Sunscreen
- Supplies to treat medical condition
- Surgery
- Telephone equipment and repair
- Television equipment
- Transplants
- Transportation
- Viagra
- Wheelchair
- Wigs
- X-ray fees

### Non-qualified medical expenses

- Baby-sitting
- Controlled substances
- Cosmetic supplies
- Cosmetic surgery
- Dance lessons
- Diaper service
- Electrolysis
- Exercise equipment
- Face cream
- Fitness programs
- Future medical care
- Funeral expenses
- Hair loss medications
- Hair transplant
- Health club dues/Fees
- Health institute
- Household help
- Illegal operations/Treatments
- Insurance premiums
- Maternity clothes
- Medicines and drugs from other countries
- Nutritional supplements/Vitamins
- Personal trainer
- Personal use items
- Shampoos/Soaps
- Special foods
- Swimming lessons
- Teeth whitening/Bleaching
- Toothbrush/Toothpaste
- Veterinary fees
- Weight-loss program



### Contact Us

Call our Participant Services team at 800-270-7719

Monday through Friday 7 a.m. to 7 p.m. CST

or email us at [ParticipantServices@AssociatedBank.com](mailto:ParticipantServices@AssociatedBank.com).



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