7 basic rules of an HSA you need to know



Health savings accounts (HSAs) are a powerful tool for managing healthcare expenses. However, understanding the basic rules is key to maximizing their benefits. Here are the seven essential HSA rules you should know:

1. Who is eligible for an HSA?

- Covered by an HSA-eligible high-deductible health plan (HDHP).
- Not covered by another disqualifying health plan (e.g., a spouse's plan or medical FSA).
- Not enrolled in Medicare.
- Not claimed as a dependent on someone else's tax return.



2. What expenses are eligible?

- HSA funds can cover hundreds of eligible expenses, including bandages, first-aid kits, and copays for medical, dental, or vision care.

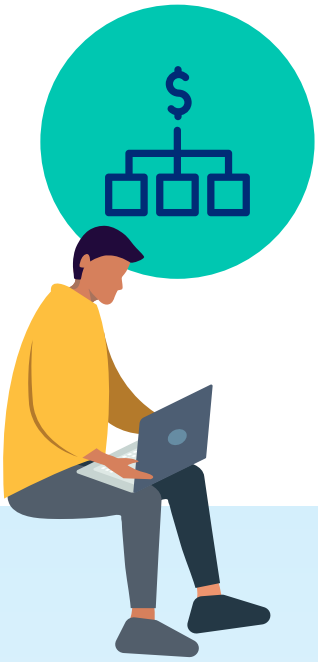
3. What happens if funds are spent on ineligible expenses?

- **Before age 65:** Ineligible expenses are subject to income tax and a 20% penalty.
- **After age 65:** Only income tax applies; no penalty.

4. How much can a participant contribute?

- Annual HSA contribution limits are set by the IRS. Check their website to find the latest limits.





5. When can participants invest* HSA funds?

- If an individual is participating in an HSA through their employer, the employer generally determines what a participant's balance must be before they can invest their funds. That balance amount is referred to as the investment threshold.
- If an individual participates in an individual HSA, then the investment threshold is set by the HSA administrator. They can refer to their account rules to learn their HSA's investment threshold.

6. Do all funds carry over?

- Yes! HSA funds roll over year after year, making them a smart choice for both short-term medical expenses and long-term retirement planning.

7. Can participants change their contribution amount?

- Yes, they can adjust their HSA contribution anytime during the plan year.



Need assistance? Ask the experts!

If you have additional questions or need support,contact First American Bank Health Account Services at:

(866) 449-1150
Monday - Friday from 7:00 a.m. - 7:00 p.m. CT, excluding holidays.

*A custodial management fee applies to investments. Funds in the investment portion of an HSA are Not FDIC Insured, May Lose Value, and are Not Bank Guaranteed.

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