

Saving and Spending

Health Savings Account Dollars

Making the most of your health savings account (HSA) means finding the right balance of saving and spending that works for you and your family right now and when life changes.

Your Account Grows Three Ways

- 1. Contributions.** You can contribute to your account in a couple of ways. Most people prefer to make regular contributions through payroll deductions. If you haven't already received instructions from your employer on how to get started, contact your Human Resources department. Some people prefer to make direct contributions either by an electronic funds transfer from a personal account or by mailing in a personal check along with a contribution coupon.

Friends and family members are also allowed to make contributions to your HSA on your behalf.

Your employer may provide funding to your account, too. Keep in mind that any contributions your employer makes cannot be deducted on your tax return. Employer contributions are not considered taxable income, so you don't pay taxes on them.

All contributions—yours, your employer's, and your friends' or family members'—count toward the annual maximum set by the Internal Revenue Service. For 2013, the maximum is \$3,250 for self-only/employee-only coverage and \$6,450 for family coverage. If you are age 55 or older, you may contribute an additional \$1,000.

- 2. Interest and Investment Earnings.** If you hold a balance in your HSA, your account will grow faster to the extent that interest or earnings are credited and remain in the account. Interest can be accrued daily and paid monthly. Any balance above \$1,000 can be invested in a money market account¹ or self-directed brokerage account.² Go to hsa.umb.com for more details on current interest rates and how investment options work.

- 3. Tax Savings.** Your account is completely tax-free, as long as you use your funds to pay for qualified medical expenses.³

- *Tax-free deposits.* Whether or not you itemize deductions on your income tax return, your HSA contributions are deductible—up to the IRS annual limit.
- *Tax-free earnings.* Your interest and any investment earnings grow tax-free.
- *Tax-free withdrawals.* The money you withdraw—today or in the future—to pay for eligible medical expenses isn't subject to taxes. That's different from a 401(k) or similar retirement plans, which are taxed when you withdraw funds.






^{1,2,3} See reverse side for important disclosure information.

Spending Your Money

When you have a medical bill, you have a decision to make. Spend your HSA funds? Or let your balance keep growing? Since your HSA is like a personal banking account, check that you have enough money in your account to cover a bill before you pay it. Don't have enough saved up? Pay your bill out of pocket. Then, if you still want to use your HSA funds, you can reimburse yourself no matter when you incurred the expense.

When you are ready to pay a bill, follow these three steps:

- 1. Check if it's eligible.** Since your health savings account is supposed to work together with your high-deductible plan, qualified eligible expenses for your HSA are typically the same bills that count toward your deductible, plus over-the-counter items and medicines, certain premiums, and some vision and dental costs. A full list of qualified expenses can be found in *IRS Publication 502* at www.irs.gov.
- 2. Choose a payment method.** Here are some guidelines:

When?	Pay your bill with ...
<p>At the pharmacy. Swipe your debit card like any other credit card when you purchase prescription drugs at a network pharmacy. (Your debit card will arrive in the mail once you open your account.) Your pharmacist can typically calculate your cost, including whether or not you've met your deductible, right at the time of your purchase. Also use for vision or dental care.</p>	<p>Debit card</p> 
<p>After you get a bill from a network provider. Wait for your claim to be processed so that you get the network savings and deductible credit applied to your doctor or hospital bill before you pay. Then you can give your HSA debit card number. If your provider won't accept a debit card payment, log into your account on hsa.umb.com to have a check sent directly to your provider. Pay for your long-term care premiums this way, too.</p>	<p>Debit card or via online bill pay</p> 
<p>After you've paid in full to see an out-of-network provider. Some providers may require payment at the time of service. And your total bill may vary depending on whether or not you've met your deductible. Once you are logged into your account on hsa.umb.com, follow the instructions to "Request a Reimbursement."</p>	<p>Online reimbursement</p> 

- 3. Save your receipts.** The IRS may request that you show proof of how you used your tax-free money. If you use your HSA funds to pay for goods or services that aren't qualified medical expenses, you are responsible for reporting that to the IRS, paying income taxes on the amount and possibly an additional 20% penalty.

For more information about health savings accounts, see *IRS Publication 696, Health Savings Accounts and Other Tax-Favored Health Plans*.

¹A peg balance (currently \$1,000) is set to determine the amount of money that moves in and out of the money market mutual fund. Funds in your HSA up to the \$1,000 peg balance, are a deposit in an FDIC-insured account. Funds in excess of \$1,000 are an investment in a money market mutual fund that is not insured by the FDIC or any other governmental agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

²Investments you make through your HSA are not FDIC-insured. Securities offered through UMB Financial Services, Inc., member FINRA (www.finra.org), SIPC (www.sipc.com). UMB Financial Services, Inc. is a subsidiary of UMB Bank, n.a. UMB Bank, n.a. is a wholly owned subsidiary of UMB Financial Corporation. UMB Financial Services, Inc. is not a bank and is separate from UMB Bank, n.a. and other banks.

Investments in securities, whether through the Money Market Sweep Account or through investments in the Self-directed Brokerage Account are:
Not FDIC-Insured · May Lose Value · No Bank Guarantee.

³Neither UMB Bank n.a., nor its parent, subsidiaries, or affiliates are engaged in rendering tax or legal advice and this document is not intended as tax or legal advice. All mention of taxes is made in reference to federal tax law. States can choose to follow the federal tax-treatment guidelines for HSAs or establish their own; some states tax HSA contributions. Please check with each state's tax laws to determine the tax treatment of HSA contributions, or consult your tax adviser.

Did you know?

Your debit card is sent to you once you open your account. You can request up to four additional cards at no charge. The expenses must be incurred for you, your spouse, or your eligible dependents.