

# Health Savings Account Tax Benefits

HSAs provide a way for participants to use tax-free money to pay for their medical costs. Dollars saved in the HSA account, as well as the earnings on them, are not taxed when used for qualified medical expenses. This can result in additional savings for the employee. Here's an example:

Susan needs individual coverage. If she elects the HDHP plan, First Southern will contribute \$450 to her account and she believes she would add an additional \$1,550 through payroll deduction to further increase her savings. If she elects later, she can increase her contributions so that total contributions reach the maximum allowed in 2008 of \$2,900.00.

Susan's contribution (\$1,550) + Employer Contribution (\$450) = \$2,000 Total

	Without HSA	With HSA
Yearly Income	\$30,000	\$30,000
Minus money taken out of paycheck for HSA	\$0	\$1,550
Taxable Income	\$30,000	\$28,450
Estimated Take-home pay	\$25,690	24,964
Estimated Medical Expenses (without premiums)	\$1,200	\$1,200 – From HSA
Spendable income	\$24,490	\$24,964
<b>Tax Savings = Free Money</b>		<b>\$474</b>
<b>Potential balance remaining in HSA (including Employer contribution)</b>		<b>\$800</b>

## HSA Growth Potential

Unlike flexible savings accounts (FSAs), funds remaining in a health savings account at the end of the year stay in the account, available for future medical costs when the participant decides to use the funds.

James is 40 years old and will be contributing \$5,000 per year to the account to cover his family's medical expenses (including the Employer contribution of \$1,020). If James continues to deposit similar contribution amounts until he is 65, the funds may grow depending on his medical expenses. Let's assume his family spends an average of \$3,000 per year, even if simply saved in a deposit account earning only an average of 3% per year (assuming 28% federal and 5% state tax brackets):

Years Saved	Potential Balance assuming average of \$5000 contribution & \$3000 expenses
3	\$6,181.80
5	\$10,618.27
10	\$22,927.76
15	\$37,197.38
20	\$53,740.75

The scenarios above are provided only as examples and may not represent a participant's actual experience and usage of the HSA account.

## Questions?

If you have any questions about how a health savings account can benefit you and your family, please call the HSA Customer Support Center. 888 860-2978 option 1

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