

Health Savings Accounts (HSAs)

Health & wealth planning for your future...

FlexHSA is a Health Savings Account (HSA) that offers tax-favored savings and investment accounts for individuals covered by High-Deductible Health Plans. HSAs allow individuals to make tax-deductible contributions and take tax-free distributions if the money is used to pay for qualified medical expenses. The account holder has the ability to save or invest their money in virtually any asset of their choice. The account belongs to the individual and is portable: no “use it or lose it” penalties, no income or employment requirements apply.

What are the Benefits an of HSA?

Think of an HSA as a “Medical IRA.” They allow individuals with qualified High-Deductible Health Plans to prepare and save for current and future health care expenses.

HSAs are Triple-Taxed Advantaged:

- Contributions into the account are tax-deductible.
- All assets in the account accumulate tax-deferred, which can help produce a greater total return over the long term.
- When used to pay for qualified medical expenses, distributions are not taxed.

HSAs can supplement retirement income

- Once you reach age 65 (or the age at which you become eligible for Medicare), all non-medical distributions are no longer subject to the 10% penalty and are taxed as ordinary income.
- After you retire, you can continue to use the accumulated assets in your HSA to pay for medical expenses. The assets also can be used to meet the expense of nursing care or to purchase a long-term-care policy.
- There are no Required Minimum Distributions so your assets can continue to grow until you need to access them.

How does an HSA work?

HSAs offer an alternative way to pay for rising health care costs. They allow you to pay for medical costs today, while investing for the future. Several key features of HSAs include:

- Like an IRA, you own the account and control the money in the HSA
- Much like traditional IRAs, HSAs can hold a broad array of investments including stocks, bonds, and mutual funds

2007 IRS Guidelines for Qualifying HDHPs & Contribution Limits

	Single	Family
Minimum Deductible	\$1,100	\$2,200
Maximum Out-of Pocket	\$5,500	\$11,000
Contribution Maximum	\$2,850	\$5,650
Catch-up Provision 55+	\$800	

- Unlike FSAs, there is no “Use it or lose it” provision – unused funds can be rolled over each year
- Distributions are tax-free when used for qualified medical expenses
- Accounts are completely portable, meaning you can keep your HSA even if you change jobs or medical coverage.

How much can I contribute each year?

For 2007, you can contribute a maximum of \$2,850 for an individual and \$5,650 for a family to an HSA. You can contribute to your account in a lump sum or periodically throughout the year, and you do not have to make equal contributions every month. If your employer or anyone else contributes, you can contribute only the difference between their contribution and the maximum contribution for the year.

Can I make catch-up contributions?

If you are age 55 or older and are covered by a High-Deductible Health Plan, but have not enrolled in Medicare Part A or B, you can make a catch-up contribution in addition to the maximum contribution. The catch-up contributions are:

- \$800 in 2007
- \$900 in 2008
- \$1,000 in 2009 and thereafter



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Features & Benefits of *FlexHSA*

FlexHSA combines a bank deposit account and a standard retail brokerage account in one HSA. This integrated structure allows you to pay for medical expenses through the bank account, while your Investment Professional manages your investments in the brokerage account.

Choose from a wide range of investments

- HSAs can hold stocks, bonds, CDs and mutual funds.
- Since the assets in the HSA are held at your brokerage firm, your Investment Professional can manage your investments like he or she would any other account.

Enjoy flexible, convenient account features

- You have easy access to bank funds via debit cards and personalized checks.
- Your assets keep working for you with an automatic sweep of cash balances greater than \$3,000 into your brokerage account.

Access your account 24 hours a day, seven days a week

Through Personal Cash Manager (PCM), a secure, web-based account management tool you can:

- View both your brokerage and banking account balances.
- Obtain detailed banking account information so you can easily track medical expenditures and year-to-date contributions.
- Access monthly statements and view past statements (3 month history).

Simplify recordkeeping and tax reporting

Account holders receive:

- Concise monthly statements that itemize medical expenses paid from your Health Savings Account.
- Comprehensive year-end tax reporting, including IRS Form 1099-SA and 5498-SA reporting.



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