

# BankEast Health Savings Account

## Health Savings Account FAQs

### What is a Health Savings Account?

A Health Savings Account (HSA) is a tax-exempt trust or custodial account that you set up with a qualified HSA trustee to pay or reimburse certain medical expenses you incur. It is subject to rules similar to those that apply to IRAs. HSAs have the benefit of allowing you to pay for qualified medical expenses from your HSA on a tax-free basis. Unused funds may accumulate tax-free from year to year, as you are not required to distribute funds from your HSA each year.

### Who is eligible to contribute to an HSA?

To qualify for an HSA, you must be a participant in a High Deductible Health Plan (HDHP). Either you or your employer may pay the premiums for your participation in the plan. In addition, you cannot have other health coverage that is not an HDHP, you cannot be enrolled in Medicare, and you cannot be claimed as a dependent on someone else's tax return.

### What is a High Deductible Health Plan?

An HDHP is an insurance plan that must have a certain minimum annual deductible and a maximum limit on the annual out-of-pocket medical expenses that you must pay for covered expenses. Specifically, an HDHP has a minimum annual deductible of \$1,200 for individual coverage (\$2,400 for family coverage), and a maximum annual out-of-pocket expense limit of \$5,950 for an individual (\$11,900 for a family). There are other requirements for an HDHP. You should verify with your insurance provider or your employer whether your insurance plan is an HDHP.

### How much can I contribute to my HSA?

The amount that can be contributed to your HSA depends on your age and the type of HDHP coverage you have. Assuming you maintain HDHP coverage for a full year, you can contribute up to the federal maximums regardless of your HDHP deductible. For 2010, the federal maximum is \$3,050 for an individual and \$6,150 for a family. Anyone covered under the HDHP who is 55 or older by the end of 2010 can contribute an additional \$1,000. These limits are indexed annually for inflation. Excess contributions to your HSA are subject to a 6% federal excise tax. Individuals are allowed to make a one-time, irrevocable direct trustee-to-trustee transfer from an Individual Retirement Account (IRA) to an HSA, limited to certain dollar amounts. You may also make a one time election to transfer a health FSA or HRA balance directly into your HSA.

### What is a qualified medical expense?

Qualified medical expenses are expenses that would generally qualify as an itemized deduction on your personal federal income tax return. You are responsible for determining whether an expense is a qualified medical expense. If you are under the age of 65, there is a 10% IRS penalty for using funds from your HSA to pay for non-qualified expenses in addition to current taxation.

***As with any federal income tax matter, you are required to retain all documentation to substantiate distributions from your HSA. You will be required to provide this information to the Internal Revenue Service upon request.***

## BankEast HSA Features

### What is a BankEast HSA?

A BankEast HSA is a personal checking account created specifically for this purpose. This account provides you with most of the features offered by our traditional checking accounts.

### How will I pay for medical expenses from my HSA?

#### HSA Debit Card

Use your BankEast HSA debit card to pay for expenses at medical service providers who accept VISA. By using your HSA debit card, each purchase is automatically deducted from your HSA checking account. *(Visa regulations prevent HSA users from obtaining cash or using an HSA debit card at an ATM. All transactions are signature based. PIN numbers are not available.)*

#### BankEast OnLine

Pay your medical bills online, view account activity, see previous statements, and more at [www.bankeast.com](http://www.bankeast.com). There is no charge for using BankEast OnLine to access your HSA account.

#### Check Writing

Write checks from your HSA to pay for medical expenditures.

#### Account Information

- Premium interest rate<sup>1</sup>
- Unlimited check writing and point of sale debit transactions
- No annual fee for HSA account
- No annual fee for debit card
- BankEast OnLine at no charge
- \$10 fee for rollovers out of your HSA
- Refer to BankEast Miscellaneous Fee Schedule for other fees that may apply to your account.

#### Interest Information (effective 01/01/2010)

<i>Minimum Balance</i>	<i>Interest Rate</i>	<i>APY</i>
\$500	1.25%	1.25%

BankEast may change the interest rate and annual percentage yield (APY) at any time. Interest begins to accrue no later than the business day we receive credit for the deposit of non-cash items (checks). Interest will be compounded monthly and credited to your monthly statement. BankEast uses a daily balance method to calculate interest on your account. This method applies a daily periodic rate to the principal in your account each day.

1. Interest paid only on days balance is \$500 or more

## Investment Options

Upon reaching an HSA account balance of \$5,000, customers may open a managed HSA investment account with The Trust Company of Knoxville. The initial investment must be \$5,000 or more. Additional sweeps into the investment account may be made in increments of \$1,000 or more.

Investments made through The Trust Company of Knoxville are (1) not insured by the FDIC or any other government agency, (2) are not deposits or obligations of BankEast, and (3) are subject to investment risks, including possible loss of principal.