

Health Savings Account Basics

What you need to know

1 What is a Health Savings Account (HSA)?

A Health Savings Account is a tax-advantaged account that lets you save and pay your eligible health care expenses with pre-tax dollars – saving you money.

- Your HSA contributions are pre-tax for federal and most states*,
- Once you contribute \$1,000 you can invest your funds – those funds grow tax free*,
- When you withdraw funds to pay for qualified health expenses – those withdrawals are tax free.

*Consult your tax advisor about state tax treatment if you have questions.

Did you catch that? - You never pay tax.

- You can use the funds to pay current or future expenses for any dependent.
- Any amounts left in your account at year end carryover to later years.
- The account is always 100% yours. If you leave the company – it is still yours.

2. How does the HSA work?

Reynolds makes it easy! When you enroll in the Advantage medical plan:

- Reynolds has the HSA account set up for you through our HSA vendor -HealthEquity.
- Your HSA account is set up even if don't elect to have pre-tax deductions taken out of your check, **but why miss out on the benefits of the HSA!**
- You get a start-up contribution – to get you going!
- You elect pre-tax contributions when you enroll in the Advantage medical plan – those amounts are automatically sent to Health Equity
- You can change your HSA election anytime. Just go to RAIBenefits.com.
- RAI pays the monthly account administrative fee while you are an active employee.
- You can reimburse yourself for health expenses incurred after your enrollment date. Or save your contributions for future expenses.

3. How do I know if an HSA is right for me?

Your personal situation determines if the Advantage Plan with an HSA is right for you. As you evaluate your needs, consider your anticipated health care expenses, your current financial situation, and how much control you want over your health care spending.

A Health Savings Account offers the following benefits:

- **You control the account.** You determine how much to contribute to your HSA (up to the IRS maximum annual contribution limit), when and how to invest your contributions, and when to take an HSA withdrawal to pay for current qualified medical expenses.
- **You can build a safety-net for future health expenses.** Unlike a health care flexible spending account (FSA), an HSA is not subject to the use-it- or-lose-it rule. Any unused balance carries over to later years - allowing you to build savings for future health expenses.
- **Triple tax savings.** When used for qualified health expenses, HSAs offer triple tax savings - contributions, any investment earnings, and withdrawals are tax free.
- **You can invest your Health Savings Account once you have \$1,000.** Learn more about your investment options at healthequity.com/Reynolds or by calling a HealthEquity Account Mentor at 877-713-7682.
- **Your HSA always belongs to you;** even if you change jobs or become unemployed, change your medical coverage, move to another state, or change your marital status.

Still have questions? Contact Ayco at 866-416-1496 or HealthEquity at 877-713-7682 for information about the advantages of an HSA.

4. Is everyone eligible to have an HSA?

The HSA is a tax-advantaged account, so there are IRS rules about who can participate. You are not eligible to contribute to an HSA if you are:

- also covered by another health insurance plan that isn't an HSA-eligible health plan, such as a spouse or parent's medical plan or health care flexible spending account.
- enrolled in Medicare (Part A or B) or claimed as a dependent on another person's tax return.
- on active military duty or a veteran who received veteran's benefits within the last three months; or
- a U.S. resident residing in Puerto Rico or American Samoa.

Enrolling in the Advantage Plan is your affirmation that you are eligible to contribute to an HSA. If you're unsure whether you qualify, talk to a tax advisor or consult IRS Publication 969 for more details.

5. What are the differences between a Health Savings Account (HSA) and a Health Care Flexible Spending Account (FSA)?

The major differences between an HSA and an FSA are shown in the table below.

To learn more, go to the HealthEquity website at healthequity.com/learn/HSA.

	Health Savings Account	Flexible Spending Account
Who can contribute?	Employees enrolled in the Advantage Plan and eligible to contribute to an HSA.	Employees not eligible to contribute to a Health Savings Account.
Maximum contributions allowed for 2023?	Individual Coverage: \$4,150 Family Coverage: \$8,300 Age 55: You can contribute an additional \$1,000 annually.	\$3,050
Do unused contributions rollover to the next year?	Yes	No
Can the contributions be invested to potentially grow?	Yes – Tax Free	No
Will the account remain yours if you leave the Company?	Yes – you own the account.	Generally, no.

6. Can I open and contribute to an HSA if I have a Health Care Flexible Spending Account (FSA)?

If you or your spouse is enrolled in a Health Care FSA, other than a Limited Purpose FSA, you are not eligible to contribute to an HSA.

7. Will contributing to an HSA impact how much I can contribute to my 401(k)?

No. The 401(k) limits and the HSA limits are not connected. You can make contributions into both.

8. What happens if I enroll in the Advantage Plan but have money left over in my 2023 Health Care Flexible Spending Account (FSA) at the end of 2023?

If you have not spent your entire 2023 Health Care Flexible Spending Account election for eligible expenses during the 2023 calendar year, you will forfeit any remaining balance.

9. Can my spouse and I both have HSAs?

Specific rules apply when both spouses open an HSA. Please seek the advice of a tax professional or call Ayco at 866-416-1496 for more information. Information is also available in IRS publication 969 (available at [irs.gov](https://www.irs.gov)).

10. My Domestic Partner is covered on my insurance. Can I use my HSA for their medical expenses?

Unlike spouses, domestic partners do not automatically qualify for tax-free and penalty-free disbursements from their partner's HSA. If your domestic partner meets the IRS qualifications of a tax dependent, you can use your HSA funds for his/her medical expenses. If you are unsure if your partner qualifies as a tax dependent, talk to a tax advisor.