



# Healthy Retirement Plans Include an HSA

**Health Savings Account**

INVESTMENTS IN SECURITIES THROUGH UMB HSA SAVER ARE: NOT FDIC-INSURED · MAY LOSE VALUE · NO BANK GUARANTEE



Healthcare Services

# Four Things You Should Know about Health Savings Accounts

Whether you're juggling a lot of health care expenses every year or you have just a few, a health savings account can help you manage your expenses today and in

the future. To help you decide whether an HSA is right for you, take a closer look at these important facts.



## 1. You Own It

The money in a UMB Health Savings Account (HSA) is always yours, even if you change jobs, switch your health plan, become unemployed, retire or move to another state. And you start earning interest on the balance in your account from day one. No waiting or vesting periods.

If you've ever put money into a flexible spending account, you know that there's a use-it-or-lose-it rule—spend your balance each year or lose it forever. However, with an HSA, your unused balance rolls over from year to year so you never lose the money. And the longer you save it, the longer it accrues interest.

**Your account is yours, even if you're not eligible to contribute.**

If you are no longer in an HSA-qualified high-deductible health plan or other circumstances change, your HSA is still yours. You aren't allowed to make new contributions, but you can keep the account as long as you like. Withdrawals for eligible expenses are always tax-free!

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## 2. You Save on Taxes in Three Ways

- 1. Tax-free deposits.** The money you contribute to your HSA isn't taxed. Whether or not you itemize deductions on your income tax return, your HSA contributions are deductible. You can keep contributing for the current tax year until the tax deadline, generally April 15 of the following year—up to the IRS annual limit—to maximize your tax savings. (Look up the current IRS maximum at [HSA.UMB.com](https://www.hsa.umb.com).)
- 2. Tax-free earnings.** Your interest and any investment earnings grow tax-free.

- 3. Tax-free withdrawals.** The money you withdraw—today or in the future—isn't taxed, as long as you use it to pay for eligible medical expenses. That's different from a 401(k) or similar retirement plans, which are taxed when you withdraw funds.

***Note:** States can choose to follow the federal tax-treatment guidelines for HSAs or establish their own; some states tax HSA contributions. If you have questions about your tax implications, consult your tax advisor. HSA funds used to pay for non-qualified medical expenses are subject to income taxes on the amount and a possible additional 20% penalty, if you're under age 65.*

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## 3. You Choose How to Spend the Money—Now or Later

An HSA is a great place to build up savings for expenses you have today or will have in the future. Injuries or a new diagnosis might mean you need to pay a lot of bills at one time. Or you may need to cover expenses that count toward your deductible like doctor visits or prescription drugs. If your budget isn't flexible, use your HSA to pay bills this year.

But if you can afford to pay bills out of pocket and save the money in your HSA for the future, then your HSA balance may grow through interest and investment earnings. That way you'll have more money for expenses when you need it most—whether in a year, 10 years or in retirement.

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## 4. You Must Be Eligible to Open the Account

To take advantage of such great tax breaks, the IRS says that only eligible individuals can save in an HSA. To open and contribute to an HSA, you:

- Must participate in an HSA-qualified high-deductible health plan (HDHP);
- Can't participate in another health plan that's not a high-deductible health plan (for example, a spouse's plan). Some exceptions may apply (get more details in IRS publication 969 at [www.irs.gov](https://www.irs.gov));

- Can't be enrolled in Medicare benefits; and
- Can't be claimed as a dependent on anyone else's tax return.

***Partial-year participation:***

*If you open your account mid-year or become ineligible mid-year, your contribution limits may be impacted. If you are married, your spouse's participation in a health care flexible spending account or other family health insurance coverage may change your eligibility.*

Visit [HSA.UMB.com](https://www.hsa.umb.com) for more details.

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### **Remember: Opening Your UMB HSA is Easy!**

Once you've chosen a high-deductible health plan, you need to take the next step and open your HSA. If you don't, you won't be able to contribute to the account and enjoy all the tax benefits. And you may miss out on free money from your employer. Follow the instructions provided by your employer, or go to [HSA.UMB.com](https://www.hsa.umb.com) and look for the "Open an HSA" button.

# Money Comes In...

You build your HSA balance in three ways:

## 1. PAYROLL CONTRIBUTIONS

Most people prefer to make regular contributions through payroll deductions. Sign up through your employer, and your contributions will be deducted from every paycheck on a pretax or after-tax basis, or both— depending on what your employer allows. You can change your contribution rate at any time— when your monthly budget changes or you expect more bills. If you haven't already received instructions from your employer on how to get started, contact HR. If your employer does not support payroll contributions, see Direct Contributions for other ways you can contribute to your account.

## 2. DIRECT CONTRIBUTIONS

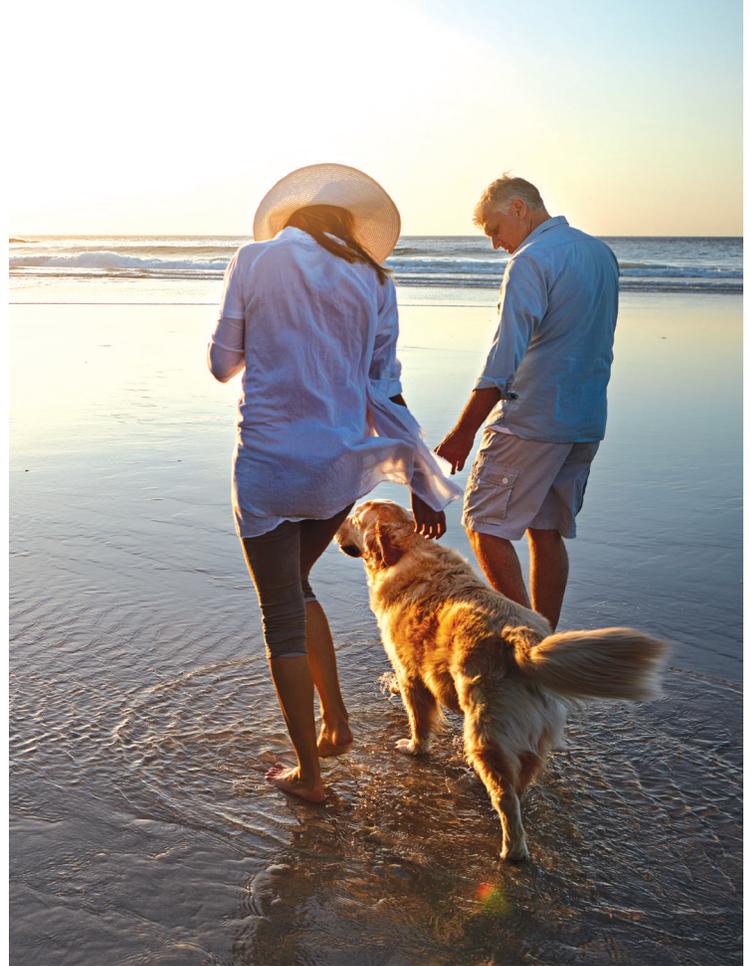
These are after-tax contributions made by you or on your behalf. To make a direct contribution, you can:

- **Electronically transfer the funds** from a personal account. Log into your account at [HSA.UMB.com](https://HSA.UMB.com) and select “Make a Contribution.”
- **Write a personal check.** Mail your check along with a contribution form to UMB (get it from the Documents & Forms section of [HSA.UMB.com](https://HSA.UMB.com)). Contribution deposits are credited on the date of receipt. Lump-sum contributions can also be deducted from your gross income on your annual tax return so that you won't owe income taxes— whether you itemize your expenses or not.

## 3. EMPLOYER CONTRIBUTIONS

Check to see whether your employer will provide funding to your account. When the contributions are made can vary as well. Keep in mind that any contributions your employer makes cannot be deducted on your tax return—they are not considered taxable income, so you don't pay taxes on them.

***NOTE:** States can choose to follow the federal tax-treatment guidelines for HSAs or establish their own; some states tax HSA contributions. If you have questions about your tax implications, consult your tax advisor.*



## DID YOU KNOW?

Friends and family members are allowed to make contributions to your HSA on your behalf. All contributions—yours, your employer's, family or friends'—count toward the annual maximum set by the Internal Revenue Service. Go to [HSA.UMB.com](https://HSA.UMB.com) for current annual limits. Any contributions made on an after-tax basis can be claimed on your tax return.

# And Grows...

Need a little incentive to build your balance?

## YOUR MONEY WORKS FOR YOU IN THREE WAYS WHEN YOU'RE NOT SPENDING IT.

1. For starters, you earn interest—accrued daily and paid monthly—on your balance.
2. When your balance reaches \$1,000 (also known as the “peg balance”), you can invest your HSA funds into the UMB HSA Saver® investment portfolio.<sup>1</sup> Visit [HSA.UMB.com](https://www.hsa.umb.com) for more details about available investment options.

3. Finally, you are never taxed on the growth of your account—in the year that you earn it or when you take money out to pay for qualified medical expenses.

<sup>1</sup>See page 8 for disclosure information.

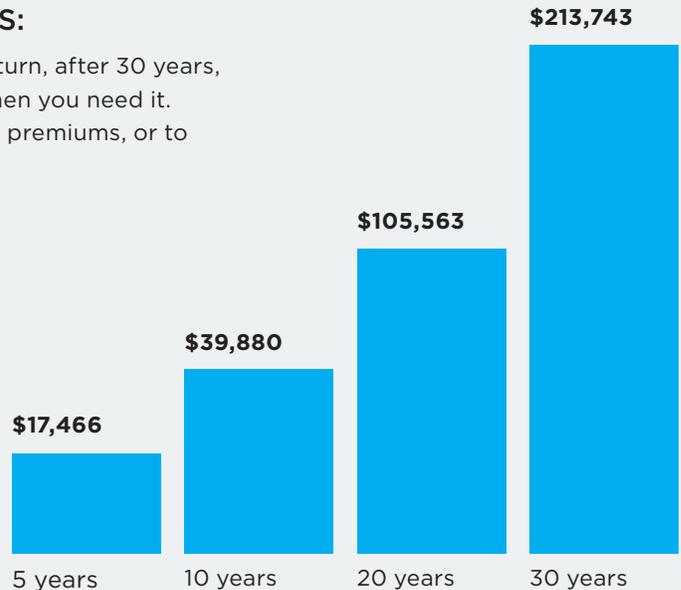
## Saving for the Future

The sooner you start saving, the better. Why? Because the impact of compound returns grows your money exponentially over time. Compound returns are generated from your investment gains and interest both on the original amount invested and your reinvested earnings.

### AN EXAMPLE OF HOW COMPOUNDING WORKS:

If you saved \$3,000 per year, compounded at a 5% rate of return, after 30 years, you could potentially have \$213,743 tax-free dollars to use when you need it. For example, to pay for qualified medical expenses, Medicare premiums, or to supplement your retirement income.

**NOTE:** This example is a hypothetical illustration of compounding returns over time and is not intended to represent any particular investment or savings vehicle. The rates of return are constant nominal rates, compounded monthly. Actual investments will fluctuate in value. Contributions are assumed to be made at the beginning of the month. It does not take into consideration taxes or other applicable deductions, which will lower returns.



# Money Comes Out...

Pay now or reimburse later.

## PAYING FOR EXPENSES

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 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 some vision and dental costs. A full list of qualified expenses can be found in IRS Publication 502 at [www.irs.gov](http://www.irs.gov).
- 2. Choose a payment method.** See table below for guidelines.
- 3. Save your receipts.** The IRS may request that you show proof of how you used your tax-free money.

## LOWER YOUR BILLS

**So you can save more, try to:**

1. Get regular preventive care.
2. Visit urgent care clinics for non-emergencies.
3. Ask for generic prescription drugs.
4. Get a second opinion for new diagnoses.
5. Use online web tools to comparison-shop and plan for non-emergency services.

***NOTE:** States can choose to follow the federal tax-treatment guidelines for HSAs or establish their own; some states tax HSA contributions. If you have questions about your tax implications, consult your tax advisor.*

## PAYMENT METHOD

When?

Pay your bill with:

**At the pharmacy.** Swipe your debit card like any other credit card or access your card using your digital wallet, when you purchase prescription drugs at a network pharmacy. 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.

Debit Card/Digital Wallet  
(ApplePay, Samsung Pay,  
Garmin Pay, FitBit Pay)



**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](http://HSA.UMB.com) to have a check sent directly to your provider. Pay for your long-term care premiums this way, too.

Debit Card or Via Online Bill Pay



**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](http://HSA.UMB.com), follow the instructions to "Request a Reimbursement."

Online Reimbursement





## FILING YOUR TAX RETURN

With such great tax breaks, it's probably not a surprise you'll need to do some tax work. We'll help you by supplying key IRS forms. But it's up to you to file your annual federal and state income tax returns and save your itemized receipts in case you need to prove to the IRS that distributions from your HSA were for qualified medical expenses.

You'll receive up to two forms from us and one you'll need to complete on your own:

**IRS Form 5498-SA:** This form documents all the contributions made to your HSA in a tax year. You can find information about your total contributions prior to tax day by logging into your account at [HSA.UMB.com](https://www.hsa.umb.com).

***NOTE:** 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 a 20% penalty if you are under age 65.*

## ACCOUNT FEES

Just like any other bank account, certain fees may be deducted from your balance. UMB uses a simple fee schedule. (For a full list of fees please consult the Accountholder Fee Schedule.)

**IRS Form 1099-SA:** This form provides you with the total distributions that were made from your HSA. You will receive a separate 1099-SA for any HSA distributions you had in that tax year. If you did not have distributions during the tax year, you will not receive a 1099-SA.

**IRS Form 8889:** This is the HSA form for you to complete and attach to your IRS 1040 Form. This form will allow you to calculate and report any deductible contributions, report distributions you took to pay qualified medical expenses, and calculate any tax you owe on withdrawals you made for non-medical-related purposes.

For detailed information about tax reporting with your HSA, visit the U.S. Internal Revenue Service website at [www.irs.gov](https://www.irs.gov).

## DID YOU KNOW?

Even if your spouse or dependents you claim on your tax return are not covered by your high-deductible health plan, you may use your HSA dollars to pay for their qualified medical expenses.

## Online Account Access

There's only one thing easier than opening your HSA and that's managing your account online. Once you register for online account access, here are just some of the things you can do:

- **Pay** qualified medical expenses online or reimburse yourself.
- **Contribute** on a one-time or regular basis.
- **Update** your personal contact information and beneficiaries.
- **Review** your statements or important tax information, including your total contributions and the fair market value of your HSA.
- **Access** HSA Future Value and Tax Savings Calculators, detailed FAQs, and other helpful resources.
- **Enroll** in and manage investment options.
- **Track and Manage** health care receipts with ReceiptVault

## Questions? More details?

Online at **HSA.UMB.com**. Log in to see your account balance, pay bills, invest your balance, try out calculators, get tips and more!

By phone at **866.520.4HSA (4472)**: Automated balance and recent activity available 24-hours from your home phone. Or representatives are available Monday through Friday from 7:00 a.m. to 7:30 p.m. CT and Saturday from 8:00 a.m. through 5:00 p.m. CT.



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*Investors should carefully consider the fund's investment objectives risks, charges and expenses before investing. You may obtain a summary prospectus or prospectus containing this and other information, by clicking on the applicable prospectus link provided on the "HSA Saver Marketplace" located in the "HSA Investment Options" page or to have a copy mailed to you, contact the fund directly. Please carefully read the summary prospectus or prospectus before investing.*

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<sup>1</sup>UMB Investment Management selects mutual funds in various asset classes for inclusion in the UMB HSA Saver Investment Program. UMB Custody Services provides safekeeping and settlement of the mutual fund investments in the UMB HSA Saver® investment program. UMB Investment Management and UMB Custody Services are departments of UMB Bank, n.a. UMB Bank, n.a. is a wholly owned subsidiary of UMB Financial Corporation. UMB Custody Services provides safekeeping and settlement of the mutual fund investments in the UMB HSA Saver® investment program.

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