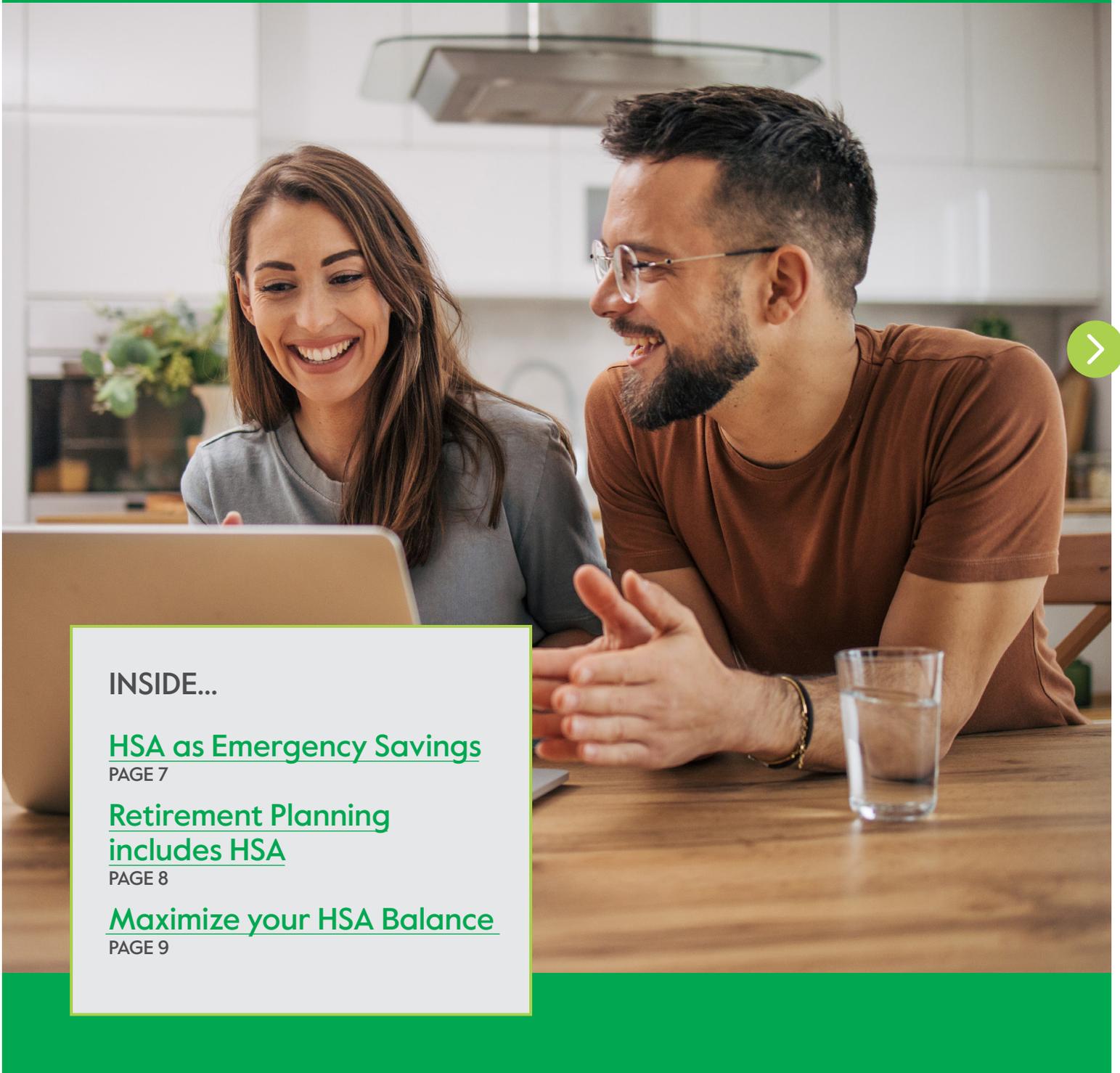


SAVING AND BUILDING WEALTH WITH A HEALTH SAVINGS ACCOUNT (HSA)



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What is a Health Savings Account?



An HSA offers tax advantages and flexibility, benefiting you today, tomorrow and into retirement.

The original purpose of the health savings account was to allow people to save money on a tax-free basis to pay for healthcare expenses. However, the unique benefits of this account type allow it to be so much more.

Triple tax benefits

Enjoy tax-free contributions, tax-free growth and tax-free withdrawals for qualified healthcare expenses.

Account ownership

The funds are 100% yours from day one, whether contributed by you, an employer or others.

Flexibility

No “use-it-or-lose-it” deadlines, no minimum distributions in retirement and complete control over how and when you use your savings.

HSA's AT A GLANCE

Health savings accounts were introduced in 2004. Since that time, millions of Americans have embraced these accounts and currently have **more than \$100 billion dollars saved**.¹

1. Devenir 2024 Midyear HSA Market Statistics & Trends



Want to learn more? Read our article:

[Tips for how your HSA can pay for healthcare expenses and help you meet your financial goals](#)

HSA cash balances are **FDIC insured** up to the Standard Maximum Deposit Insurance Amount (SMDIA). Deposit products are offered by Associated Bank, N.A. **Member FDIC.**

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How an HSA compares to a healthcare FSA



Many people are familiar with healthcare flexible spending accounts (FSAs) since they have been around longer than HSAs.

While there are some similarities between the two account types, there are significant differences.

Feature	Healthcare FSA	HSA
Pays for healthcare expenses	✓	✓
Allows expenses for dependents	✓	✓
Contributions are tax-free	✓	✓
Payments for healthcare are tax-free	✓	✓
No use-it-or-lose-it rule		✓
Generous IRS contribution limits		✓
Opportunity to invest funds		✓
No deadline to pay expenses from account		✓



Want to learn more? Read our article:
[What's the Difference Between an HSA and an FSA?](#)

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To qualify for an HSA, you must:



Be enrolled in an HSA-qualified health plan that meets IRS requirements. Visit **IRS.gov** for current requirements.



Not have other first-dollar coverage plans (e.g., Medicare, TRICARE, standard FSAs).



Not be claimed as a dependent on someone else's tax return.

Special situations:



Approaching retirement

As you near retirement, it's important to plan your HSA usage. While Medicare enrollment means you can no longer contribute, you can still use your HSA funds tax-free for an expanded range of eligible expenses. Make sure to stop contributions before your Medicare coverage begins.

Medicare entitlement does not prevent you from using the money in your account. In fact, you can use the money for even more expenses—tax-free!



Active Military and Veterans

If you're an active service member or veteran, you may not be eligible to contribute to an HSA in most cases. However, exceptions include receiving VA service for annual routine benefits or having a service-connected disability rating. Eligibility is also restored three months after non-preventive VA care ends.

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Contributing to your HSA

How much can I contribute to my HSA?

The IRS sets annual contribution limits for HSA-qualified health plans. In 2026, you can contribute up to **\$4,400** for individual coverage or **\$8,750** for family coverage. If you're 55 or older, you can add a **\$1,000** catch-up contribution to boost your savings.

What are my options for contributing to my HSA?

1

Payroll deduction

If you have an employer that allows, making pre-tax payroll deductions can help you save on taxes and increase your take-home pay (see below).

2

Post-tax contributions

If you can't use pre-tax payroll deductions, you can still contribute tax-free. Make deposits directly to your HSA and deduct the total amount when you file your taxes.

3

Payroll + Post-tax

Use payroll deductions for scheduled contributions. If you have extra money (eg., from a bonus or tax refund), you can deposit the money directly and deduct the total on your tax return.



How can participating increase my take-home pay?

Money you contribute to your account is taken out pre-tax, so you don't pay any federal, FICA or state taxes (in most states) on the amount contributed. Depending on your tax bracket, this can lead to significant savings!

Example assuming 27.65% tax bracket:

Feature	Employee not electing HSA	Employee electing HSA
Annual earnings	\$36,000	\$36,000
Annual HSA election amount	\$0	\$1,500
Taxable income	\$36,000	\$34,500
Taxes (27.65%)	\$9,954	\$9,539
Annual tax savings	\$0	\$415

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Expenses you can pay with tax-free money from your HSA



Many everyday expenses you currently pay out of pocket could be reimbursed with your HSA. Using tax-free HSA funds is like getting a built-in discount on every eligible purchase!

Understanding which expenses qualify for tax-free reimbursement through your HSA ensures you get the most value from your account. Using HSA funds for non-approved expenses may lead to additional taxes and potential IRS penalties.

Examples of eligible expenses

Medical

- Doctor appointments
- Laboratory fees
- Emergency room visits
- Ambulance services
- Hospital stays
- Physical therapy
- Chiropractic treatments
- Prescription drugs

Vision

- Optometrist appointments
- Ophthalmologist visits
- Glasses
- Contacts
- Contact solution
- Laser vision correction

Dental

- Dentist visits
- Fillings
- Crowns
- Root canals
- Bridges
- Dentures
- Implants
- Orthodontic treatment

Over the Counter

- First aid supplies
- Blood pressure monitors
- Medical alert jewelry
- Menstrual care products
- Sunscreen
- Prenatal vitamins

Eligible expenses while on Medicare

Did you know that the IRS allows you to reimburse even more expenses once you're on Medicare? Then you can reimburse all the expenses listed on the left PLUS:

- Medicare Part B premiums
- Medicare Part D premiums
- Home healthcare services
- Long-Term care expenses

 **For complete information about IRS eligible expenses, see IRS Publication 969 at [IRS.gov](https://www.irs.gov)**

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Your HSA as an emergency savings account

Beyond covering everyday expenses, your HSA can act as a safety net for unexpected costs. According to the Federal Reserve, **37%** of adults included in a 2022 survey couldn't handle a **\$400 emergency** without borrowing or selling possessions. Your HSA can help by providing tax-free funds for qualifying emergencies when you need them most.²



- 1** Contribute as much as your budget allows to maximize the benefits of your HSA.
- 2** Whenever possible, pay for routine, lower-cost healthcare expenses out of pocket to let your HSA grow. Be sure to save records, such as receipts, bills or other documentation, to prove you paid for eligible expenses.
- 3** In an emergency, you can reimburse yourself for eligible expenses you've already paid. This gives you cash to cover unexpected costs—completely tax- and penalty-free!



Types of emergencies

Events impacting income

- Loss of employment
- Reduction of hours
- Leave of absence
- Disability

Events impacting expenses

- Accident or illness
- Emergency vet care
- Natural disaster
- Car accidents
- Unplanned travel for family events

2. <https://www.federalreserve.gov/publications/files/2023-report-economic-well-being-us-households-202405.pdf>

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Your HSA as part of your retirement plan

Saving for retirement is an important financial goal. With people living longer, our retirement savings will need to fund our living expenses to age 88 or more.³ The average American believes that to fund a comfortable retirement, they will need at least **\$1.36M**.⁴

Common expenses in retirement:



Housing



Food



Healthcare



Travel & Entertainment

Adding an HSA to your traditional retirement plans such as a 401(k), IRA or other retirement accounts can be a great way to maximize your savings and receive the unique benefits of each account. To ensure you're getting the greatest advantage from your accounts, consider contributing up to the maximum annual contribution amount to each of your plans.

Feature	Traditional Retirement Plans (pre-tax)	Traditional Retirement Plans (post-tax)	HSA
Contributions are tax-free	✓		✓
Distributions are tax-free		✓	✓
Generous IRS contribution limits	✓	✓	✓
Funds may be invested	✓	✓	✓
All funds are 100% vested on day one	Varies	Varies	✓
Access to funds before age 59½ ⁵		Contributions Only	✓
No minimum required distributions		✓	✓



Want to learn more? Read our article:
[Using an HSA to Accelerate Your Retirement Savings](#)

3. <https://www.milliman.com/en/insight/retiree-health-cost-index-2024>

4. <https://news.northwesternmutual.com/planning-and-progress-study-2024#:~:text=U.S.%20adults%20believe%20they%20will,between%20%25%20and%20%25>

5. HSA funds may be used tax and penalty-free when used for healthcare expenses.

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Strategies for maximizing your HSA balance

1

Consolidate your accounts.

Combine funds from existing HSAs or IRAs into your Associated Bank HSA to grow your balance and increase earnings potential. Speak with your financial advisor to determine if transferring funds is right for you.

2

Enroll in additional pre-tax plans.

Use a limited-purpose flexible spending account to cover dental and vision expenses with tax-free dollars, keeping more money in your HSA for future healthcare needs.

3

Add money when you can.

Maximize payroll deductions and explore additional options like prior year contributions or catch-up contributions if you're age 55 or older to boost your savings.

4

Accelerate your growth.

Let your HSA work for you. Earnings from interest and investments grow tax-free, helping you build long-term savings. Consider investing a portion of your funds if it aligns with your financial goals.

5

Delay reimbursements.

By holding off on reimbursing eligible expenses, you can maintain a higher HSA balance, increasing your earnings over time. There are no deadlines—you can reimburse qualifying expenses anytime.



Can I really accumulate wealth in my HSA?

HSA Contribution	10 Years	15 Years	30 Years
\$2,500	\$33,233	\$57,205	\$178,119
\$5,000	\$66,467	\$114,410	\$356,238
\$8,750	\$116,317	\$200,217	\$623,416

Assumptions:

Contributions made annually, 5% annual rate of return, no distributions from the account.



Want to learn more? Read our article:

[Three Reasons Why You Should be Maxing Out your HSA](#)

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Q: Aren't HSAs only for healthy people?

A: HSAs can be for everyone, but each person needs to consider the options they have available to them. No matter an individual's current health status, an HSA-qualified health plan paired with an HSA may be the right choice. HSA-qualified health plans often have lower premiums, and this savings can be used to fund the HSA to pay out of pocket expenses. Any money not spent from the HSA stays in the account for future use.

Q: Won't an HSA increase my healthcare costs?

A: Not necessarily. HSA-qualified health plans must have deductibles and out of pocket maximums that meet the IRS requirements. These deductibles may be higher than deductibles of traditional copay plans but not always. And, since you can pair the HSA-eligible health plan with an HSA, you can use tax-free money to save on any out of pocket expenses you may have.

Q: What happens to my HSA when I change jobs or retire?

A: Your HSA and the money in it are yours forever, even if you change jobs or retire. You can continue to make contributions and pay expenses from the account. Once you are no longer employed by your current employer, you may be responsible for paying the account fee. Contact your administrator to understand any fees that may apply.

Q: I'm nearing retirement. Is it too late to start contributing to an HSA?

A: As long as you still meet the requirements for an HSA, for example, you are not enrolled on Medicare, it's never too late! An HSA can be a great way to save money on taxes and set aside money for healthcare expenses. The IRS also allows individuals age 55 and over to make an extra catch-up contribution to accelerate their savings.

Q: Can I still use the money when I am no longer enrolled on an HSA-eligible health plan?

A: Yes! While the IRS requires that you be enrolled on an HSA-eligible health plan in order to contribute to the plan, that same requirement does not apply to take distributions from the account. That means if you change to a traditional copay plan or enroll in Medicare in the future, you can still use the money you have accumulated to pay for qualified expenses.

Q: What happens to my HSA upon my death?

A: You can choose who should receive funds from your HSA following your death. Be sure to designate a beneficiary for your account, and update your beneficiary if your situation changes. If your spouse is your beneficiary, the HSA will transfer to them to use as their own. For non-spouse beneficiaries, the money will be disbursed to them, and the amount of your HSA will be taxable to them. If no beneficiary is elected, the money will not automatically transfer to your spouse (if you are married). Instead, it will transfer to your estate.

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With an Associated Bank HSA, you get:



Technology

Secure, convenient access 24/7 via web, mobile and our telephone banking system. Manage your account when and where you want!



Decision support

Visit myhsaplanner.com/abk to learn the benefits of an HSA, estimate your healthcare usage and model savings scenarios. My HSA Planner allows you to decide the amount to contribute to your HSA and provides modeling tools to illustrate how you can grow your account.



Investment options

We offer a diverse investment lineup including high-quality, low-cost mutual funds and the secure and stable returns of an HSA Certificate of Deposit. Investing not right for you? Receive competitive interest rates on your cash deposits.



Superior Service

When you contact Participant Services, you will receive outstanding service from one of our dedicated, certified account managers. We're available weekdays from 7 a.m. to 7 p.m., excluding federal and observed holidays.



Contact Us

Call our Participant Services team
Monday–Friday, 7 a.m. to 7 p.m. CT
800-270-7719
ParticipantServices@AssociatedBank.com



Schedule an appointment online:
AssociatedBank.com/HSA



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