

# HEALTH SAVINGS ACCOUNT

## FREQUENTLY ASKED QUESTIONS

### What is a Health Savings Account (HSA)?

A Health Savings Account (HSA) is an account you can use to pay for qualified health expenses for you and your covered dependents. Contributions can only be made while you are covered by a high deductible medical plan. Unlike traditional tax-advantaged accounts for health expenses, your account is portable when you leave your employer. Additionally, you have the flexibility to use your HSA funds for other, non-qualified expenses; however, if you use your HSA funds for non-qualified expenses, that amount will generally be taxable.

### How does the HSA work?

Contributions you make to your HSA are tax-free, although the amount you contribute is generally not taxable. This reduces your taxable income and, potentially, your tax liability. Consult your tax advisor to determine how your HSA affects your unique tax circumstances. When you withdraw funds to pay for qualified health expenses, the funds remain tax-free.

### Who can contribute to the HSA?

Contributions to HSAs can be made by either the employer or the individual, or both. If contributions are made by the individual, it is an "above-the-line" deduction. If contributions are made by the employer, it is not taxable to the employee (excluded from income). Contributions can also be made by others on behalf of an eligible individual and deducted by the individual. All contributions are aggregated.

### What qualifications must I meet to enroll in an HSA?

To enroll in an HSA, you must meet the following requirements:

- You must be enrolled in a high deductible medical plan that meets IRS requirements.
- You cannot be covered by another medical plan that is not a high deductible health plan (e.g., you can't be a dependent on anyone else's plan, except for vision or dental coverage).
- You cannot be enrolled in Medicare.
- You may not be claimed as a dependent on another person's tax return.

### What is a high deductible medical plan?

A HDHP is a health insurance plan with a current minimum deductible of \$1,050 (self-only coverage) or \$2,100 (family coverage). The annual out-of-pocket (including deductibles and co-pays) cannot exceed \$5,250 (self-only coverage) or \$10,500 (family coverage). HDHPs can have first dollar coverage (no deductible) for preventive care and higher out-of-pocket (co-pays & co-insurance) for non-network services.

### When do I contribute to my HSA?

You can begin sending contributions to your HSA as soon as your account has been opened. You will know your account has been opened once you receive a welcome letter from Glens Falls National Bank and Trust Company.

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

Please refer to the IRS Contribution/Deductible Guidelines for specifics.

### How do I make contributions to my HSA?

You can make a contribution to your HSA:

- By making a deposit to your HSA with Glens Falls National Bank or by calling Glens Falls National Bank and Trust Company.

- Through payroll deduction — if your employer offers this option for your HSA, you can request that your employer deduct a set amount from your paycheck.

### When can I start to use the funds in my HSA?

You can use the funds in your HSA as soon as they are contributed and available. You are 100 percent vested as soon as the funds are deposited and you have total control over the funds. Keep in mind that if your employer also contributes to the account, they can determine their contribution schedule: yearly, monthly, weekly, etc. Please check with your employer to see what their contribution schedule will be.

### How often can I contribute? Is there a limit as to how much I deposit with each contribution?

You can contribute as frequently, or as much, as you wish, provided your total contribution does not exceed the limits specified by the Internal Revenue Service. HSA contribution limits are excludable (if made by your employer) or tax-deductible (if made by you) up to the lesser of either your qualified annual deductible or the statutory maximum amount for single or family coverage, as stated by the IRS. Please refer to the IRS Contribution/Deductible Guidelines sheet for the specific dollar amount you may contribute during the plan year.

### What if my total contribution for the year exceeds the IRS limits?

You can contact customer service to request an excess contribution refund. If you request a refund of the excess funds, there is no penalty as long as the distribution is made before the tax filing deadline, generally April 15th. Earnings on the excess amount will be taxable.

### How much tax will I have to pay on contributions over the IRS limit?

Excess contributions are subject to a 6 percent excise tax.

### What expenses are qualified for reimbursement from my HSA?

You are eligible to receive tax-free reimbursement for qualified health expenses not covered by your insurance as defined by Section 213(d) of the Tax Code. A list of these expenses is available on the IRS Web site, [www.irs.gov](http://www.irs.gov). HSA distributions used for any purpose other than the qualified medical expenses listed will be taxable, and the appropriate tax rules will apply.

### How much tax will I pay if I use my HSA funds for non-qualified expenses?

Any funds you withdraw from your HSA for non-qualified expenses will be taxed at your income tax rate plus 10 percent of the amount paid.

### How do I report withdrawals that are used for non-eligible expenses?

You must report distributions for ineligible expenses. Consult your tax advisor for specifics.

### When I withdraw funds from my HSA, what information do I need to keep?

Save all receipts and records of withdrawals for tax reporting to the IRS. If you use your funds for non-health related expenses, you must report those withdrawals accordingly. You—not your employer—are responsible for maintaining all records associated with your HSA.

## What is Glens Falls National Bank and Trust Company and what role do they play in my Health Savings Account?

Glens Falls National Bank and Trust Company is a national bank; its accounts are FDIC-insured. The Bank will be the holder (custodian) of your HSA funds.

## Will I earn interest on my HSA funds?

Yes, you will earn tax-free interest on the funds in your HSA. The exact interest amount, and any updates to this amount, will be provided to you directly from Glens Falls National Bank and Trust Company.

## What information will I receive about my HSA from Glens Falls National Bank and Trust Company?

Every account holder has access to online monthly statements at [gfnational.com](http://gfnational.com) to track account balance and activity. If you prefer to have statements mailed to you, you may request the change online via the Internet Banking Bank Mail function or notify Glens Falls National Bank and Trust Company in writing at 250 Glen Street, Glens Falls, NY 12801.

## How do I withdraw funds from my HSA?

- You can use your Health Savings Account VISA® debit card at a doctor's office, pharmacy or health care facility.
- Write a check to pay for qualified expenses.

## Will I have to pay any fees for my HSA?

Any fees are determined by Glens Falls National Bank and Trust Company and provided to you in the HSA Custodial and Deposit Agreement. You will receive periodic communications from Glens Falls National Bank and Trust Company as these fees are updated.

## What happens to my HSA if I leave my employer?

All funds contributed to your HSA, including funds contributed by your employer, are yours to keep. You can:

- Keep your HSA at Glens Falls National Bank and Trust Company or Transfer your funds to another qualifying HSA within 60 days.

If you take a distribution and do not retain your funds at Glens Falls National Bank and Trust Company or transfer them to another qualifying HSA within 60 days, the funds are taxable and likely subject to the additional 10 percent penalty.

## Can I make "catch-up" contributions to my HSA?

Generally, when you reach age 55, up to when you are enrolled in Medicare, you can make additional contributions to your HSA to maximize your tax advantages and set aside the money you need. Please refer to the IRS Contribution/ Deductible Guidelines sheet for exact dollar amounts.

## Once I am eligible (age 55 up to when I am enrolled in Medicare), how can I make "catch-up" contributions — all at once or over time?

We can accommodate either method — a one-time contribution or several contributions over time. For more specifics on eligibility, please refer to IRS guidelines or a tax advisor.

## Is it true that individuals 65 or older can take out funds from their HSAs for any reason without a penalty?

If an individual is age 65 or older, regardless of whether the individual has been enrolled in Medicare, there is no penalty to withdraw funds from the HSA. As always, normal income taxes will apply if the distribution is used for non-qualified medical expenses (expenses not covered by the medical plan).

A person has an HSA and, over time, accumulates \$5,000 in it. Three years later, the person is on a plan (not HDHP) and is married. Can the spouse use funds out of the HSA for expenses not covered by the medical plan?

Yes. HSA funds can be removed tax-free for eligible medical expenses for a tax dependent at any time, regardless of whether either person is enrolled in an HDHP.

Please note: If you are no longer covered by a high deductible medical plan, you cannot continue to contribute to your HSA.

**For Further Information, contact  
Capital Financial Group, Inc. at 793-2885 or  
visit a Glens Falls National Bank office near you.**

GLENS FALLS	250 Glen Street, Glens Falls, NY	Tel. 793-4121
ARGYLE	93 Main Street, Argyle, NY	Tel. 638-8261
AVIATION ROAD	339 Aviation Road, Queensbury, NY	Tel. 793-5386
BAY ROAD	402 Bay Road, Queensbury, NY	Tel. 743-8349
BROAD STREET	Four Broad Street Plaza, Glens Falls, NY	Tel. 793-8844
CAMBRIDGE	25 West Main Street, Cambridge, NY	Tel. 677-2642
CHESTERTOWN	6353 State Route 9, Chestertown, NY	Tel. 494-2691
CORNELIA STREET	308 Cornelia Street, Plattsburgh, NY	Tel. 566-6650
FORT ANN	110 George Street, Fort Ann, NY	Tel. 639-5591
FORT EDWARD	159 Broadway, Fort Edward, NY	Tel. 747-4165
GRANVILLE	Route 22, Granville, NY	Tel. 642-2206
GREENWICH	132 Main Street, Greenwich, NY	Tel. 692-2201
KINGSBURY	3019 State Route 4, Hudson Falls, NY	Tel. 747-2061
LAKE GEORGE	Canada Street, Lake George, NY	Tel. 668-5461
LAKE LUZERNE	15 Main Street, Lake Luzerne, NY	Tel. 696-5819
MARGARET STREET	25 Margaret Street, Plattsburgh, NY	Tel. 561-3101
PORT HENRY	4307 Main Street, Port Henry, NY	Tel. 546-3312
QUEENSBURY	696 Upper Glen Street, Queensbury, NY	Tel. 793-9656
SALEM	194 Main Street, Salem, NY	Tel. 854-3500
SCHROON LAKE	Route 9, Schroon Lake, NY	Tel. 532-7121
SCHUYLERVILLE	73 Broad Street, Schuylerville, NY	Tel. 695-3224
SO. GLENS FALLS	Route 9, South Glens Falls, NY	Tel. 793-4431
TICONDEROGA	123 Montcalm Street, Ticonderoga, NY	Tel. 585-9025
TI DRIVE-IN	Wicker St., Route 9N, Ticonderoga, NY	Tel. 585-3621
WARRENSBURG	3853 Main Street, Warrensburg, NY	Tel. 623-3036
WASHINGTON CO.	343 Broadway, Fort Edward, NY	Tel. 747-0601

**Your Local Bank**

***Glens Falls National***  
Bank and Trust Company

Equal Housing Lender/Member FDIC

To qualify for a Health Savings Account, you must be participating in a qualified High Deductible Health Plan (HDHP), and your annualized deposit must reflect the lesser of either government limits or your deductible. For 2006, for self-coverage only, an HDHP must have a minimum deductible of \$1,050. For family coverage, an HDHP must have a minimum deductible of \$2,100. Other limitations may apply. Check with your insurance agent to confirm eligibility and a tax advisor on potential tax benefits.