
KeyBank Health Savings Account FAQs

What is a Health Savings Account (HSA)?

An HSA is an individual, tax-advantaged savings account designed to help you pay for qualified medical expenses. Eligible contributions are tax deductible, and you can use your money to pay for those expenses for you, your spouse, and any qualified dependents. You can choose to invest your HSA money to pay for medical expenses in retirement, and that growth is also tax-free. HSA contributions can roll over year after year, and contributions do not expire.

Does the High Deductible Health Plan (HDHP) policy have to be in my name to open a Health Savings Account (HSA)?

No, the policy does not have to be in your name. As long as you have coverage under the HDHP policy, you can be eligible for an HSA (assuming you meet the other eligibility requirements for contributing to an HSA). You can still be eligible for an HSA even if the policy is in your spouse's name.

My spouse has a Flexible Spending Account (FSA) or a Health Reimbursement Account (HRA) through their employer. Can I have an HSA?

You cannot have an HSA if your spouse's FSA or HRA can pay for any of your medical expenses before your HDHP deductible is met.

Can I start an HSA for my child?

No, you cannot establish separate accounts for your dependent children, including children who can legally be claimed as a dependent on your tax return.

Do my HSA contributions have to be made in equal amounts each month?

No, you can contribute in a lump sum or in any amounts or frequency you wish.

Do my contributions provide any tax benefits?

Your personal contributions offer you an "above-the-line" deduction. An above-the-line deduction allows you to reduce your taxable income by the amount you contribute to your HSA. You do not have to itemize your deductions to benefit. Contributions can also be made to your HSA by others (e.g., relatives). However, you receive the benefit of the tax deduction.

Can I make contributions through payroll on a pre-tax basis?

Through payroll deduction you can make contributions to your HSA on a pre-tax basis (i.e., before income taxes and FICA taxes). Note that you cannot also take the above-the-line deduction on your personal income taxes.

I'm over 55 and would like to make catch-up contributions to my HSA, like I've done with my IRA. Is that possible?

Yes, individuals 55 and older who are covered by an HDHP can make additional catch-up contributions each year until they enroll in Medicare. The additional HSA catch-up contributions allowed are \$1,000 annually.

I turned 55 this year. Can I make the full catch-up contribution?

If you had HDHP coverage for the full year, you can make the full catch-up contribution regardless of when your 55th birthday falls during the year. If you did not have HDHP coverage for the full year, you must prorate your catch-up contribution for the number of full months you were eligible, i.e., had HDHP coverage.

Does tax filing status (joint vs. separate) affect my contribution?

Tax filing status does not affect your contribution.

How do I know what is included as qualified medical expenses?

Unfortunately, we cannot provide a definitive list of qualified medical expenses. A partial list is provided in IRS Pub 502 (available at [irs.gov/pub/irs-pdf/p502.pdf](https://www.irs.gov/pub/irs-pdf/p502.pdf)). A determination of whether an expense is for medical care is based on all the relevant facts and circumstances. To be an expense for medical care, the expense must be primarily for the prevention or alleviation of a physical or mental defect or illness.

What happens if I don't use the money in the HSA for medical expenses?

If the money is used for anything other than qualified medical expenses, the expenditure will be taxed and, for individuals who are not disabled or over age 65, subject to a 20% tax penalty.

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Can I use the money in my HSA to pay for medical care for a family member?

Yes, you may withdraw funds to pay for the qualified medical expenses of yourself, your spouse or a dependent without tax penalty. This is one of the great advantages of HSAs.

Can I pay my health insurance premiums with an HSA?

You can only use your HSA to pay health insurance premiums if you are collecting Federal or State unemployment benefits, or you have COBRA continuation coverage through a former employer.

I have an HSA but no longer have HDHP coverage. Can I still use the money that is already in the HSA for medical expenses tax-free?

Once funds are deposited into the HSA, the account can be used to pay for qualified medical expenses tax-free, even if you no longer have HDHP coverage. However, you are no longer eligible to contribute to an HSA for months that you are not an eligible individual because you are not covered by an HDHP. Contribution maximums depend on when you either lost or newly gained HDHP coverage. Please check IRS Publication 969 for more information (available at [irs.gov/pub/irs-pdf/p969.pdf](https://www.irs.gov/pub/irs-pdf/p969.pdf)).

Do unused funds in a Health Savings Account roll over year after year?

Yes, the unused balance in a Health Savings Account automatically rolls over year after year. You won't lose your money if you don't spend it within the year.

What happens to the money in a Health Savings Account after I turn age 65?

You can continue to use your account tax-free for out-of-pocket health expenses. When you enroll in Medicare, you can use your account to pay Medicare premiums, deductibles, copays, and coinsurance under any part of Medicare. If you have retiree health benefits through your former employer, you can also use your account to pay for your share of retiree medical insurance premiums. The one expense you cannot use your account for is to purchase a Medicare supplemental insurance or "Medigap" policy. Once you turn age 65, you can also use your account to pay for things other than medical expenses.

If used for other expenses, the amount withdrawn will be taxable as income but will not be subject to any other penalties. Individuals under age 65 who use their accounts for non-medical expenses must pay income tax and a 20% penalty on the amount withdrawn.

Who will be the "bookkeeper" for my HSA?

It is your responsibility to keep track of your deposits and expenditures and retain all receipts.