



Understanding a Health Savings Account ("HSA")

What is an HSA-eligible health plan?

An HSA-eligible health plan is a high-deductible health plan ("HDHP") that satisfies certain IRS requirements with respect to deductibles and out-of-pocket expenses. You generally pay less in premiums than in other medical plans and pay more up front for medical expenses before the plan begins to pay for covered services. Generally, preventative care services are fully covered. Enrollment in an HSA-eligible health plan is one of the requirements to be eligible to open and contribute to an HSA.

What is an HSA?

An HSA is an individual account used in conjunction with an HSA-eligible health plan to cover out-of-pocket qualified medical expenses¹ on a tax-advantaged basis. Your HSA belongs entirely to you, which means it is yours to keep even if you change jobs. HSAs can be used to pay for both current and future qualified medical expenses for you and your eligible dependents. You can contribute to your account, withdraw money to pay for qualified medical expenses, and potentially grow your account on a tax-free² basis by investing your savings in a wide array of investment options.

Am I eligible to open an HSA?

You must meet several IRS eligibility requirements in order to establish and contribute to an HSA. It is your responsibility to determine if you are eligible:

- You must be enrolled in an HSA-eligible health plan on the first day of the month. For example, if your coverage is effective on May 15, you are not eligible to contribute to or take a distribution from your HSA until June 1.
- You cannot be covered by any other health plan that is not an HSA-eligible health plan.
- You cannot currently be enrolled in Medicare.
- You cannot be claimed as a dependent on another person's tax return.

If you open an HSA and do not meet the above criteria, your contributions, any investment earnings, and distributions may be subject to income taxes, penalties, and/or excise taxes.

Additionally, in order to open and contribute to a Fidelity HSA®, you must have a valid U.S. address.

What type of expenses does an HSA cover?

Distributions from an HSA used to pay for qualified medical expenses for you, your spouse, and dependents are tax free provided they meet the IRS definition of a qualified medical expense. The good news is that a lot of expenses qualify for payment or reimbursement, such as:

- Health plan deductibles and coinsurance
- Most medical care and services
- Dental and vision care
- Prescription drugs, over-the-counter medications, and insulin
- Medicare premiums (if age 65 or older)

Note that these expenses must not already be covered by insurance and that health insurance premiums generally do not qualify. For more information about HSAs and qualified medical expenses, refer to IRS Publications 969 and 502 at www.irs.gov or consult a tax professional.

Should an HSA be used to pay current qualified medical expenses or be saved for the future?

One of the main benefits of an HSA is that it is flexible depending on your needs. You can use your HSA to save and grow your money tax-free for the future, or you can use it to save money on taxes while paying for qualified medical expenses today. The combination of HSA tax advantages and the breadth of investment

options available through a Fidelity HSA provides an opportunity for potential growth. Consider this hypothetical example:

If you contributed \$3,000 annually to an HSA and earned a hypothetical 7% return over a 20-year period, you could potentially grow your balance to \$127,291 — that's \$60,000 from your own contributions plus \$67,291 in earnings that you can use to pay for qualified medical expenses, free from federal taxes.³

You can use your HSA for current out-of-pocket medical expenses and invest for the future.

Where do I go for more information?

For answers to questions about HSAs	
IRS website and publications	Visit www.irs.gov for Publications 502 and 969.
Fidelity's online information and resources	Log in to Fidelity NetBenefits® at netbenefits.com , using your existing username and password. If you don't have a username and password, go to netbenefits.com , select <i>Register as a new user</i> , and follow the instructions to create a username and password.
Fidelity HSA® service specialist	Contact a Fidelity representative at 800-544-3716.
Ongoing management of your Fidelity HSA®	
<ul style="list-style-type: none">View your HSA balance alongside retirement accounts, such as a 401(k) or 403(b) from another employerAccess tools and resourcesPerform ongoing account maintenance and management tasks<ul style="list-style-type: none">Forms and applicationsAccount statements, confirmations, and tax formsBeneficiary InformationAddress changes to your HSA	Log in to Fidelity NetBenefits® at netbenefits.com , using your existing username and password. If you don't have a username and password, go to netbenefits.com , select <i>Register as a new user</i> , and follow the instructions to create a username and password.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

The information provided herein is general in nature. It is not intended, nor should it be construed, as legal or tax advice. Because the administration of an HSA is a taxpayer responsibility, you are strongly encouraged to consult your tax advisor before opening an HSA. You are also encouraged to review information available from the Internal Revenue Service (IRS) for taxpayers, which can be found on the IRS website. You can find IRS Publication 969, **Health Savings Accounts and Other Tax-Favored Health Plans**, and IRS Publication 502, **Medical and Dental Expenses**, online, or you can call the IRS to request a copy of each at 800-829-3676.

¹ Refers to qualified medical expenses as defined by the IRS.

² With respect to federal taxation only. Contributions, investment earnings, and distributions may or may not be subject to state taxation. See your tax professional for more information on the state tax implications of HSAs.

³ This is a hypothetical example for illustrative purposes only and does not represent the performance of any security in a Fidelity HSA®. The example assumes that an individual contributes \$3,000 annually to an HSA with a hypothetical 7% annual return. This assumes the return rate stays constant over the course of the time horizon and that no withdrawals were taken. Investments that have a potential for a 7% rate of return also come with the risk of loss. Past performance does not guarantee future results.

The final account balance is prior to any distributions. You may be subject to a 20% penalty if your distribution is not for qualified medical expenses. Systematic investing does not ensure a profit and does not protect against loss in a declining market.