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## Revolutionary Health Insurance Plan Offers Comprehensive Coverage & Significant Tax Advantages

Health Savings Accounts (HSA's) offer the most powerful way to take control of your healthcare needs and reduce the sky rocketing cost of health insurance premiums plus the added benefits of lowering your taxes and saving for retirement.

People carry health insurance to cover themselves in case of a catastrophic event yet **82%** of Americans have less than \$500 in annual medical expenses. Why continue to pay enormously high premiums to cover minor medical expenses? With an HSA your money is working for you instead of paying high premiums.

### What is a Health Savings Account?

Health Savings Accounts have two parts. The first part is a HSA Qualified comprehensive health insurance policy with a minimum \$1,000 deductible for individuals and \$2,000 for families. Coverage includes Doctor Visits, Hospitalization, Prescription Drugs, Laboratory Tests, X-Rays, OB-GYN Exams, Maternity, Well Baby Care and other benefits found in better health insurance policies. Qualified HSA policies are offered by leading health insurance companies.

The second part is the "Medical IRA" (Tax Exempt Trust Savings Account) which offers **significant tax advantages** similar to a Traditional IRA, but even better:

You may contribute 100 % of your deductible up to a maximum of \$2,600 for individuals and up to \$5,150 for families into the "Medical IRA" (Tax Exempt Trust Savings Account).

Your contribution is **100% TAX DEDUCTIBLE** regardless of your gross income.

The HSA is often referred to as a "Medical IRA" because the money in your account can be used to make **TAX FREE** withdrawals to pay for Qualified Medical Expenses including some alternative medical treatments below. The unused balance earns interest and grows.

Employer contributions are not taxable to employees.

### Why should I have a Health Savings Account?

1. Save Money.
2. Reduce the cost of sky rocketing premiums by 20% to 60%.
3. Reduce your taxable income up to \$2,600 for individuals and up to \$5,150 for families.
4. Pay for Qualified Medical Expenses and alternative medical treatments **TAX FREE!**

### Who is eligible for an HSA?

Any individual who is not covered under a spouse's policy, a parents policy or entitled to Medicare benefits is eligible to establish a Health Savings Account.

Employers of any size with qualifying high-deductible insurance plans.

Self Employed.

## What are examples of qualified medical expenses?

HSA's can be used to pay for many types of medical expenses, including those normally excluded from health insurance policies. For a complete list of qualified medical expenses refer to IRS Publication 502. Some of the qualified medical expenses include Long-Term Care premiums and:

Acupuncture	Lead paint removal
Alcoholism (treatment)	Legal expenses (authorizing treatment of mental illness)
Ambulance (hire)	Lifetime medical care (Prepaid; retirement home)
Autoette or wheelchair	Limbs (artificial)
Blind persons services	Lodging (limited to \$50/night)
Braces	Long-Term Care premiums
Capital expenditures - Home modifications for handicapped. Primary purpose must be medical care	Mattress (prescribed for alleviation of arthritis)
Car equipped to accommodate wheelchair and/or handicapped controls	Membership fees (association furnishing medical services, hospitalization, and clinical care)
Childbirth preparation classes (mother)	Nursing home (medical reasons)
Chiropractors	Nursing services (board and Social Security paid by taxpayers)
Christian Science treatment	Obstetrical expenses Operations (legal)
Contact lenses, replacement insurance	Optometrists
Crutches	Orthodontia
Deaf persons - Hearing aid and batteries, Hearing aid animal and care, Lip reading expenses, Special education, modified telephone	Orthopedic shoes (excess costs Osteopaths)
Dental fees	Oxygen/oxygen equipment
Dentures	Prosthesis
Diagnostic fees	Psychiatric care
Diapers (adult disposable) used due to severe neurological disease	Psychologists
Doctor's fees	Psychotherapists
Domestic aid - rendered by nurse	Reclining chair for cardiac patient
Drug addiction recovery Drugs (prescription)	Remedial reading
Dyslexia language training	Retarded person's costs for special home
Elevator alleviation of cardiac condition	Retirement home Lifetime medical care
Eyeglasses and examination fee	Sanitarium rest home (medical, educational, rehabilitative services)
Fluoride device (on advice of dentist)	Schools (special, relief, or handicapped)
Halfway house (adjustment to mental hospital)	Sexual dysfunction treatment
Healing services fees	Surgical fees Swimming pool (treatment of polio or arthritis)
Health Maintenance Organization	Teeth (artificial)
Hospital care	Television (closed-caption decoder)
Insulin	Therapy treatments (prescribed by a physician)
Iron lung	Transportation (essentially and primarily for medical care)
Laboratory fees	Vitamins (prescription)
Laetrile (by prescription)	X-rays

Generally health insurance premiums do not qualify as medical expenses, **EXCEPT** for:

- Long-Term Care Insurance premiums
- Health insurance coverage while receiving unemployment insurance
- COBRA health insurance continuation coverage
- Premiums for a health plan (other than a Medicare supplemental policy) for an individual age 65 or older

NOTE: You must establish an HSA before incurring any expenses or the expenses will not qualify.

### **How much can I contribute to my Health Savings Account?**

Every year you may contribute an amount equal to your deductible up to \$2,600 for an individual or \$5,150 for a family into your Health Savings Account with a Qualified Trustee. You do not have to contribute the maximum each year, although some HSA's require a small minimum contribution. Funds in an HSA are held in a trust account and administered by a bank, insurance company, or other approved Trustee for a minimal fee. Contributions to your HSA are invested at your discretion. Typically an HSA Trust Account will allow you to choose from the following options:

- Cash (FDIC Insured)
- CD's (FDIC Insured)
- Money Market Funds (FDIC Insured)
- Mutual Funds (Not FDIC Insured)

If you are looking to minimize your investment risk, you may want to consider interest-bearing accounts; these accounts are FDIC insured. On the other end of the spectrum, mutual funds may provide a greater return, but are more risky, and are not FDIC insured.

The deposits may be done monthly, quarterly, semi annually, annually or when ever you want. Earnings on the accounts grow **Tax Free**, and money withdrawn to pay medical bills is **Tax-Exempt**. Money left in the accounts at the end of each year rolls over to the next year.

After age 65 you can continue to use the money in the account **Tax Free** to pay for qualified medical expenses or withdraw the money for any other purpose and pay normal income taxes on the gain just like a Traditional IRA..

### **Catch-Up provision for individuals 55 and older**

For individuals 55 years or older, the law provides for additional "Catch-Up" deposits. You may deposit an additional \$500 in 2004. The amount of deposits will go up by \$100 each year until the maximum catch-up amount of \$1,000 is reached. If both husband and wife are 55 or older, they may both make additional contributions of \$500.

2004	\$500
2006	\$600
2007	\$700
2008	\$800
2009	\$900
2010 and beyond	\$1,000

## **What insurance plans are HSA eligible?**

To qualify the plan must be a High Deductible Health Plan (HDHP) and designated as a Health Savings Account.

For individuals the HSA must have a minimum \$1,000 deductible and a \$5,000 annual out-of-pocket maximum.

For families the HSA must have a minimum \$2,000 deductible and a \$10,000 annual out-of-pocket maximum.

The sum of the annual deductible and the other annual out-of-pocket expenses required to be paid under the plan (other than premiums) can not exceed \$5,000 for individuals and \$10,000 for families.

HSA-Qualified health insurance plans offered by insurance carriers like Nationwide, Blue Cross, Blue Shield and others and are considerably less expensive than most non HSA plans.

## **How do I use the funds in my HSA?**

It's easy to use the funds in your Health Savings Account.

Typically the HSA Trust administrator will provide you with a checkbook, debit card or online bill pay options to pay for your Qualified Medical Expenses.

You do not need approval from your HSA administrator to use the funds in your account.

You do not need to submit receipts to your HSA administrator, although you should save them, just like you keep receipts for your other tax deductible items.

NOTE: You must establish your HSA before you incur medical expenses otherwise the expenses will not qualify.

## **Additional tax saving information**

HSA's make it easy to save on your taxes.

At the end of each year, you will be sent a statement from your Trust administrator showing the amount you contributed to your HSA that year.

Because HSA's are similar to IRA's, deductions are "above-the-line" and can be taken even if you do not itemize.

If you are self employed, you have an extra bonus. In addition to **Tax Deductions** for your HSA contributions, you can also deduct 100% of your health insurance premiums provided:

You are not eligible to participate in a subsidized health plan offered by an employer or your spouses employer.

The deduction does not exceed the amount of net income from your business.

## **What happens to my HSA funds if I die?**

If the named beneficiary in your will is your spouse, your spouse will continue to access the funds tax-free for qualified medical expenses and pay income taxes on any non qualified medical expenses. If your beneficiary is anyone else, then they will generally owe income taxes when the assets are moved to them without any penalty.

## **The Optional Cash Back Plan Offsets Your Deductible**

### **Hospital Confinement**

The Optional Cash Back plan is a separate Supplemental Medical Reimbursement Expense Plan that pays up to **\$9,000** per calendar year (\$300 per day up to 30 days) for hospital confinement from ALL Illnesses and Accidental Injuries. The Cash Back Plan helps to offset your deductible and reduce hospitalization costs. The plan pays regardless of any other insurance you carry. This plan has a Lifetime maximum of 300 days.

### **Accidental Injury**

The Cash Back Plan also includes up to a maximum of \$500 per year for Accidental Injury.

### **Ambulance**

The Cash Back Plan also includes Payment up to \$1,000 for Air Transportation and up to \$300 for Land Transportation due to an Accident.

### **Mammography**

The Cash Back Plan also includes up to \$100 for Mammography screening (maximum of 1 visit per calendar year).