

HSA Basics

A Health Savings Account is a tax-advantaged checking account that gives you the ability to save for future medical expenses or pay current ones. It is individually owned, but you may elect to designate an authorized signer that may also withdrawal funds and be issued a debit card.

HSA Eligibility

To be eligible to make deposits to an HSA, you:

- Must be currently enrolled in an HSA-qualified health plan;
- May not be enrolled in any other non-HSA qualified health plan;
- May not have, or be eligible to use, a general purpose flexible spending account;
- Cannot be claimed as a dependent on another person's tax return;
- May not be enrolled in Medicare, Medicaid, or Tricare;
- Must not have used VA benefits for anything other than preventative services in the past three months.

Contributions to your HSA

The annual maximum allowable contributions to an HSA, as established by the IRS for 2012 are:

- Individual: \$3,100
- Family: \$6,250

Individuals 55 and older can make an additional catch-up contribution of \$1,000 in 2012. A married couple can make two catch-up contributions if both spouses are eligible. The spouses must deposit the catch-up contributions into separate accounts.

The annual maximum contribution is based on a calendar year and there is no limit to the dollar balance that can build in the account over time.

Contributions can come from:

- Employee pre-tax payroll withholding
- Employer contributions (non-taxable income)
- Individual contributions from account owner or other individual (tax-deductible for account holder)
- IRA Rollover (contact us for assistance)

Advantages of a Health Savings Account

Portability: Take 100% of the deposited funds with you when you retire or change employers. You are the account owner.

Flexibility: Choose whether to spend on current medical expenses or to save for the future. Unused funds remain in the account from year to year and there is no "use it or lose it" provision.

Tax Savings:

- Contributions are tax free, (pre-tax through payroll deductions or tax deductible)
- Earnings are tax free
- Funds withdrawn for eligible medical expenses are tax free.

Premium Savings: HSA qualified insurance plans are usually less expensive than traditional insurance plans.

Distributions from your HSA

- You, or your authorized signer, can make withdrawals for qualified expenses.
- Withdrawals or distributions from your HSA can be made by check, debit card, ATM, or by request (in person or via telephone).
- Distributions for qualified medical expenses are tax free (refer to next page for examples).
- Distributions made for anything other than qualified medical expenses are subject to IRS tax plus a 20% penalty. The penalty is waived if the account owner is 65 or older, or due to death or disability.
- Qualified medical expenses for your spouse and your tax dependents' may be paid from your HSA, even if those individuals are not covered under your medical insurance plan (HDHP).
- You are responsible for keeping receipts for all distributions from your HSA. The bank does not monitor how the funds in your account are spent.

Qualified Medical Expenses

- Expenses incurred for the diagnosis, cure, mitigation, treatment, or prevention of disease are eligible expenses; such as prescription drugs, and costs incurred by you or your spouse and your tax dependents for doctor visits, lab tests, hospital stays, or clinic visits. These may, or may not, apply to your insurance deductible depending on the coverage provided by your medical plan.
- Vision expenses such as glasses, contact lenses and supplies, eye exams, and vision correction surgery.
- Dental care expenses such as orthodontia.
- Medical supplies such as Band-Aids, contact solution, crutches, and test strips.
- Insurance premiums only under the following circumstances: while receiving federal or state unemployment benefits, paying COBRA premiums, premiums paid for qualified long-term care insurance, and Medicare premiums after age 65.

Expenses Generally NOT Eligible

- Insurance premiums are not eligible expenses (exceptions listed above).
- Costs associated with non-medically necessary treatments such as cosmetic surgery and items meant to improve one's general health (but which are not due to a specific injury, illness, or disease) such as health club dues, gym memberships, vitamins, and nutritional supplements.
- As of January 1, 2011, over-the-counter medications are not eligible unless you obtain a prescription from a doctor. The prescription is not required at the time of purchase; however, please retain it for your records in the event it is needed by the IRS.

What If...

It's early in the year and you're faced with a medical emergency. You have a large hospital bill but do not have the full amount in your HSA to pay your portion.

1. Ask to set up a payment plan. As funds are deposited into your HSA (through payroll withholding, employer contributions, or other) you can make payments to the provider using your HSA debit card or checks.
2. Pay the bill with another personal checking account, savings account, or credit card and then repay yourself as the funds accumulate in your HSA. Be sure to negotiate a discounted price from your provider for paying in-full upfront. Most providers will agree to a 10%-30% discount.

You receive a bill in the mail from your doctor, hospital, lab, or urgent care and need to submit a payment. You have the funds available in your HSA.

1. You can write your HSA debit card number on the provider invoice and have the payment debited from your account.
2. You can write a check from your HSA and mail in the payment. (Be sure your insurance company has already processed the bill and that you're only paying your portion of the negotiated rate.)

You fill a prescription at the pharmacy and need to pay for your medication.

1. You can pay using your HSA debit card.
2. You can write a check from your HSA, payable to the pharmacy.

You are at the pharmacy paying for your medication and realize you don't have your HSA debit card or checks with you, or you don't have sufficient funds in your account to cover the purchase.

1. You can pay for the purchase with cash, personal credit card, debit card, or check and later repay yourself by writing yourself a check from your HSA or making an ATM withdrawal.

You're shopping at your local convenience store and purchase groceries and a prescription at the same time. How should you handle the register transaction?

1. You can ring up your other purchases separately from your medical purchase and use your HSA debit card or checks for the prescription only.
2. You can ring everything up in one transaction, pay with cash or another account, and then repay yourself for the medical portion of the purchase later from your HSA funds.

You are required to pay for treatment at the time of service. Later, you receive reimbursement from the provider.

1. Cash the check and pay for other eligible medical expenses.
2. Mail the check to Tower Bank for deposit into your HSA, indicating that it's a reimbursement.

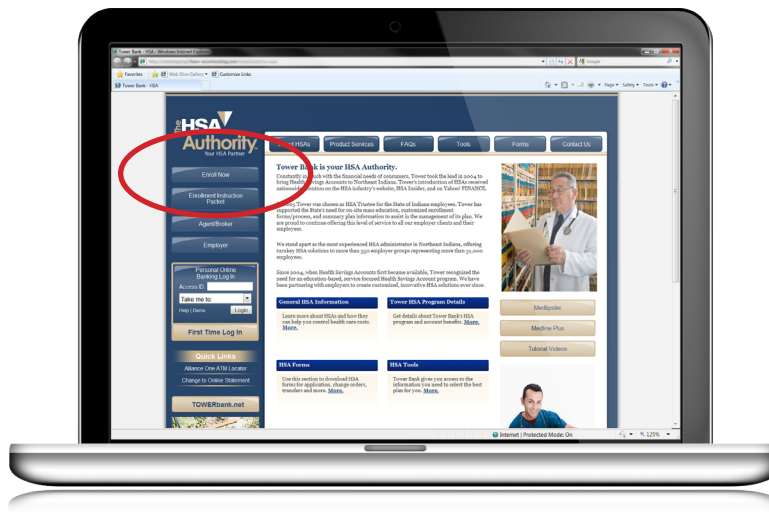
Open Your HSA Online

You will need the following information when you begin:

1. Unexpired government issued ID for account holder and for any authorized signer, if elected. This can be a driver's license, state-issued ID, passport, or military ID.
2. The Social Security Number and date of birth for your beneficiaries.
3. The Social Security Number and date of birth for the authorized signer, if elected.

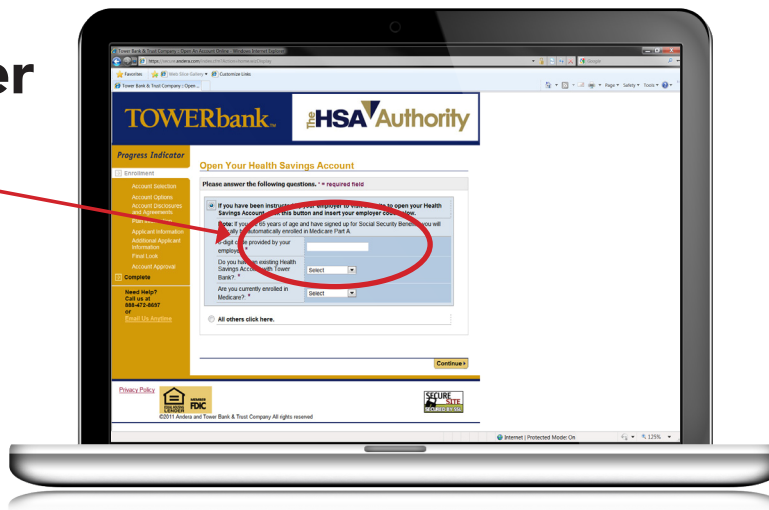
Complete the following steps to open your account:

1. Go to theHSAauthority.com and click on the blue "Enroll Now" button. This will take you to the enrollment program.



2. In the enrollment program, select the "If you have been instructed by your employer..." option. The prompt to enter your 6-digit employer code will appear. Enter the code that was provided by your employer.

Your Employer Code:



3. Click the "Continue" button at the bottom of the screen to continue the account opening process.
4. Once you have successfully submitted your enrollment application, a confirmation number will appear.
5. After completing the online enrollment, you'll receive a welcome letter in the mail with your new HSA information.
6. If you requested a debit card or checks, they will be mailed separately and will arrive following the welcome letter.

To Access Your Account

The welcome letter you'll receive contains your new Health Savings Account number along with instructions for accessing Tower Bank's online banking site and telephone banking system. If you would like assistance using these services, please call Customer Care toll-free at 1.888.472.8697, option 1.



Product Features

Enrollment Fee

- Online Enrollment: Free
- Paper Enrollment: \$14.99

Minimum Opening Balance

- None

Annual Fee

- None

Service Charge

- No monthly service charge

Statement Options

- Online or paper statements available

Interest Rates

- Interest rates may vary based on account balance and statement type (online or paper); rates are subject to change; refer to our website for information or call our Customer Care Center at 1.888.472.8697, option 1

Annual IRS Reporting and Updates

- 5498-SA (contributions); 1099-SA (distributions); and adjustments for prior year contributions

24/7 Automated Telephone Banking

- Toll-free number: 1.888.743.0737

Deposit Processing

- Automatic deposit; mail-in service; or in-person at any Tower Bank location

Online Banking

- View statement, account activity, balance, and front and back of paid checks - all at no charge

Debit Card

- Up to two free cards (account owner and authorized signer)

ATM Access

- Free ATM withdrawals at any Tower Bank ATM
- ATM withdrawals at non-Tower ATMs will have fees applied; refer to the bank fee schedule for more information

Check Fees

- No per-check fee
- See website for current printing cost on 50 checks per order

Certificate of Deposit Options

- Available; call for current rates and terms; FDIC insured

Brokerage Investment Options

- Available; Call for more information; not FDIC insured

Miscellaneous Services

- Manual Account Opening: \$20.00
- HSA Excess Contribution Distribution: \$20.00
- Account Closing/Rollover/Transfer: \$20.00

Standard Bank Services (Overdraft, stop pay, etc.)

- Refer to the bank fee schedule on our website or call our Customer Care Center

Contact Info

- The HSA Authority
P.O. Box 11454
Fort Wayne, IN 46858
- 1.888.472.8697, option 1
Monday - Friday
8:00am - 6:00pm EST
- info@theHSAauthority.com

*Related service fees are subject to change. Please refer to our website for current information. More details, and a list of eligible expenses, can be found at theHSAauthority.com, or refer to IRS Publication 502 titled "Medical and Dental Expenses" (Catalog No. 15002Q), or Pub. 969 titled "HSA and Other Tax-Favored Health Plans" (Catalog No. 242165). Publications can be ordered from the IRS by calling 1-800-TAX-FORM, or online at www.irs.gov. Tower Bank does not sell insurance, or give advice on insurance plan coverage or taxes. Consult your tax advisor or insurance professional for details.

