

Frequently asked questions about HSAs

What is a Health Savings Account (HSA)?

An HSA is a U.S. custodial account designed exclusively to pay for or reimburse your current or future qualified medical expenses. To be eligible to open and contribute to an HSA for yourself (or for yourself and your family), you must be covered by a qualified high deductible health plan (HDHP) and not covered by certain other plans that pay medical expenses, such as Medicare.

How do I know if I'm covered by an HDHP?

In 2008, an HDHP for an individual must carry at least an annual deductible of \$1,100 with a maximum out-of-pocket expense limit of \$5,600. A family HDHP plan must carry an annual deductible of at least \$2,200 with maximum out-of-pocket expenses of \$11,200. In 2009, an HDHP for an individual must carry an annual deductible of at least \$1,150 with a maximum out-of-pocket limit of \$5,800. A family HDHP plan must carry an annual deductible of at least \$2,300 with a maximum out of pocket limit of \$11,600. Before opening an HSA, it's best to check with your insurance provider or employer to ensure you are covered by an HDHP.

Who can contribute?

You can contribute if you are:

- Covered by a qualified HDHP
 - At least 18 years of age
 - Without other medical coverage. (Note: you still qualify for an HSA if you have dental, disability, accidental, vision care or long-term care insurance)
 - Not enrolled in Medicare
 - Have not received VA medical benefits in the past three months
 - Not claimed as a dependent on another person's tax return
- Also, your employer can make contributions to your HSA.

Why open an HSA?²

- Pre-tax contributions made via payroll deductions will reduce your federal tax liability. Contributions and dividends are not taxable if used for qualified medical expenses
- If you make contributions with after-tax dollars, they are deductible on your federal income tax return
- It's a means to save for your future medical expenses
- Your funds are not lost at year-end. In fact, unused funds remain in your account year after year, earning tax-deferred dividends
- You control the way your funds are spent and invested
- Your funds are portable – they remain yours even if you end participation in an HDHP. When your participation in an HDHP ends, you can no longer make annual contributions. However, the funds in your HSA remain yours and are available to pay for qualified medical expenses. You can also move your HSA from one financial institution to another
- You may qualify for both an HSA and a FSA (flexible spending account). However, you cannot "double dip" – you cannot be reimbursed by both accounts for the same expense

Will an HSA be a good investment for me?²

- HSAs can be a great retirement savings tool, particularly if your medical expenses are low
- Even if you pay your medical bills with HSA funds, the HDHP deductible is typically less than the HSA contribution limits set by the IRS. Plus, any funds left in your HSA will earn interest tax-free if used for qualified medical expenses
- Once your deductible is met, many HDHP plans pay 100% of qualified medical expenses and the funds left in your HSA remain tax-free savings for future use
- Many employers make contributions to their employees' HSAs
- Funds used for non-medical expenses when you reach age 65 or become disabled are subject only to income taxes and will be not be assessed a penalty

How do I open an HSA at Alliant?

- You need to be an Alliant member with at least \$5 in your Alliant savings account
- You must complete our HSA Application and Revocable Designation of Beneficiary(ies) form. This form is available on our web site, www.alliantcreditunion.org. You can also request one by calling our TeleCenter at 800-328-1935 or by visiting an Alliant Service Center
- To make annual contributions, you must be covered by either an individual or family HDHP
- Even if you are not covered by an HDHP, you may open an HSA by rolling over funds from another HSA

- **Not an Alliant member? You can easily join Alliant and open your HSA by completing an online membership enrollment agreement available from our home page at www.alliantcreditunion.org**



What are the maximum HSA contribution limits?

- For individual plans: \$2,900 (for 2008); \$3,000 (for 2009)
- For family plans: \$5,800 (for 2008); \$5,950 (for 2009)
- If you're age 55 or older, you can also make a "catch-up" contribution – \$900 (for 2008); \$1,000 (for 2009)

What are the tax advantages?²

- Contributions may be made with pre-tax dollars
- Contributions made with after-tax dollars are deductible on your federal income tax return
- Earnings compound tax-deferred
- Funds including earnings used for qualified medical expenses are not taxable

When can I withdraw funds without penalty?²

- At any time to cover qualified medical expenses
- For any reason, once you reach age 65 (however, at this point, funds withdrawn and not used for qualified medical expenses are taxable)

What is a qualified medical expense?

- Dental treatment, such as fillings, braces and extractions
- Eye exams, eyeglasses and contact lenses
- Out-of-pocket expenses, such as deductibles, coinsurance and co-payments
- Prescriptions and over-the-counter drugs
- Qualified long-term care services and insurance
- COBRA insurance
- Medicare premiums (if no longer covered by an HDHP) but not Medigap
- Retiree health expenses if 65 years of age or older
- Hearing Aids
- Acupuncture

For a complete list of qualified medical expense, visit www.irs.gov

How can I access my HSA funds at Alliant?

- By using an Alliant VISA® HSA debit card (free cards for HSA owner and spouse)
- By writing an Alliant HSA check (our checks are free)
- By transferring funds out of your HSA to your savings or checking account if you paid for a qualified medical expense from a source other than your HSA
- By requesting a withdrawal check at an Alliant Service Center
- By completing a withdrawal form (available on our web site) and forwarding it to us in the mail. You can also request one by calling our TeleCenter

What HSA tax reporting forms will Alliant provide?

- By January 31, we'll send you a Form 1099-SA. This form indicates the total HSA withdrawals taken on the account for the preceding year
- By May 31, we'll send you a Form 5498-SA. This form indicates the total HSA contributions and rollovers made to the account for the preceding year
- Additionally, you'll receive monthly statements that indicate all transactions on the account including deposits, transfers and all check and debit card withdrawals

What if I mistakenly use the funds for a non-medical expense or overpaid a medical bill with HSA funds?

- To avoid paying income tax and a 10% penalty on the amount withdrawn, you'll need to reimburse your account by the tax return due date of the following tax year
- Contact the Special Services Department at Alliant Credit Union: 800-328-1935 x2291. We'll provide you with the proper form to initiate a correction to your account

Can I use my HSA funds to pay for the medical expenses of my spouse and dependents even if they're not covered by an HDHP?

- Yes. You may always use HSA funds to pay the qualified medical expenses of yourself, your spouse and your dependents

How can I make contributions to an Alliant HSA?

- Through payroll deducted pre-tax contributions sent by your employer to your Alliant HSA. These funds will be credited as current year contributions
- By depositing a check to your HSA for a current or prior year contribution (these must be made by April 15 or the tax filing deadline for previous tax year). These payments will be credited as after-tax dollars

How can I move funds from my current HSA to an Alliant HSA account?

- Write a check from your current HSA to be deposited as a rollover contribution to your Alliant HSA. (Your withdrawal will be reported as a normal distribution and the deposit to your Alliant HSA will be reported to the IRS as a rollover contribution.) You're allowed only one HSA rollover every 365 days. And you must complete that rollover within 60 days of withdrawing your HSA funds from the other institution
 - Complete our form – "Request to Transfer HSA to an Alliant HSA" (available on our web site, www.alliantcreditunion.org) – and forward it to your current HSA custodian. Your current custodian will forward your funds directly into your new Alliant HSA account. (Neither the withdrawal or the deposit is reported to the IRS.) There are no restrictions on the number of HSA transfers



Can I rollover funds from my FSA or my Traditional IRA?

- Yes. But, you can complete each of these transactions one-time only for life
- You can contribute funds from your IRA to your HSA up to the IRS rollover limit for your type of coverage
- You can contribute funds from your FSA to your HSA but there's a rollover limit. You can only transfer the amount that was in your FSA on September 21, 2006, or the amount that is in your FSA on the date of the transfer – and that limit is whichever amount is less. For instance, if you had \$250 in your FSA on September 21, 2006, and now have \$1,000 in the account, then the maximum you can rollover to an HSA is \$250

How much can I save with an Alliant HSA?

- Our high dividend rate will enable your funds to grow quickly
- Unlike many other providers, we charge no enrollment fees, annual fees or monthly administrative fees

How can I calculate how much my HSA will earn over the next five years?

HSA calculators are available on the Health Savings – HSA page on www.alliantcreditunion.org

How do I get started?

Simply complete an HSA Application and Revocable Designation of Beneficiary(ies) form available on our web site. If you are not an Alliant member, you can easily join Alliant and open your HSA by completing an online membership enrollment agreement available from our home page at www.alliantcreditunion.org

Still have questions?

Call us at 800-328-1935 (24/7)



...the perfect fix to help you control and manage your healthcare costs – and a great way to save for your retirement!

- An industry-leading high dividend rate¹
- No fees to open and maintain the account
- No minimum balance requirements
- Free VISA® HSA Debit Card, free HSA checks and view your account online

Alliant Health Savings Accounts



HSA key facts

- Established by the U.S. government in 2003, Health Savings Accounts (HSA) are growing in popularity
- Designed to help you lower your healthcare costs, they give you more control over how you spend your healthcare dollars
- You, your employer and someone on your behalf can contribute funds into your account up to certain legal limits
- Once the money is in your account, it's yours to spend – tax free – on healthcare²
- Funds you don't use stay in your account and grow tax deferred²
- Your insurance provider (or company) cannot mandate which HSA provider you choose. You have the option of selecting an HSA of your choice

Read the **Frequently Asked Questions** inside to get a better sense of how HSAs work and how they can benefit you.



credit union
ALLIANTSM
11545 W. Touhy Avenue, Chicago, IL 60666
www.alliantcreditunion.org

AlliantSM Credit Union is there when you need us

Self Service Telephone (SST) 800-482-5328
24/7 account access

Alliant TeleCenter 800-328-1935
24/7 personal assistance TDD/TTY 773-462-2300

Alliant Web Site www.alliantcreditunion.org



For more information and to open your Alliant HSA, visit the Health Savings – HSA page at www.alliantcreditunion.org

Enjoy an Alliant Health Savings Account (HSA) with an industry-leading high dividend rate¹ and no fees

See how much you can save...by switching from a PPO to an HDHP* and an Alliant HSA

Switch and save with an Alliant HSA

Save on your individual employee insurance premium

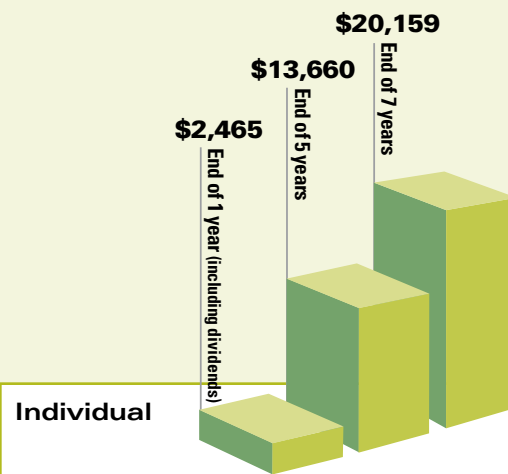
Yearly PPO Premiums = \$ 600
Yearly HDHP Premiums = \$ 180
You Save \$ 420

Save on your healthcare costs

Total HSA Contributions \$ 2,900 each year*
Qualified Medical Expenses \$ 500 each year
You Save \$ 2,400 each year
(to keep as an investment in your HSA account. With an Alliant HSA at 5.15% APY¹, you will save \$2,465 your first year.)

* Nearly 75% of Americans incur less than \$500 a year in medical expenses, according to Information Strategies, Inc., *Fortune*, May 2006.

Earn more with an Alliant HSA**



Individual

** Assumes 1) initial deposit of \$2,400, b) that dividend remains constant at 5.15% APY and c) that each year you contribute \$2,900 to your HSA and withdraw \$500 from it for qualified medical expenses.

Please note: Employer contributions vary widely from employer to employer as do insurance premiums and deductibles. HDHP=High Deductible Health Plan. HSA = Health Savings Account. PPO = Preferred Provider Organization.

Compare Alliant's superior dividend and no-fee structure to other popular HSAs on the market

	Alliant CU	Bank of America	Blue Healthcare Bank	JP Morgan Chase	Mellon (Luminous Plan)
Dividend Rate	5.03%¹ (Compounded Annual Percentage Yield of 5.15% APY)	2.75%	Tiered rates: 0.25% to 3.75% based on account balance	1.77%	NA
Fee Structure	No Account setup fee No Monthly maintenance fee	\$4.50 monthly maintenance fee (may not apply to group enrollees)	\$12 – \$16 setup fee \$0.50 to \$3.50 monthly maintenance fee based on account balance	\$2.50 monthly maintenance fee. \$1 paper statement fee	\$15 set up fee. \$2.95 monthly maintenance fee
HSA Checks	Yes, Checks are FREE	Yes. Cost is NA	Check reorder: \$6 per box	Yes, \$10.60 per box	First order free. Check reorder: \$10 per box
HSA Debit Card	Yes, FREE for all owners on the account and FREE replacement cards	Yes, first two cards are free. Additional card: \$5	NA	First card free. Additional card: \$2.50, Replacement card: \$12	First card free. Replacement card: \$5

Information obtained from each bank's corporate web site as of 8/08/08. If the bank did not make its rate or fee public, it is indicated with a NA (Not Available).
¹ Health Savings Account (HSA) Dividend, declared 08/23/07, provides a Dividend rate of 5.03% – Compounded Annual Percentage Yield of 5.15% APY. Dividends are paid on the last day of the month to accountholders who have maintained an average daily balance of \$100 or more in an HSA. HSA Dividend subject to change monthly. APY=Annual Percentage Yield.