

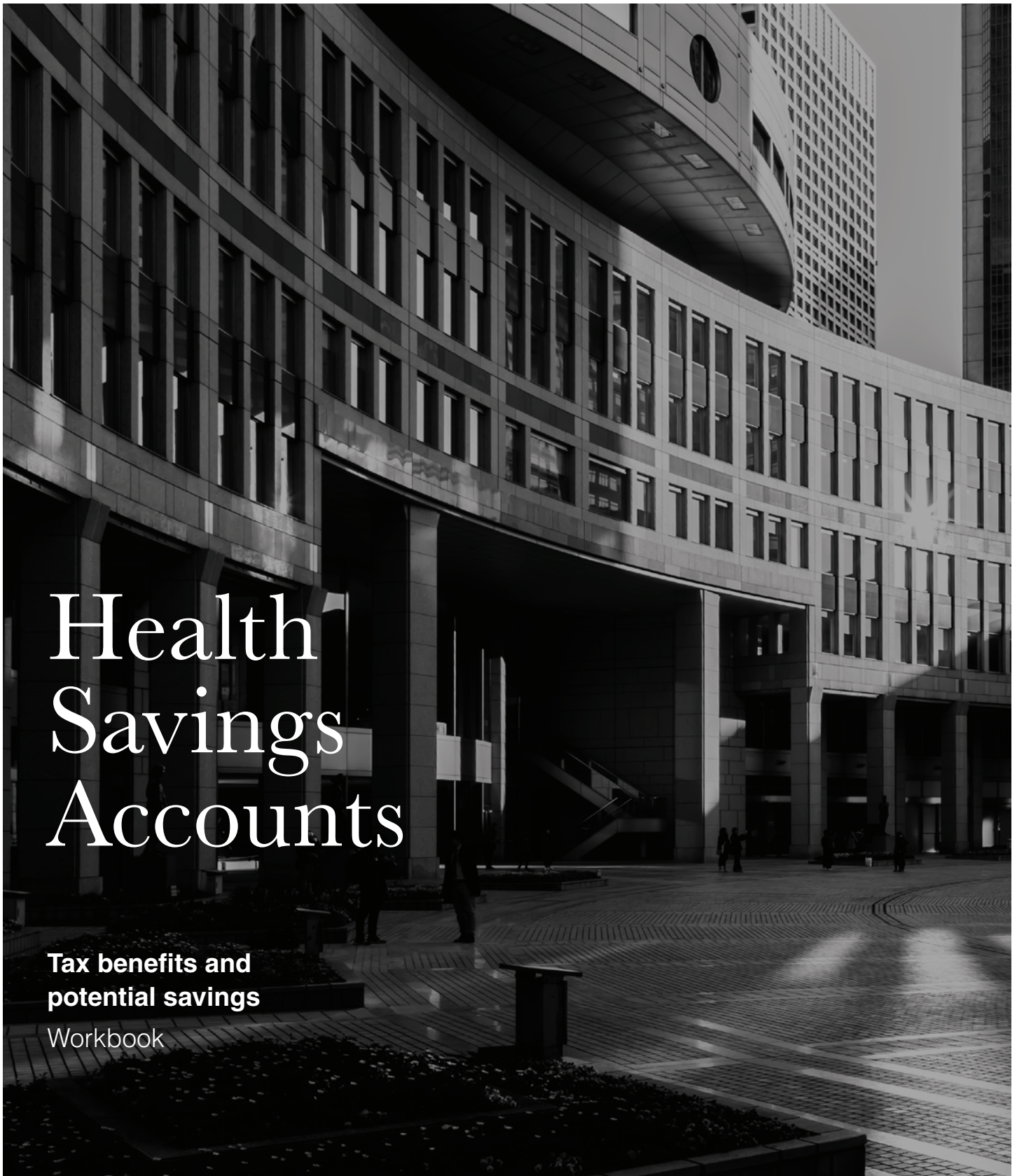


Thrivent Credit Union

Health Savings Accounts

Tax benefits and potential savings

Workbook



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Meet Thrivent Credit Union

Thrivent Credit Union (TCU) helps people achieve financial clarity by providing access to banking products and services that help bring balance to spending, purpose to saving, and intention to managing debt. We strive to put you at the center of everything we do, providing impeccable service and competitive rates, so you can make financial choices aligned with your values and priorities.

Why consider a health savings account?

From prescription drugs to physical therapy, eye exams to eye glasses, dental cleanings to orthodontia—nearly all of us incur health-related expenses each year. That's why a health savings account (HSA) is a wise choice for many people with high deductible health plans (HDHPs).

Think of it this way

An HSA gives you more control over your health care dollars. It can be used to pay for covered expenses that apply toward your HDHP annual deductible. And unlike flexible spending accounts, which require you to “use it or lose it,” HSA funds accumulate year after year. This growth can provide a safety net should you or a family member need major medical care down the road.

There are other advantages too, so it pays to get the facts. That way you can decide if a health savings account is right for you.

Thrivent Credit Union has put together this HSA webinar to provide you education on key features and benefits of a health savings account.

Today you'll learn:

- What HSAs and HDHPs are.
- What are considered qualified medical expenses.
- Who is eligible.
- About tax-saving opportunities.
- How to contribute funds.
- The differences between an HSA vs. FSA.
- If an HSA could save you money.

Our members have access to:

- Checking and savings accounts.
- Mortgage options that fit with their lifestyle, including a variety of loan terms and programs customized to their budget.
- Auto and personal loans at competitive rates to keep spending and debt manageable.

What is a health savings account (HSA)?

- 01 HSAs allow people who participate in high deductible health plans (HDHPs) to save money tax-free to pay for qualified medical expenses.
- 02 HSAs earn dividends tax-free and the balance rolls over from year to year.
- 03 HSAs can help bridge gaps in health insurance coverage that can occur during unemployment and retirement.

Example: The Sorensons

Jake and Tara have two kids: Connor (9) and Kendra (6). They'd like to save some money in the coming year and wonder if an HSA might do the trick. Tara learned they can save \$1,500 in health insurance premiums if they switch to a qualified HDHP through her employer. Jake and Tara plan to use that savings (and another \$3,500) to open a tax-free HSA—and take a tax deduction at year-end. They like the fact that any unused money can stay in the HSA and earn tax-free dividends.



*All examples are hypothetical, are for illustrative purposes only, and may differ based on your individual situation. This example uses the 2021 HSA family contribution limit. All other information is based on hypothetical costs and limits for a typical policy and medical services. This example is not intended to provide or replace specific professional financial advice. Please consult your attorney, tax advisor or other appropriate professional for such advice. We cannot and do not guarantee the accuracy of this information or the applicability of it to your individual circumstances and do not bear any liability as a result of your reliance on this information.

What is a high deductible health plan (HDHP)?

An HDHP is sometimes called “catastrophic health coverage,” because it pays benefits only after you’ve satisfied a high deductible. Some preventive care, such as routine physicals, may be covered without being subject to the deductible.

- Each year, the IRS determines what the “minimum deductible” and the “out-of-pocket maximum” will be for all high deductible health insurance plans.
- Minimum deductibles are \$1,400 (individual) or \$2,800 (family) for 2021.
- Annual out-of-pocket expense limits (including the deductible) are \$7,000 (individual) or \$14,000 (family) for 2021. Should you encounter catastrophic health issues, the most you will pay out of pocket will be that designated amount. After that, the plan provides 100% comprehensive coverage.

Know your HDHP limits

Minimum annual deductible

\$ _____

Maximum out-of-pocket

\$ _____

The plan still qualifies if there is no deductible for preventive care and higher out-of-pocket expenses for non-network services.

Contact your health insurance company to double check your health plan is an HSA-qualified HDHP.

Allowable other coverage

HDHP insureds are allowed to be covered by other medical insurance, including specific injury or accident insurance, disability, dental care, vision care and long-term care insurance.

What expenses can be paid from your HSA?

An HSA can be used to pay for covered expenses that apply toward your HDHP annual deductible. In addition, you can use the funds to pay for qualified medical expenses your health plan might not cover, like vision care (eyeglasses and contact lenses), dental and orthodontic services, and long-term care insurance.

Qualified medical expenses are fees you pay for the diagnosis, care, treatment or prevention of disease or illness. They include:

- Diabetic supplies.
- Eye exams, eyeglasses, contact lenses and solutions.
- Hearing aids.
- Laser eye surgery.
- Orthodontia, dental cleanings and fillings.
- Prescription drugs.
- Physical therapy, speech therapy and chiropractic expenses.
- Specialized equipment and devices for disabled persons.
- Transportation expenses related to medical care.
- Weight reduction programs for physician-diagnosed obesity.

Remember, the IRS requires you to comply with HSA spending regulations. You can find detailed information about qualified medical expenses in [Section 223 of the Internal Revenue Code and IRS Publication 502 \(PDF\)](#).

What are qualified HSA medical expenses?

Expenses incurred by:

- The person covered by the HDHP.
- The spouse of the covered individual (even if not covered by the HDHP).
- Any dependent* of the covered individual (even if not covered by the HDHP).

Qualified medical expenses must be incurred on or after the date the HSA was established.

Qualified medical expenses can be reimbursed at any time. They are not required in the same tax year that the expenses occurred.

Who is eligible for an HSA?

You are, as long as you:

- Are enrolled in a qualified HDHP.
- Have no other health coverage except what is permitted as other health coverage.
- Aren't enrolled in Medicare.
- Can't be claimed as a dependent on someone else's tax return.

*IRS qualified dependent, [see publication 969](#).

Tax benefits of an HSA

You may be able to make pre-tax contributions via payroll deduction through your employer, thereby reducing your taxable income.

If you make contributions on your own using after-tax dollars, they're deductible from your federal income tax (and possibly from your state income tax). You can also deduct contributions made on your behalf by family members.

Contributions to your HSA and any dividends grow tax-deferred. Withdrawals are tax-free as long as they're used to pay for qualified medical expenses.

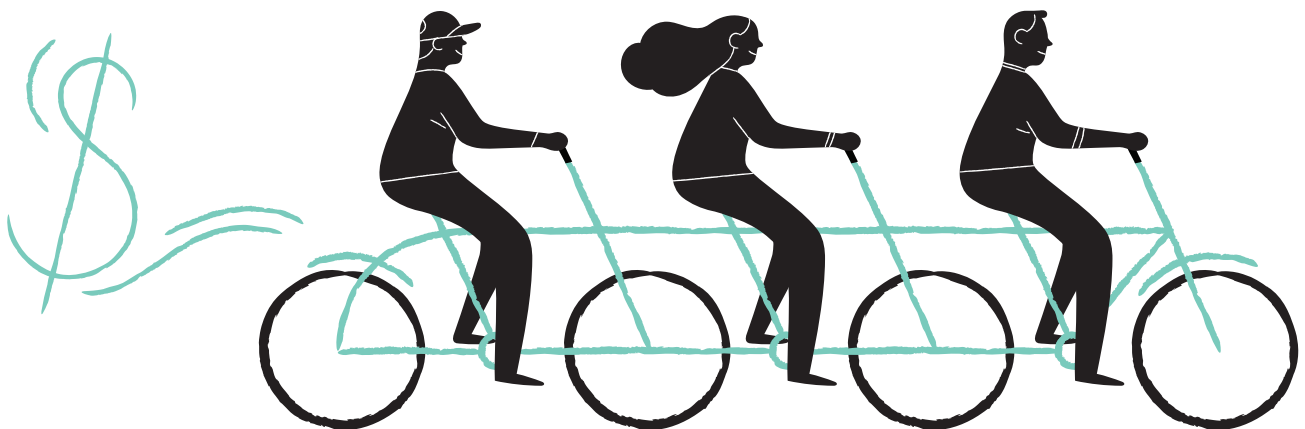
Use your HSA to pay:

- Long-term care insurance premiums (subject to limits by age).
- Health care continuation insurance premiums (such as COBRA).
- Health care insurance premiums while receiving unemployment compensation under federal or state law.
- Medicare and other health care insurance premiums if you are 65 or older (except for Medicare supplemental policy premiums, like Medigap).

[Refer to IRS publication 502.](#)

That's not all. HSAs:

- Typically earn higher dividends than regular checking and savings accounts.
- Are portable and yours to keep, even if you change employers, retire or leave the workforce.
- Are exempt from the flexible spending account "use it or lose it" rule. All funds in your account carry over from year to year.



How do I contribute to my HSA?

Contribute funds via:

- Automatic transfers from a bank account.
- Employer's automatic payroll deduction plan.
- Other accounts in the form of a "lump sum" one or more times a year.

HSA contribution limits

The 2021 maximum contribution limits for an HSA set by the IRS are:



\$3,600

Individual coverage



\$7,200

Family coverage




\$1,000

Catch-up coverage
(for age 55+)*

*Catch-up contributions can be made any time during the year in which the HSA participant turns 55.

HSA in action*

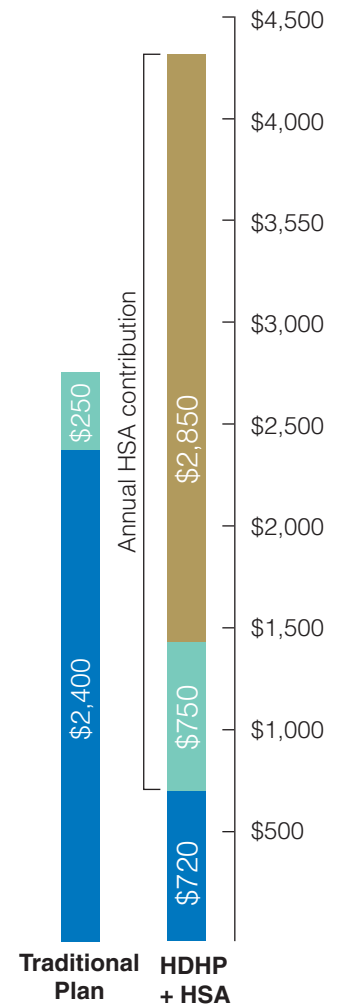
 Example
Individual

This scenario assumes one doctor visit, one specialist, one ongoing prescription and one short-term prescription.

	HDHP + HSA	Traditional plan
Annual deductible	\$2,000	\$500
Out-of-pocket maximum	\$3,000	\$2,000
Prescription co-pay	\$10	\$10
Office visit	Deductible then 25%	Co-pay \$25
Monthly premium	\$60	\$200
Annual premium	\$720	\$2,400
Annual out-of-pocket costs	\$750 (paid with HSA)	\$250
Annual HSA contribution	\$3,600	N/A
Total annual expense	\$1,470	\$2,650
HSA funds to rollover (HSA contribution minus OOP costs)	\$2,850	N/A

Costs

- Premium
- Out-of-pocket
- Rollover



For this individual, after the annual premium and out-of-pocket costs, they would pay \$1,800 less in medical expenses by going with the HDHP over a traditional plan. The cost savings calculations:

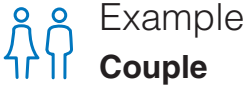


If they have an HDHP and contribute the maximum contribution limit (\$3,600) to their HSA, they'd use \$750 of the HSA funds to pay for their out-of-pocket costs and have \$2,850 left over in their HSA account to roll over and use in future years. (Remember, insurance premiums cannot be paid out of the HSA.) This does not take into account additional tax savings from contributing to an HSA because individual tax rates vary.

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Couple

HSA in action*



This scenario assumes two doctor visits, one specialist, one ongoing prescription, one short-term prescription and one trip to the ER.

	HDHP + HSA	Traditional plan
Annual deductible	\$4,000	\$2,000
Out-of-pocket maximum	\$6,000	\$4,000
Prescription co-pay	\$10	\$10
Office visit	Deductible then 25%	Co-pay \$25
Monthly premium	\$200	\$500
Annual premium	\$2,400	\$6,000
Annual out-of-pocket costs	\$3,000 (paid with HSA)	\$1,200
Annual HSA contribution	\$7,200	N/A
Total annual expense	\$5,400	\$7,200
HSA funds to rollover (HSA contribution minus OOP costs)	\$4,200	N/A

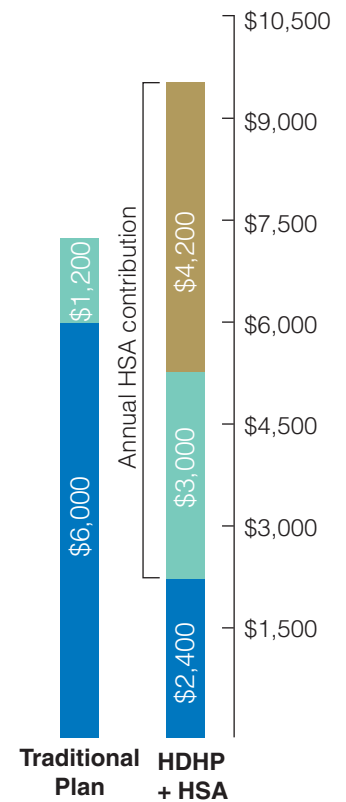
For this couple, after the annual premium and out-of-pocket costs, they would pay \$1,800 less in medical expenses by going with the HDHP over a traditional plan. The cost savings calculations:



If they have an HDHP and contribute the maximum contribution limit (\$7,200) to their HSA, they'd use \$3,000 of the HSA funds to pay for their out-of-pocket costs and have \$4,200 left over in their HSA account to roll over and use in future years. (Remember, insurance premiums cannot be paid out of the .) This does not take into account additional tax savings from contributing to an HSA because individual tax rates vary.

Costs

- Premium
- Out-of-pocket
- Rollover



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HSA in action*



Example

Family (two parents + two children)

This scenario assumes four doctor visits, two specialists, one ongoing prescription, one short-term prescription and one trip to the ER.

	HDHP + HSA	Traditional plan
Annual deductible	\$6,000	\$1,500
Out-of-pocket maximum	\$9,000	\$6,000
Prescription co-pay	\$10	\$10
Office visit	Deductible then 25%	Co-pay \$25
Monthly premium	\$300	\$700
Annual premium	\$3,600	\$8,400
Annual out-of-pocket costs	\$3,300 (paid with HSA)	\$1,000
Annual HSA contribution	\$7,200	N/A
Total annual expense	\$6,900	\$9,400
HSA funds to rollover (HSA contribution minus OOP costs)	\$3,900	N/A

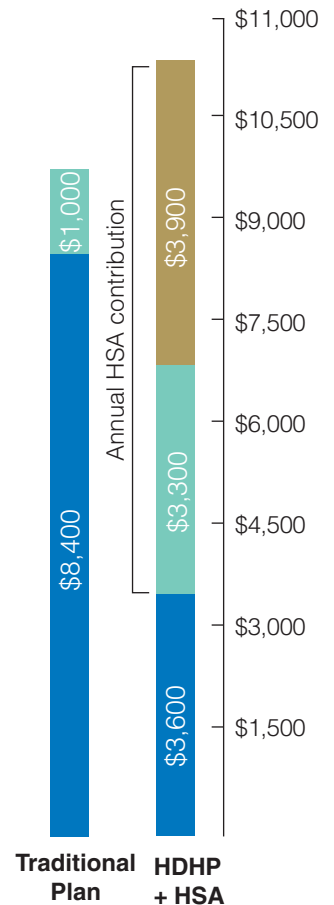
For this family, after the annual premium and out-of-pocket costs, they would pay \$2,500 less in medical expenses by going with the HDHP over a traditional plan. The cost savings calculations:



If they have an HDHP and contribute the maximum contribution limit (\$7,200) to their HSA, they'd use \$3,300 of the HSA funds to pay for their out-of-pocket costs and have \$3,900 left over in their HSA account to roll over and use in future years. (Remember, insurance premiums cannot be paid out of the HSA.) This does not take into account additional tax savings from contributing to an HSA because individual tax rates vary.

Costs

- Premium
- Out-of-pocket
- Rollover



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What's the difference?

HSA vs. FSA:

What are the differences?

	Health Savings Account	Flexible Spending Account
Who owns it?	Employee.	Employee.
Who contributes to it?	Employer and/or employee.	Employer and/or employee.
Are there insurance requirements?	Yes. Must be in a qualified HDHP.	No.
Contribution limits?	2021: Individuals can contribute up to \$3,600. Families can contribute up to \$7,200.	The individual maximum is \$2,750 for 2021. However, if you and your spouse/domestic partner are both eligible for the same employer's FSA, you can each contribute separately up to your personal limit of \$2,750.
Does the account earn dividends?	Yes; earns dividends tax-free.	No; does not earn dividends.
Does unused money carry over?	Yes. Any unused funds roll over year after year.	No. Any unused funds are lost at the end of the year.
Is it portable?	Yes.	No.
What are the tax benefits?	<ul style="list-style-type: none"> • Contributions made by you are tax-deductible. • Contributions to your HSA made by your employer (including contributions made through a cafeteria plan) may be excluded from your gross income. • Dividends on the assets in the HSA are tax-free. • Withdrawals are tax-free if you pay for qualified medical expenses. 	<ul style="list-style-type: none"> • Contributions made by your employer can be excluded from your gross income. • No employment or federal income taxes are deducted from the contributions. • Withdrawals are tax-free if you pay for qualified medical expenses.
Can funds be used for nonmedical expenses?	No. Qualified medical expenses are those expenses that would generally qualify for the medical and dental expenses deduction. These are explained in IRS Publication 502, Medical and Dental Expenses.	No. Qualified medical expenses are those expenses that would generally qualify for the medical and dental expenses deduction. These are explained in IRS Publication 502, Medical and Dental Expenses.

Take action:

What health care services do I typically use each year? Use the space below to estimate quantity and approximate cost of service under an HDHP plan.

	Me	Spouse/ partner	Dependent	Dependent	Dependent	Other
Name						
Prescription						
Annual physical or well check						
Dental cleanings						
Dental fillings or other work						
Orthodontia						
Eye exams						
Eyewear, contacts						
Therapy (list type for each person)						
Specialists (OB/GYN, dermatologist, etc.)						
Urgent care for periodic cultures and care (list how often in 12 months)						
Other						
Totals						

Consider and decide

Things to consider

Before deciding to use an HSA and a qualified HDHP, consider:

- The cost of your current monthly health insurance premiums.
- How much can you afford to contribute to an HSA.
- Your typical health care costs, Take action (page 13).
- Your willingness to compare health care/provider prices.
- The amount you'd save if you choose an HDHP vs. a traditional health plan.
- Whether you could reallocate the savings to an HSA.
- If the maximum allowable HSA contribution is enough to cover your health care costs and needs.

Next steps

To help you stay on track, write down a target date for completing each of the action steps listed below. Once you've completed the action step, check the appropriate box.

✓	Target date	Action step
		Review HSA considerations and the resources listed above.
		Review the health benefit options available through your employer.
		Talk to your tax advisor about potential tax savings.
		Talk to your Thrivent Credit Union representative about an HSA.



HSA Resources

Visit the Internal Revenue Service website for contribution information, FAQs, rules and lists of qualified medical and dental expenses at www.irs.gov.

Visit thriventcu.com/hsa for information about Thrivent Credit Union's HSA features, benefits, HSA calculator and FAQs.

**Call TCU
800-701-3885.**

Deposit and lending services are offered by Thrivent Credit Union, the marketing name for Thrivent Federal Credit Union, a member-owned not-for-profit financial cooperative that is federally insured by the National Credit Union Administration and doing business in accordance with the Federal Fair Lending Laws. Insurance, securities, investment advisory and trust and investment management accounts and services offered by Thrivent, the marketing name for Thrivent Financial for Lutherans, or its affiliates are not deposits or obligations of Thrivent Federal Credit Union, are not guaranteed by Thrivent Federal Credit Union or any bank, are not insured by the NCUA, FDIC or any other federal government agency, and involve investment risk, including possible loss of the principal amount invested.

The HSA workbook is intended only to provide a basic education on HSAs, HDHPs and specific features of combining these to gain greater control over the spending of your money on health care services. The workbook is broad in scope and does not consider your individual situation. Your life circumstances are unique, and the information and suggestions included in the workbook may not be appropriate for your situation.

This information is not intended as and should not be construed as legal, tax or investment advice. For such advice, including advice on how this information applies to your individual circumstances, please contact your attorney, tax advisor or other appropriate professional.

Must qualify for membership.

