



FEDERATION OF AMERICAN CONSUMERS AND TRAVELERS - NEWS RELEASE -

FOR IMMEDIATE RELEASE

What You Should Know About Health Savings Accounts

EDWARDSVILLE, IL, May 26, 2009 - Health Savings Accounts (HSAs) were created to help individuals and families prepare for medical expenses and gain a tax advantage in the process.

The Federation of American Consumers and Travelers (FACT) has compiled information from a variety of sources in order to help its members, and the public at large, to know whether an HSA is right for them.

With an HSA, an individual is able to make contributions entirely free of federal (and, usually, state) income taxes.

The owner can then withdraw funds from the HSA to pay medical bills that aren't paid by insurance or any other source. No taxes are payable on withdrawn funds as long as they are used for "eligible medical expenses."

How Much Can You Contribute?

In 2009, the amount for single coverage is \$3,000; for a family, \$5,950. An additional \$1,000 "catch-up" contribution can be made if the HSA owner is 55 or older.

In order to establish an HSA account, you must be covered under a Qualified High Deductible Health Plan (HDHP). Your insurance agent or broker can help you determine whether an insurance plan under which you are covered, -- or which you are considering -- qualifies.

Funds Earn Interest Tax-free.

Funds deposited to your HSA account rollover from year to year, and earn interest. If, however, you withdraw funds for *nonmedical* expenses, you could incur a 10% Federal tax penalty -- plus income taxes. (At age 65, you may withdraw HSA funds for non-medical purposes without incurring the 10% penalty.)

Another Little-known Advantage.

If someone in your household is hurt or becomes ill, his or her qualified medical expenses can be paid from your HSA -- even if that person isn't covered by your health insurance policy!

FACT is a not-for-profit association which was founded in 1984 and which provides a variety of benefits -- ranging from [medical insurance](#) and [dental care discounts](#) to [prescription drug savings](#) and [timely consumer information](#) -- for more than 1 million Americans nationwide.

Vicki Rolens, managing director of FACT, says: " 'Health Savings Accounts' may not be for everybody, but in the face of today's hospital and medical bills everybody should at least look into the matter. In essence, you deposit money in the form of *savings* that you might otherwise pay to an insurance company in the form of *premiums*. If you need the money for medical bills, it's there ... if you don't, you can withdraw unused funds when you retire without being penalized."

Further HSA information can be obtained by visiting <http://www.usafact.org/medicalinsurance.html>

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Questions may be directed to FACT by sending an e-mail to cservice@usafact.org. More information on the Federation of American Consumers and Travelers may be found in the *Encyclopedia of Associations*, and by visiting the association's Web site (www.usafact.org). [The organization was formed](#) under the not-for-profit corporation laws of the District of Columbia in 1984. FACT does not dispense insurance advice, but recommends that all persons contact their own trusted advisor for HSA guidance. FACT's administrative office is located at 318 Hillsboro Avenue, Edwardsville, IL 62025.