

Everence Federal Credit Union Membership and Health Savings Account Application



Please provide the following information and return the completed application to your local Everence branch location or mail it to Everence HSA Administration, 2160 Lincoln Highway E., Suite 20, Lancaster, PA, 17602. You may also fax the application to 717-735-8331. Membership in Everence requires a minimum deposit of \$5 into a primary savings. This money is yours, but \$5 must remain in the account as long as you are a member. **Send your initial deposit with this application.**

Membership information

Name of applicant _____

Birth date _____ Social Security number _____

Address _____
Street City State ZIP

Home telephone number _____ Work telephone number _____

Email address _____ Driver's license _____
State Number Expiration

For security and identification purposes:

Mother's maiden name _____ Code word _____

Employer _____

Membership eligibility

I am a member of, employee of, or student of a Mennonite or Anabaptist church or organization.

Name of church or organization: _____ ,

I, or an immediate family member, owns another Everence product. Name of family member _____ , or

I share values consistent with the Anabaptist understanding of Christian stewardship (Psalm 24 – all I am and all I have are from God) and, in response to God's generosity, practice stewardship of all my resources.

Opening a health savings account (check all that apply)

I am certifying that I am **enrolled or enrolling** in a qualified high-deductible health plan. **Effective date:** _____

Select account type: Standard HSA Investment HSA

If you selected an Investment HSA, please enter the amount you wish to keep in your HSA checking account before investing in mutual funds. The minimum balance (investment threshold) you must have in your HSA checking account before you may invest additional amounts of \$500 or more in mutual funds is \$1,000. When your HSA checking balance exceeds your investment threshold by at least \$500, money is automatically invested according to your investment choices.

\$ _____ (\$1,000 minimum)

I would like to transfer funds from another HSA into an Everence HSA.

If requested by your employer, do you authorize Everence to share your Everence HSA account number and routing number for the purpose of making contributions to your HSA? Yes No

HSA distribution options

You may select any of the following options for withdrawing funds from your HSA for qualified medical expenses:

I would like an Everence HSA debit card issued in my name. I understand that there is no charge for the initial card. I will refer to the HSA debit card agreement and disclosure for limitations on the use of this card. My request for an HSA debit card will be processed once there is activity on the account.

I would like to order HSA checks. I understand that the charge for the checks (and any subsequent reorders) will be debited from my HSA share account. (Information on the cost of purchasing checks is available from Everence.) My request for HSA checks will be processed only if contributions totaling \$50 are made to my HSA within 60 days of the time Everence receives this request.

I prefer to request withdrawals by using a distribution request form (available from Everence) and having a check sent to me. I understand that withdrawal requests will incur a fee, which will be debited from my HSA account.

Designation of HSA beneficiary

At the time of your death, the primary beneficiary(ies) named below will receive your HSA assets. If no primary beneficiary is living at the time of your death, the account balance will be distributed to the secondary beneficiary(ies). Beneficiaries may be a person, trust,* charity, or your estate. You may change your beneficiary at any time and as often as you wish. Any change of beneficiary is subject to any rules we establish and is not effective until we receive written notification. If you are naming more than one primary beneficiary, you must indicate what percentage each is to receive. The total must equal 100%. If you do not assign a percentage for any primary beneficiary, then all primary beneficiaries will share equally. (See the HSA Custodial Agreement for provisions on distribution of death benefits.)

**If you designate a trust as the beneficiary, you will need to provide the name and address of each trustee, the date the trust was established, the name of the trust, and the trust's taxpayer identification number.*

Primary beneficiaries

Name	Address	Relationship	Birth date	Social Security number	Share percentage

Secondary beneficiaries

Name	Address	Relationship	Birth date	Social Security number	Share percentage

Spousal consent for community property purposes (does not apply if spouse is named as primary beneficiary)

I consent to the designation of beneficiary on this form, and I agree to convert this HSA into the separate property of my spouse to be distributed as shown on this form following my spouse's death. I understand that by signing this consent, I am giving up my current community/marital property rights in this HSA and my community/marital property rights in any future contributions to this HSA. I further understand that I may not revoke this consent in the future. However, this consent will be automatically revoked if my spouse amends this designation of beneficiary during my lifetime.

Signature of spouse

Date

HSA limited power of attorney (optional)

Regulations require that only one individual may own an HSA. Because of this, you may want your spouse to have the ability to write checks or be issued a debit card. In order to do this, you must designate that individual as limited power of attorney on your HSA.

I understand that the Internal Revenue Service deems HSAs as individual owner accounts and my HSA cannot be held jointly. However, Everence Federal Credit Union permits me to designate my spouse as the limited power of attorney of my HSA to act on my behalf in connection with this account only. By making this designation, I agree to allow my spouse to have full access to all the funds, balance information, and transactions related to this account. This designation remains in effect until I give Everence written notice of its termination, and it will not be terminated by my disability or incompetence.

Name of spouse designated as power of attorney _____

Address _____
Street City State ZIP

Social Security number or tax ID _____ Birth date _____

Mother's maiden name _____

Home telephone number _____ Work telephone number _____

Email address _____

Please send my spouse an Everence HSA debit card issued in his/her name (listed above) for my HSA.

Credit reporting

Unless I check the box below, my signature authorizes Everence Federal Credit Union to access information regarding my credit history (required for loan approval) and to report to credit agencies.

I do not authorize a report on my credit history at this time.

Backup withholding certification

Under penalties of perjury, I certify that:

- The Social Security number shown above is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
- I am not subject to backup withholding because I am exempt from backup withholding; I have not been notified by the Internal Revenue Service that I am subject to backup withholding as a result of failure to report all interest or dividends; or the IRS has notified me that I am no longer subject to backup withholding (*if you have been notified by the IRS that you are currently subject to backup withholding, you must cross out this sentence*), and
- I am a citizen (or resident alien) of the United States.

The Internal Revenue Service does not require your consent to any provision of the document other than the certifications required to avoid backup withholding.

Statement of understanding

By signing below, I appoint Everence Federal Credit Union as Custodian for my HSA and make the following declarations:

- I acknowledge receipt of the following Everence Federal Credit Union documents and accept the terms and conditions thereof and as they may be amended from time to time:
 - HSA Disclosure Statement and Custodial Agreement
 - HSA Investment Terms and Conditions, if applicable
 - Membership Disclosures (which include the account agreement, share account disclosure, privacy statement, and USA Patriot Act)
 - Fee Schedule
 - Truth in Savings rate sheet
- I am establishing this HSA exclusively for the purpose of paying or reimbursing my qualified medical expenses and those of my spouse and dependents.
- I represent that, unless this account is used solely to receive direct transfer or rollover contributions, I am eligible to open

and contribute to a HSA.

- It is my responsibility to understand and comply with all laws and regulations governing HSAs. I understand I am solely responsible to determine the tax consequences of actions taken by me in regard to my HSA. I agree to hold the Custodian harmless against any and all claims or losses arising out of my actions.
- I have not received any tax or legal advice from Everence Federal Credit Union.
- I understand I may revoke this HSA on or before seven days after the HSA is established.

Signature of applicant

Date

Signature of spouse*

Date

**Signature of spouse is required if he or she is listed as the HSA limited power of attorney.*

Note: Please detach and retain the accompanying Everence HSA custodial agreement and disclosure statement for your records.

For HSA administration use only
<input type="checkbox"/> HSA opened by _____ on _____
<input type="checkbox"/> Welcome Kit sent on _____

Everence Federal Credit Union

2160 Lincoln Highway E., Ste. 20
Lancaster, PA 17602-1150
everence.com

Toll-free: 800-451-5719
F: 717-735-8331
infocu@everence.com

The account owner whose name appears on the Everence HSA application is establishing this HSA under Internal Revenue Code section 223 exclusively for the purpose of paying or reimbursing qualified medical expenses of the account owner, his or her spouse, and dependents. The account owner represents that, unless this account is used solely to make rollover or direct transfer contributions, he or she is eligible to contribute to this HSA. The account owner and Everence Federal Credit Union as the custodian make the following agreement:

I. Establishment of the HSA

This HSA is established when the custodian has accepted the completed and signed HSA application, subject to the custodian's right to reject the application if it has not been completed in accordance with the custodian's specification. Accepting an application does not obligate the custodian to verify the account owner's eligibility to establish an HSA.

When the account owner establishes an HSA with the custodian, the account owner is agreeing to comply with all legal requirements governing the HSA. It is the account owner's responsibility to first determine eligibility and then determine whether contributions are deductible or excludable from income and to properly report distributions as taxable or nontaxable when filing income tax returns.

Each time the account owner makes a contribution to the HSA or requests a distribution from it, the account owner is affirming that the action complies with all applicable legal requirements. The custodian will rely on the account owner's certification as to the nature of any distribution from the HSA for tax purposes and on any instruction the account owner may give the custodian relating directly or indirectly to the HSA.

Two HSA options are available to you:

1. **Investment HSA** - This transactional credit union account gives account owners the ability to designate some of the money in the account for investing. Account owners can consider the long term while having money on hand for current health expenses. A .125% quarterly investment asset management fee (\$1.25 per \$1,000 balance, \$2.50 minimum) will be deducted from your individual account. There is no fee for a \$0 investment balance. Maximum quarterly fee is \$125.
2. **Standard HSA** - If the investment option doesn't fit your needs and you'd prefer to avoid an administrative fee, there is a basic transactional credit union account.

II. Right to revoke

The account owner has a right to revoke this agreement and HSA for a period of seven days following the date the HSA is established. To revoke the HSA, written notice of revocation must be mailed to the custodian postmarked no later than the seventh day of the revocation period. If the HSA is revoked within the revocation period, the account owner is entitled to receive a full refund of undisbursed amounts deposited in the HSA.

III. HSA options

This HSA may consist of the following parts:

A. HSA share account (Standard and Investment)

The HSA share account is the account from which all HSA contributions and distributions will be processed.

B. HSA investments (Investment only)

At the option of the account owner, funds in the HSA share account that exceed a minimum investment threshold of \$1,000 may be invested in mutual funds as outlined in the Investment Terms and Conditions, which is available upon request.

IV. Contributions

A. Regular contributions

The custodian will accept cash contributions for the tax year made by the account owner or on behalf of the account owner (by an employer, family member, or any other person). The custodian will not knowingly accept annual cash contributions for an HSA in excess of the annual maximum contribution for family coverage set by the IRS (plus one "catch-up" contribution if the account owner is age 55 or older). However, it is not the custodian's responsibility to determine whether the amount of

any contribution is permissible or exceeds the account owner's maximum contribution or is otherwise deductible under applicable provisions of the tax code.

The custodian will accept contributions made by check or electronically through direct deposit. If a contribution sent electronically to an account owner's HSA would cause the annual maximum contribution to be exceeded, the entire deposit will be returned to the originating depository institution. The return will be initiated using the R23 (Credit Entry Refused by Receiver) return reason code, which is described in the ACH Rules guide published by the National Automated Clearing House Association. By signing the HSA application, the account owner agrees to this return.

B. Contribution deadline

Contributions for any tax year may be made at any time before the deadline for filing the account owner's federal income tax return for that year (without extensions).

Contributions made between Jan. 1 and April 15 will be treated as contributions for the current tax year unless the account owner provides written notice on the check or contribution form that the contribution is for the preceding tax year.

C. Rollover and direct transfer contributions

Contributions from another HSA or an Archer Medical Savings Account (Archer MSA) that are received in a direct transfer from a custodian or trustee (unless prohibited under this agreement) need not be in cash. Rollover and direct transfer contributions are not subject to the maximum annual contribution limit set forth in Article V.

D. IRA transfers

Qualified HSA funding distributions from an individual retirement account (IRA) must be completed in a direct transfer from a custodian or trustee and are subject to the maximum annual contribution limit set forth in Article V.

VI. Contribution limits

A. Normal contribution limits

The maximum annual contribution limit for an account owner with single coverage is \$3,550 for calendar year 2020 and \$3,600 for calendar year 2021. The maximum annual contribution limit for an account owner with family coverage is \$7,100 for calendar year 2020 and \$7,200 for calendar year 2021. These limits are subject to cost-of-living adjustments after 2019. To determine the maximum contribution limits in future years, account owners may visit the U.S. Department of the Treasury's website ([treas.gov](https://www.treas.gov)) and select the Resource Center. Select "FAQs," and then "Taxes."

B. Included contributions

Contributions to Archer MSAs or other HSAs and qualified HSA funding distributions from an IRA count toward the maximum annual contribution limit set forth in Article V.

C. Catch-up contributions

An additional \$1,000 catch-up contribution may be made for an account owner who is at least age 55 or older and not enrolled in Medicare.

D. Excess contributions.

Contributions in excess of the maximum annual contribution limit are subject to an excise tax. However, the catch-up contributions are not subject to an excise tax.

VI. Monitoring contribution limits

It is the responsibility of the account owner to determine whether contributions to this HSA have exceeded the maximum annual contribution limit set forth in Article V. If contributions to this HSA exceed the maximum annual contribution limit, the account owner shall notify the custodian that excess contributions to the HSA exist. It is the responsibility of the account owner to request the withdrawal of the excess contribution and any net earnings attributable to such excess contribution.

VII. Nonforfeitable

The account owner's interest in the balance in this custodial account is nonforfeitable.

VIII. Investment limitations

A. No life Insurance

No part of the custodial funds in this account may be invested in life insurance contracts or in collectibles as defined in Internal Revenue Code section 408(m).

B. No commingling

The assets of this account may not be commingled with other property except in a common trust fund or common investment fund.

C. No prohibited transactions

Neither the account owner nor the custodian will engage in any prohibited transaction with respect to this account (such as borrowing or pledging the account or engaging in any other prohibited transaction as defined in Internal Revenue Code section 4975). If an account owner pledges any portion of this HSA as collateral for a loan, that portion will be treated as a distribution and must be included in the account owner's gross income for that year.

IX. Distributions

A. Account owner controls

Distributions of funds from this HSA may be made upon the direction of the account owner.

B. Taxation of distributions

Distributions from this HSA that are used exclusively to pay or reimburse qualified medical expenses of the account owner, his or her spouse, or dependents are tax-free. However, distributions that are not used for qualified medical expenses are included in the account owner's gross income and are subject to an additional 20% tax on that amount. The additional tax does not apply if the distribution is made after the account owner's death, disability, or reaching age 65.

C. Account owner determines if expenses qualify

The custodian is not required to determine whether any distribution is for the payment or reimbursement of qualified medical expenses. Only the account owner is responsible for substantiating that the distribution is for qualified medical expenses and must maintain records sufficient to show, if required, that the distribution is tax-free.

X. Death benefits

If the account owner dies before the entire interest in the account is distributed, the entire account will be disposed of as follows:

A. Spouse beneficiary

If the beneficiary is the account owner's surviving spouse, the HSA will become the spouse's HSA as of the date of death. Upon notification of the death of the account owner, any HSA investments will automatically be liquidated by the custodian and deposited in the HSA share account of the spouse beneficiary.

B. Other beneficiaries

If the beneficiary is not the account owner's surviving spouse, the HSA will cease to be an HSA as of the date of death. If the beneficiary is the account owner's estate, the fair market value of the account as of the date of death is taxable on the account owner's final return. For other beneficiaries, the fair market value of the account is taxable to that person in the tax year that includes such date.

XI. Beneficiary information

The account owner may name one or more beneficiaries of the HSA, including a trust, charity, or the account owner's estate. The account owner may change his or her beneficiary designation at any time. Any change in beneficiary must be in writing, is subject to any rules established by the custodian, and is not effective until it is received by the custodian.

A. Qualification of beneficiaries

Beneficiaries designated by the account owner qualify to receive payments as follows:

- An individual qualifies if he or she is alive on the day after the account owner's death.
- The account owner's estate qualifies if it is in existence within nine months after the account owner's death. If the account owner directs that payment be made under the account owner's will, then this will be treated as a designation of the account owner's estate as a beneficiary.

- A trust qualifies if it is in existence within nine months after the account owner's death. A trust that is set up by the account owner's will qualifies if the account owner's estate has been opened within nine months after the account owner's death.

If a beneficiary does not qualify to receive payments, then payment will be made as if that beneficiary had not been named by the account owner.

B. Absence of a beneficiary

If no beneficiary survives the account owner, if none of the beneficiaries named by the account owner qualify to receive payments, or if the custodian has not received a beneficiary designation form from the account owner, then the account owner's HSA will be paid as follows:

- Everything to the account owner's spouse if alive on the day after the account owner's death; or
- If the account owner is not survived by a spouse, then everything equally to the account owner's legitimate natural and legally adopted children who are alive on the day after the account owner's death; or
- If the account owner is not survived by a spouse or any children, then everything to the account owner's estate.

A person or estate entitled to receive money under this section will be treated as a beneficiary for purposes of Article X.

XII. Reporting

A. Account owner provides information

The account owner agrees to provide the custodian with information necessary for the custodian to prepare any report or return required by the IRS.

B. Reporting by custodian

The custodian agrees to prepare and submit any report or return as prescribed by the IRS.

C. Reporting by account owner

The account owner is responsible to properly report HSA information on the account owner's federal tax return as prescribed by the IRS and file any other reports required of the account owner by law.

XIII. Controlling sections

Notwithstanding any other article that may be added or incorporated in this agreement, the provisions of Articles I through XII and this sentence are controlling. Any additional article in this agreement that is inconsistent with Internal Revenue Code section 223 or IRS published guidance will be void.

XIV. Amendment

The custodian has the right to amend this agreement at any time. A copy of the amendment shall be mailed to account owners within thirty (30) days after such amendment is effective. Any amendment the custodian makes to comply with the provisions of the Internal Revenue Code or IRS published guidance does not require the account owner's consent. The account owner will be deemed to have consented to any other amendments unless, within 30 days from the date the amendment is mailed to the account owner, the account owner notifies the custodian in writing that the account owner does not consent to the amendment and will terminate the HSA.

XV. General provisions

A. Forms, notices, and reports

The account owner will mail forms to the custodian or to an agent specified by the custodian. The account owner will notify the custodian of any change in name or address. The custodian may require the account owner and beneficiaries to use the custodian's forms.

A copy of the account owner's HSA application when attached to a copy of this agreement (including amendments) will be considered an original agreement. The HSA application, the Everence HSA Disclosure Statement, fee schedule, Membership Disclosures pamphlet, and any additional documents attached to this agreement become incorporated into and part of this agreement.

A copy on carbonless paper or a photographic reproduction of any document used to administer this HSA will be admissible as evidence in any judicial or administrative proceeding as if it were the original itself.

The custodian will keep accurate detailed records of all transactions concerning the HSA. The custodian will provide the account owner with a regular written report detailing balances, transactions, and other activity on the account.

The custodian will mail notices and reports to the account owner or beneficiaries at the last known address according to its records. The account owner agrees to examine each report received from the custodian and immediately notify the custodian of any information in a report that does not appear to be correct. If the custodian does not receive such a notification within 60 days after mailing the report, it may treat the information contained in the report as accurate for all purposes.

B. Custodian's liability

The custodian will not be liable for any loss or damage unless it is caused by a violation of an express provision of this agreement, or by a lack of good faith in acting in compliance with this agreement.

C. Limits on the custodian's responsibility

The custodian has no duty to perform any action other than those specified in this custodial agreement. The custodian can accept and rely conclusively on any instructions or other communications that the custodian reasonably believes to have been given by the account owner or any other authorized person. The custodian can assume that the authority of any such person continues in effect until the custodian receives written notice to the contrary.

The custodian will not determine or advise the account owner of the investment, tax, or other consequences resulting from the account owner's actions involving this account. Nor is the custodian liable for the investment, tax, or other consequences of the account owner's actions or the custodian's actions in following the account owner's instructions, or the custodian's failure to act in the absence of instructions from the account owner.

The custodian is not responsible for losses of any kind that may result from the account owner's directions to the custodian or the account owner's actions or failures to act. The account owner agrees to reimburse the custodian for any loss the custodian may incur as a result of such directions, actions, or failure to act.

The custodian is not responsible for any penalties, taxes, judgments, or expenses the account owner incurs in connection with the HSA.

The custodian will not dispose of any assets in this account without the account owner's direction, except as otherwise provided in this custodial agreement or if the assets are considered to be abandoned. In this case, the assets will be considered unclaimed property and the custodian will pay the assets in the account to the state of the account owner's last known residence.

D. Custodian's services

The custodian may charge reasonable administration and other designated fees for its services according to the current fee schedule which the custodian may change from time to time upon 30 days' notice. Fees may be deducted from the account at the custodian's discretion.

The custodian also has the right to be reimbursed for all reasonable expenses, including legal expenses, the custodian incurs in connection with the administration of the HSA.

E. Change of custodian

The custodian may resign as custodian and substitute a successor custodian, and it will do so if it receives notice from the IRS that such substitution is required to protect the tax status of this HSA.

If the custodian resigns, the account owner can appoint a qualified successor custodian or trustee to whom the HSA assets will be transferred or request a distribution. Any resulting fees will be deducted from the transfer or distribution. If the account owner fails to provide direction to the resigning custodian within 30 days, the custodian may transfer the assets to the successor custodian.

A successor custodian will have all of the same duties and rights granted to the original custodian under this agreement. A successor custodian will not be liable for any act or omission of a predecessor custodian.

F. Termination

The account owner may terminate this HSA at any time with a written notice of termination delivered to the custodian. Upon termination, the account owner may request distribution of the HSA assets or direct the custodian in writing to transfer the HSA assets directly to an HSA established with another HSA custodian or trustee that is identified by the account owner. The custodian will make a transfer after receipt of the new custodian's or trustee's written acceptance of the appointment. Any resulting fees will be deducted from the transfer or distribution.

The custodian may terminate this HSA upon 30 days' notice to the account owner. In such event, the HSA assets will be distributed to the account owner, unless during this 30-day period the account owner instructs the custodian to transfer it directly to an HSA with another custodian or trustee.

G. Sale or transfer restrictions

The HSA is exclusively for the benefit of the account owner. The account owner cannot sell or assign any interest in the HSA, except to the account owner's spouse or former spouse under the terms of a divorce or separation agreement.

H. Security interest waived

The custodian waives the provisions of any written contract that grants it a security interest in this HSA.

I. Controlling law

The administration of this HSA will be governed by relevant federal law and the state laws in effect at the Everence Federal Credit Union office that primarily serves the account owner, except payments to a minor or a person who is legally incompetent will be controlled by the laws of the state in which that person resides.

J. Arbitration

Controversies which may arise between the custodian and the account owner – including but not limited to those involving any transaction or the construction, performance, or breach of this or any other agreement between the custodian and the account owner, whether entered into prior, on, or subsequent to the date of this agreement – shall be determined by arbitration.

- Arbitration is final and binding on the parties.
- The parties are waiving their right to seek remedies in court, including the right to a jury trial.
- Prearbitration discovery is generally more limited than and different from court proceedings.
- The arbitrators' award is not required to include factual findings or legal reasoning.
- Any party's right to appeal or seek modification of rulings by the arbitrators is strictly limited.

Any arbitration under this agreement shall be conducted only before the American Arbitration Association, and in accordance with its arbitration rules then in force. Nothing contained herein shall limit the ability of the arbitrators to make an award under the rules of the arbitration forum and applicable law.

K. Legal proceedings

Except for controversies that arise between the account owner and the custodian, the custodian may apply at any time to a court of competent jurisdiction for judicial settlement of any matter or question that may arise with respect to the HSA. The custodian must give the account owner the opportunity to participate in the court proceeding, but the custodian can also involve other people. Any expenses the custodian incurs in legal proceedings involving the HSA, including attorney's fees, are chargeable to the HSA and payable by the account owner if not paid from the HSA.

L. Separability

If any provision of this custodial agreement is held to be invalid, illegal, void, or unenforceable by reason of any law, rule, administrative order, or judicial decision, such determination will not affect the validity of the remaining provisions of this agreement.

M. Extraordinary events

The account owner agrees that the custodian shall not be liable for loss caused directly or indirectly by government restrictions, exchange or market rulings, suspension of trading, war, strikes, or other conditions beyond the custodian's control.

N. Disclosure of account information

The custodian may use third-party service providers to assist in administering the HSA. The custodian may release nonpublic personal information regarding the HSA to third-party service providers as necessary to provide the products and services made available under this agreement, and to evaluate the custodian's business operations and analyze potential product, service, or process improvements.

12/1/2020

Everence Federal Credit Union

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Lancaster, PA 17602-1150
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This document discusses health savings accounts (HSAs) in general and your Everence HSA in particular. This publication only discusses the federal tax rules, and you should consult your tax advisor concerning the tax laws of your state.

Q1: What types of HSAs are available?

A1: 1. Investment HSA – This transactional credit union account gives account owners the ability to designate some of the money in the account for investing. Account owners can consider the long term while having money on hand for current health expenses. A 0.125% quarterly investment asset management fee (\$1.25 per \$1,000 balance, \$2.50 minimum) will be deducted from your individual account, but there are no separate fees or sales charges for your investment transactions.

2. Standard HSA – If the investment option doesn't fit your needs and you'd prefer to avoid an administrative fee, there is a basic transactional credit union account.

Q2: What is a health savings account (HSA)?

A2: An HSA is a tax-exempt trust or custodial account that is created in the United States for the exclusive purpose of paying or reimbursing qualified medical expenses in connection with a high-deductible health plan (HDHP). The account must be designated as an HSA when it is created.

Contributions can only be made into an HSA for the benefit of an eligible individual. Employer contributions are tax-free, and the account owner generally gets an income tax deduction for contributions by anyone other than the owner's employer. Distributions from an HSA are tax-free if the money is used to pay or reimburse uninsured qualified medical expenses for the account owner, his or her spouse, or dependents.

Q3: When is my HSA established?

A3: The date your HSA is established is determined by the effective date of your HDHP and the day the custodian receives and accepts your properly completed and signed HSA application.

The date your HSA is established will be listed in the welcome letter sent to you by the custodian. However, if your HSA is established and funded by amounts rolled over or transferred from an Archer MSA or another HSA, the HSA is deemed to be established as of the date the prior HSA or MSA was established.

The established date for any additional HSA an account owner opens later is deemed to be the date the prior HSA was established by the account owner if the prior HSA has a balance greater than \$0 at any time during the 18-month period ending on the date the later HSA is established.

Q4: Who is an eligible individual?

A4: An eligible individual is generally someone who:

- a. Is covered by a qualified high-deductible health plan (HDHP);
- b. Is not covered by any other health plan that is not a HDHP (with some exceptions for certain types of "permitted" coverage as outlined below);
- c. Is not enrolled in Medicare benefits (Part A or Part B); and
- d. Is not eligible to be claimed as a dependent on another person's tax return.

The HDHP coverage can be provided through an individual policy, the individual's employer, or the employer of the individual's spouse. Eligibility is determined as of the first day of each month.

An individual who receives Veterans Affairs medical benefits loses HSA eligibility for the next three months after receiving these benefits.

An individual who is covered by a health reimbursement arrangement (HRA) or by a flexible spending account (FSA) through a cafeteria (Section 125) plan, generally loses HSA eligibility. However, HSA eligibility is not lost if the FSA or HRA is coordinated with the HDHP. Your employer should be able to tell you if its FSA or HRA is properly coordinated with the HDHP.

An individual who is covered by a prescription drug plan (outside the HDHP) that pays benefits before reaching the minimum annual deductible discussed in A4 loses HSA eligibility.

In general, an individual loses HSA eligibility if he or she becomes covered by any other health plan that is not a qualified high-deductible health plan (whether as an individual, spouse, or dependent) unless that plan provides "permitted" coverage.

There are two types of “permitted” coverage:

- a. The following “permitted” insurance is disregarded in determining HSA eligibility:
 - insurance for a specified disease or illness,
 - insurance paying a fixed amount per day (or other time period) of hospitalization,
 - tort liability insurance,
 - insurance for liabilities relating to ownership or use of property (such as automobile insurance),
 - insurance for liabilities incurred under workers’ compensation laws, and
 - insurance for such other similar liabilities as the IRS may specify by regulations.
- b. The following “permitted” coverage (whether provided through insurance or otherwise) is ignored in determining HSA eligibility:
 - coverage for accidents
 - coverage for disability
 - coverage for dental care
 - coverage for vision care
 - coverage for long-term care

In addition, HSA eligibility is not lost if an individual has coverage under:

- a discount card that allows the individual to obtain discounts for health care services or products, or
- an employee assistance program, disease management program, or wellness program that does not provide significant benefits for medical care or treatment.

Q5: What is a qualified high-deductible health plan (HDHP)?

A5: A qualified HDHP is a health plan that has:

- a. For single coverage, an annual deductible of at least \$1,400 for 2020 and \$1,400 for 2021 and out-of-pocket expenses that do not exceed \$6,900 for 2020 and \$7,000 for 2021.
- b. For family coverage, an annual deductible of at least \$2,800 for 2020 and \$2,800 for 2021 and out-of-pocket expenses that do not exceed \$13,800 for 2020 and \$14,000 for 2021.

These dollar limits are subject to cost-of-living adjustments for years after 2019. To determine the dollar limits in future years, visit the IRS website ([irs.gov](https://www.irs.gov)) and review Publication 969 (Health Savings Accounts and Other Tax-Favored Health Plans).

Out-of-pocket expenses include deductibles, coinsurance, and copayments the participant must pay for covered benefits. For plans that use a network of providers, the annual deductible and maximum out-of-pocket costs are determined using the assumption that all services will be obtained inside the network. Out-of-pocket expenses do not include amounts above reasonable and customary, amounts you must pay after a plan benefit limit is met, penalties, and amounts not covered by the HDHP.

A plan is not disqualified as a HDHP merely because it does not have a deductible for preventive care. Preventive care includes such items as periodic physicals, routine pre-natal and well-child care, immunizations, smoking cessation programs, weight-loss programs, and health screening tests.

Q6: How much can I contribute to an HSA?

A6: The annual contribution limits, adjusted each year for inflation, are different for single and family health coverage. The annual contribution limit for single coverage is \$3,550 in 2020 and \$3,600 in 2021. The annual contribution limit for family coverage is \$7,100 in 2020 and \$7,200 in 2021. To determine the maximum contribution limits in future years, visit the IRS website ([irs.gov](https://www.irs.gov)) and review Publication 969 (Health Savings Accounts and Other Tax-Favored Health Plans).

Eligibility is generally determined on a monthly basis as of the first day of each month. Under this rule, the monthly contribution limit is prorated and is 1/12th of the annual contribution limit. The individual’s maximum annual contribution depends on the number of months the individual is eligible to make contributions during the year.

Q7: Is the contribution limit increased for older people?

A7: An eligible individual who will attain age 55 before the end of the year for which contributions are being made can contribute an additional amount that is known as a “catch-up contribution.” Someone who meets this age test and is eligible for the entire year can contribute an additional \$1,000. The catch-up contribution is subject to the monthly eligibility and last month eligibility rules described in A6.

Q8: What if I am married and we have a family coverage HDHP?

A8: Special rules are used to determine the contribution limits of a married couple that is covered by a family coverage HDHP:

- a. If family coverage under the HDHP is the only health plan the family has, then both spouses are eligible individuals.
- b. If a family is covered by two family coverage HDHPs, and these are the only health plans the family has, then both spouses are eligible individuals.
- c. If a family is covered by a family coverage HDHP and one spouse is also covered by a single coverage HDHP, then both spouses are eligible individuals. The single coverage HDHP is ignored in computing contribution limits.
- d. If a family is covered by a family coverage HDHP and one spouse is covered by a single coverage plan that is not an HDHP or is covered by Medicare, then the spouse with the family coverage HDHP is treated as being covered by a family HDHP, and the spouse with a single coverage nonHDHP is not an eligible individual. This does not affect the family coverage contribution limit for the eligible spouse.
- e. If one spouse has family HDHP health coverage and the other spouse has family coverage that is not an HDHP, then neither spouse is an eligible individual.

The family coverage contribution limit is divided between the spouses in the first three situations. The couple can divide this limit in any manner they want, including one spouse contributing the entire amount, except a catch-up contribution must be made to the HSA of the individual to whom it applies.

A spouse that is ineligible to make HSA contributions may still obtain the benefits of an HSA through the HSA of the other eligible spouse (see A18 and A19).

Q9: Can my employer contribute to my HSA?

A9: Your employer can use its own funds to contribute to your HSA if you are an eligible individual (see A3). Employer contributions are excluded from income tax to the extent they do not exceed the contribution limit (see A5 through A7). Employer contributions are also excluded from FICA, FUTA, the Railroad Retirement tax, and withholding. The amount you can contribute to your HSA is reduced by the amount contributed by your employer for the same year.

Q10: How can I make contributions to my HSA?

A10: You may make contributions by mail, electronically through direct deposit, through an employer's cafeteria (Section 125) plan (see A10), or in person at any Everence Federal Credit Union branch.

Q11: How do I know if I may make HSA contributions through a cafeteria (Section 125) plan?

A11: HSA contributions are permitted through an employer's cafeteria (Section 125) plan if the cafeteria plan includes this option. However, participation in a nonrestricted medical flexible spending account (FSA) makes you ineligible to contribute to an HSA unless the FSA is coordinated with HSA rules. Your employer should be able to tell you if its cafeteria plan allows HSA contributions and whether the FSA component of the cafeteria plan is properly coordinated with HSA rules. HSA contributions made through a cafeteria plan will be forwarded to the custodian by the employer and are treated as employer contributions (see A8).

Q12: When can I make regular contributions to my HSA?

A12: You can make regular HSA contributions at any time from the beginning of the year up until the time prescribed by law for filing the tax return for the year, not including filing extensions. If you report income on a calendar tax year basis, the deadline for making a regular HSA contribution for a tax year is April 15 of the following year. If April 15 is a weekend or a legal holiday at the address to which you mail your federal tax return, then the deadline is the next business day. You can make a regular HSA contribution until this deadline even if you have already filed your tax return for the year.

HSA contributions made between Jan. 1 and April 15 will be treated as contributions for the current tax year unless you provide written notice on the check or contribution form that the contribution is for the preceding tax year. Contributions for the preceding tax year must be postmarked by the IRS tax filing deadline and may not be made electronically.

You can make regular HSA contributions periodically during the year, or in a single contribution for the year.

Q13: Can I deduct contributions to my HSA on my income tax return?

A13: You cannot deduct contributions made by your employer or contributions made through a cafeteria (Section 125) plan, since these contributions are made on a tax-free basis. You can deduct your contributions and contributions made by anyone other than your employer directly to your HSA that are within the contribution limits discussed above.

Q14: What other rules control my HSA contributions?

A14: No income limit. You can make HSA contributions regardless of your income if you are an eligible individual.

No age limit. You can make HSA contributions regardless of your age if you are an eligible individual.

Archer MSAs and other HSAs. The amount you can contribute to your HSA is reduced by the amount of Archer Medical Savings Account (MSA) contributions and contributions to other HSA(s) made for the same year. The Archer MSA was the pilot program for HSAs, and few people have Archer MSAs.

Cash contributions required. Regular HSA contributions must be made in cash (currency, checks, etc.). Contributions of stock or other property are not allowed.

Community and marital property laws. Community and marital property laws are disregarded for purposes of determining HSA contributions. You and your spouse must meet the qualifications for contributions individually.

Q15: Can I move money from one HSA to another?

A15: Direct transfer. You can move money between HSAs by having the assets directly transferred between the HSAs. You do this by instructing the fiduciary of your HSA to transfer the money directly to the fiduciary of another HSA in your name. You should set up the HSA that will receive the direct transfer before you start the direct transfer process. The “fiduciary” is the trustee, custodian, or insurance company that issues the HSA. A direct transfer is not subject to the once-a-year rule, and a direct transfer does not count as a rollover for purposes of applying the once-a-year rule to a later rollover.

Rollovers. You can move money between HSAs by withdrawing the money from your HSA and contributing part or all of the distribution to the same or another HSA in your name. You can roll over a distribution only if you meet these tests:

60-day rule. You must contribute the money to an HSA within 60 days after you receive the distribution. The 60-day period may be extended if the money cannot be withdrawn from a financial institution because it is in financial trouble.

Once-a-year rule. An HSA distribution cannot be rolled over if any other distribution from the same HSA has been rolled over during the preceding 365 days. An HSA distribution also cannot be rolled over if the distributing HSA has received a rollover contribution from an HSA during the preceding 365 days.

Q16: Can I move money from any other plans to my HSA?

A16: Archer MSAs. You can direct transfer funds from your Archer MSA to your HSA. You can also roll over a distribution from your Archer MSA to your HSA within 60 days after you receive the distribution.

Traditional and Roth IRAs. An eligible individual can use a direct transfer to move money from most traditional and Roth individual retirement accounts (IRAs) to an HSA. The exceptions are that the money cannot come from an IRA that will receive SEP or SIMPLE contributions from an employer whose tax year ends during the individual’s tax year.

An individual can generally make this type of direct transfer only once in a lifetime.

This type of transaction is considered a regular HSA contribution, and it reduces the other HSA contributions that can be made for the year in which the transaction occurs but it is not deductible.

The individual must remain eligible for the entire month of the transfer and the following full 12 months. Otherwise, the amount transferred will be treated as taxable income and subject to a 10 percent penalty, unless eligibility was lost due to death or disability.

Other tax-advantaged plans. There are no provisions in the tax laws that authorize a rollover or transfer to an HSA from a qualified retirement plan (QRP) or an education savings account (ESA). There are also no provisions in the tax law that authorize a rollover or transfer from an HSA to any other type of tax-advantaged saving arrangement.

Q17: What if too much is contributed to my HSA?

A17: If your employer made HSA contributions in excess of your contribution limit, the excess is included in your gross income. If you or someone else made HSA contributions in excess of your contribution limit, the excess is not deductible. In either case, you should address the excess contribution situation.

Withdraw the excess contribution before the early withdrawal deadline. Contributions that exceed the contribution limit for a year can be withdrawn tax-free up until the deadline for filing your federal income tax return for the year for which the contributions were made, including filing extensions. The earnings attributable to the withdrawn contribution must also be withdrawn, and are taxable income in the year in which they are received. A contribution that is permitted by tax laws, such as the last month eligibility and IRA direct rollover rules cannot be withdrawn under this rule.

If you timely filed your tax return for the year, then your deadline is automatically extended for six months after the original tax filing deadline. For example, if you filed your return by April 15, then you can withdraw the excess contribution until Oct. 15. You must file an amended tax return reflecting the tax effects of the transaction within three years after your filing deadline and write “Filed pursuant to section 301.9100-2” at the top of the amended return. The amended return must reflect the tax effects of the withdrawal (including a report of the earnings attributable) and include an explanation of the withdrawal.

Excess contribution tax. Excess contributions that are not withdrawn by the early withdrawal deadline are subject to a nondeductible 6 percent excess contribution tax for the year in which the contribution was made and each year thereafter

until the excess contribution is eliminated.

Withdraw the excess contribution after the early withdrawal deadline. You can correct an excess contribution situation by receiving a taxable distribution from your HSA.

Q18: How can I take money out of my HSA?

A18: You may take a distribution from your HSA in the following ways.

Paper distribution request. You may submit a written distribution request on the form designated by the custodian. The custodian will mail the distribution check to you. A fee will apply to every paper distribution request. The fee is listed in the Everence Federal Credit Union fee schedule.

HSA checks. You may request HSA checks to pay for qualified medical expenses from your HSA share account. Your initial supply of checks will not be ordered until your HSA has a balance of \$50. The charge for the checks (and any subsequent reorders) will be debited from your HSA share account. Information on the cost of purchasing checks is available from Everence.

HSA debit card. You may request an HSA debit card. The debit card may be used to pay for qualified medical expenses at health providers, as outlined in the Health Savings Account Debit Card Agreement and Disclosure Statement. Your request for an HSA debit card will be processed once there is activity on the account. There is no charge for the initial card.

Q19: How can I use the money in my HSA?

A19: The money in your HSA can be distributed tax-free up to the amount of the qualified medical expenses that you pay. Qualified medical expenses are amounts you pay for certain types of medical care for yourself, your spouse, and your dependents, but only to the extent such amounts are not paid by a health plan or otherwise reimbursed.

You can use an HSA distribution to pay or be reimbursed for any qualified medical expenses incurred after your first HSA was established, including expenses incurred in a prior year. HSA distributions are tax-free to the extent that the aggregate HSA distributions since you established your first HSA do not exceed the aggregate qualified medical expenses incurred during the same time period.

You are responsible for determining whether a cost is a qualified medical expense. You must keep records sufficient to show that:

- a. The distributions were to pay qualified medical expenses or to reimburse you for qualified medical expenses you paid from other sources,
- b. The expenses were not paid or reimbursed from another source (such as insurance), and
- c. The expenses were not taken by anyone as a tax deduction.

Q20: What are qualified medical expenses?

A20: Qualified medical expenses are the amounts you pay for certain types of medical care – as defined in Internal Revenue Code (IRC) section 213(d) – for yourself, your spouse, and your dependents, but only to the extent such amounts are not paid by a health plan or otherwise reimbursed. You can pay the medical expenses of your spouse or dependent even if that person is covered by a health plan that is not a qualified HDHP or that person also has an HSA.

The uncovered portion of the cost of the following types of medical care is a qualified medical expense if it is incurred for you, your spouse, or your dependents:

- a. The costs incurred for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body. This includes prescription and nonprescription drugs.*
- b. Transportation primarily for and essential to medical care referred to above.
- c. Qualified long-term care services.
- d. Premiums for health insurance obtained under the federal COBRA rules following termination of employment.
- e. Qualified long-term care insurance premiums up to the amount that could be deducted if paid from another source under the limits in IRC section 213(d)(10).
- f. Health insurance premiums while you are receiving unemployment compensation.
- g. Premiums for health insurance after you are enrolled in Medicare, except for Medicare supplemental insurance.

**Nonprescription drugs purchased on or after Jan. 1, 2020, no longer require a prescription from your physician or other health care professional to be qualified medical expenses.*

Q21: What happens if HSA withdrawals exceed qualified medical expenses?

A21: Distributions in excess of qualified medical expenses are subject to income tax in the year in which you receive the money. These distributions are usually subject to an additional 20 percent tax, except that the additional tax does not apply (a) if you are disabled, (b) if you have reached age 65, or (c) after your death.

Q22: What happens to my HSA after my death?

A22: You may designate one or more beneficiaries to receive the balance of your HSA after your death. If you do not designate a beneficiary or if none of the beneficiaries you designate are alive on the day after your death, then your HSA will be paid to your surviving spouse. If you do not have a surviving spouse, then it will be paid equally to your children. If you are not survived by any children, then it will be paid to your estate. The community or marital property laws of your state may grant your surviving spouse a portion of your HSA regardless of your designation of beneficiaries.

If your spouse is the only beneficiary of your HSA, then your spouse will become the owner of the HSA. Upon notification of your death, any HSA investments will automatically be liquidated by the custodian and deposited in the HSA share account of your spouse beneficiary. Your spouse will be able to use the HSA to pay medical expenses or transfer the assets of the HSA to another HSA set up by your spouse.

If anyone other than your spouse is the beneficiary of your HSA, then the account ceases to be an HSA on the date of your death. The value of the HSA at the time of your death is generally included as income on the beneficiary's income tax return for that year. But the taxable amount is reduced by the amount of qualified medical expenses that were incurred by the decedent and were paid by the beneficiary who received the HSA within one year after the date of death.

If your estate is the beneficiary, then the value of the HSA at the time of your death is included as income on your final personal income tax return for the year of your death. The taxable amount is not reduced by the amount of medical expenses paid by the estate.

Q23: What are my responsibilities in connection with my HSA?

A23: You are responsible for making sure that the HSA contributions made to your HSA do not exceed your maximum contribution limit. You are responsible for making sure that the distributions that you receive from your HSA do not exceed the qualified medical expenses that you pay for yourself, your spouse, and your dependents. You are also responsible to properly report HSA information on your federal tax return as prescribed by the IRS and maintain records to prove to the IRS that your HSA contributions and distributions do not exceed applicable limits.

Q24: Do I have to pay an administration fee for my HSA?

A24: Investment HSAs are subject to a 0.125% quarterly investment asset management fee (\$1.25 per \$1,000 balance, \$2.50 minimum) will be deducted from your individual account, but there are no separate fees or sales charges for your investment transactions.. There is no monthly administrative fee for a Standard HSA.

Q25: Do I have to pay any other fees for my HSA?

A25: Transaction or other specific fees may apply to your HSA. These fees are outlined in the Everence Federal Credit Union fee schedule and may be changed by the custodian upon 30 days' notice.

Q26: Who do I contact if I have questions about my HSA?

A26: You may direct all inquiries, instructions, and error allegations concerning your HSA and HSA reports to:

Everence Federal Credit Union
2160 Lincoln Highway E., Suite 20
Lancaster, PA 17602
Phone: 800-451-5719
Fax: 717-735-8331

12/1/2020

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