



Ames Construction



Overview

Health Savings Account (HSA)

Is an HSA right for you?

Each year, Ames Construction evaluates its medical plan options to ensure they are still competitive in the marketplace and offer a good value and quality of care to our employees. One of the most cost-effective choices for some may be the High Deductible Health Plan (HDHP) with the Health Savings Account (HSA). This newsletter describes how the plan works and shows some cost comparisons that may help you determine if an HSA is right for you and your family.

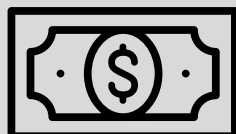
What is a Health Savings Account (HSA)?

A Health Savings Account (HSA) is a tax-favored savings account you use to pay for qualified medical expenses. Only participants enrolled in the HDHP may open and use an HSA. You and Ames contribute to your HSA.

Your contributions to HSAs are:

- **Tax-deductible:** You contribute through pretax payroll deductions.
- **Tax-free:** Withdrawals to pay qualified expenses are never taxed.
- **Tax-deferred:** Interest earnings on investments are not taxed, and if used to pay qualified expenses, remain tax-free.
- **Yours to keep:** Unlike a flexible spending account, unused money in your HSA isn't forfeited at the end of the year; it continues to grow, tax-free.

Note that tax laws vary by state.



Who can participate in an HSA?

Under IRS guidelines, you must meet the following qualifications to enroll in an HSA:

- Covered by an HSA-compatible health plan.
- Not covered under other health insurance that is not an HDHP, unless you are receiving VA medical benefits for a service-connected disability.
- Not enrolled in a Health Flexible Spending Account (FSA) at all during the plan year or be covered by a spouse's Health FSA.
- Not enrolled in Medicare Part A or Part B or Tricare.
- Not claimed as another person's dependent on a tax return.
- Not be in receipt of VA medical or prescription benefits within the previous three months, unless you are receiving VA medical benefits for a service-connected disability

How do the HDHP and HSA work together?

Each time you seek medical care under the HDHP, you pay for 100% of the services up to the annual deductible (preventive care is paid by the medical plan at 100%) using funds from your HSA, or out of your own pocket so your HSA balance can grow. Once you meet the deductible, you will be responsible for 20% coinsurance until you reach your out-of-pocket maximum. You may use funds in your HSA to pay out-of-pocket expenses.

Employer Contributions

Ames will fund your HSA based on your coverage tier. If you experience a qualified life event, such as marriage or the birth of a dependent, and enroll in the HSA at that time, the annual employer contribution will begin on your next scheduled pay date.

Ames contributes to your HSA per pay period as follows:

Coverage Tier	Annual Company Contribution to HSA
Employee Only	\$1,500
Family	\$3,000



How do I access my HSA funds?

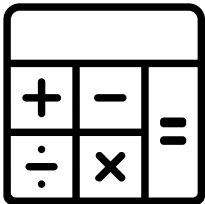
You can access your funds with the OptumBank debit card used at the point of purchase. Keep your receipts in case you need to substantiate, or verify, your claims.

What happens to my leftover HSA balance at the end of the year?

Any funds in your OptumBank HSA account at the end of the year roll over to the next year. Your HSA dollars can continue to grow and earn non-taxable interest on investment returns. Best of all, your HSA is portable; you can take it with you when you leave the company or retire.

Do I need to file my tax return differently?

When you file your tax return each year, you will need to file Form 8889, available at www.irs.gov.



Employee Contributions

In addition to company contributions, you may also contribute to your HSA pretax. Your contributions and your employer's contributions cannot exceed the annual contribution limits set by the IRS. If you are age 55 or older, you may make a catch-up contribution of up to \$1,000 per year.



What are qualified HSA expenses?

Only qualified expenses are eligible for reimbursement from a Health Savings Account on a tax-free basis. That's why it's important that you keep accurate records and carefully track your account activity. A list of these expenses is available on the IRS website, www.irs.gov in IRS Publication 502, "Medical and Dental Expenses." Here are a few examples of eligible expenses:

- Medical deductibles and coinsurance amounts
- Dental and vision deductibles and coinsurance amounts (non-cosmetic)
- Certain long-term care insurance premiums
- COBRA premiums
- Medicare premiums (excluding supplemental plans)
- Hearing aids
- Smoking cessation programs

Can I invest the money in my HSA?

Yes. Once your HSA balance reaches \$1,000, you can choose to invest it in any of nearly 30 mutual funds. For a complete list of investment options, login to your Optum member account.

The HSA overview provides selected highlights of a Health Savings Account. It is not legal or financial advice and shall not be construed as a guarantee of benefits nor continued employment at the company. Health Savings Account provisions are governed by the Internal Revenue Service (IRS). Any discrepancies between any information provided through this summary and the actual terms of such policies, contracts and plan documents shall be governed by the terms of such policies, contracts and plan documents. Ames Construction, Inc. reserves the right to amend, suspend or terminate any benefit plan, in whole or in part, at any time. The authority to make such changes rests with the Plan Administrator.

Watch Your HSA Savings Grow

The following example illustrates how your annual HSA contributions, along with the power of tax-free interest, can grow and be available for future health care needs.

At age 37, Elizabeth begins making an annual contribution to her HSA. She plans to contribute at the same rate until age 65; she will not take advantage of the age 55 catch-up when she becomes eligible. Elizabeth has family coverage with a \$5,000 annual deductible. **The HSA will be a savings tool and won't be used to reimburse current eligible health care expenses.** The federal tax rate on her yearly income is 33%.

Projected HSA balance			
Elizabeth's annual HSA contribution amount scenarios	\$1,000	\$2,000	\$3,000
Her projected HSA balance at age 65 would be:			
Projected HSA balance for future health care expenses	\$49,967	\$99,935	\$149,902
Annual tax savings	\$330	\$660	\$990
Accumulated tax savings on contributions	\$9,240	\$18,480	\$27,720

This illustration provides estimated projections and does not guarantee how your investment will grow. Projections are based on a 4% rate of return each year and assume that no withdrawals are made and that the contribution amount and the interest rate remain constant until retirement age.

For more information

We hope this overview has provided the information you need to decide if participating in an HSA is right for you.

More information can be found on the Ames Benefits Website. Go to <https://amesconstruction.com/subpillar/benefits> or scan the QR code.



Take Control of Your Health

When you live a healthy lifestyle and see your physician for routine check-ups and screenings, you can live longer, feel better and have a better chance of avoiding serious (and costly) illnesses. When you are actively involved in your health care decisions, you:



- Tend to be more aggressive in researching medical option



- Are more likely to understand the costs for medical treatment and medications



- Can control your costs by shopping around