

# Health Savings Account

## What is a Health Savings Account (HSA)?

An HSA is a tax-advantaged savings account designed to help you pay for qualified medical expenses. You control this account, and the funds roll over from year to year, so you won't lose them if you don't use them. Cover your out-of-pocket medical costs with a KeyBank HSA and once you meet contribution thresholds, begin investing that money on your own or with guidance from Key Investment Services.<sup>1</sup>

## What are the advantages of an HSA?



### Flexible

Use your funds as you need them or save them for future medical expenses.



### Controllable

Make deposits into your HSA up to the IRS limit and manage how you want to invest your funds.



### Portable

You own this account, so if your workplace changes, you can take your HSA with you.



### Earn Interest

You can earn interest on your HSA balance at a competitive rate. And since these funds are for medical expenses, you won't be taxed on the interest you earn.

## Who is eligible for an HSA?

To qualify you must meet the following requirements. You must be covered by an HSA-qualified high deductible health plan (HDHP). You may not be covered by any other health insurance plan (certain exceptions apply, such as dental and vision). You, as the account owner, may not be covered by Medicare. You cannot be claimed as a dependent on someone else's tax return.

## What are the advantages of an HSA?

A Health Savings Account offers:

- health savings
- tax advantages
- investment opportunities<sup>1</sup>
- and more

It all begins with  
a conversation

Schedule a Key Financial Wellness Review<sup>®</sup> at [key.com/appointment](https://key.com/appointment) or speak with your Key@Work Relationship Manager today.



<sup>1</sup> Investment products are offered through Key Investment Services LLC (KIS), member FINRA/SIPC and SEC-registered investment advisor. Insurance products are offered through KeyCorp Insurance Agency USA, Inc. (KIA).

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# Health Savings Account Overview

## The KeyBank health savings account (HSA) gives you flexibility while helping you manage rising health care costs.

The KeyBank HSA is an interest-bearing account that gives you the ability to make tax-free withdrawals to pay for trips to the doctor, filling prescriptions, or other healthcare-related expenses. Simply make contributions to your KeyBank HSA through payroll deductions, direct deposit, deposits at any KeyBank branch, or by transferring funds from another account in online banking. When you need to make withdrawals for qualified medical expenses, just use your KeyBank HSA checks or debit card or make payments or transfers using online banking and Key Bill Pay.

## Two simple ways to open your KeyBank HSA

- **Online** – The most convenient way to apply. Just go to [key.com/hsa](https://key.com/hsa) and choose “Apply Online.” The easy-to-follow instructions will guide you through the process.
- **KeyBank branch** – You can also open an HSA at any KeyBank branch. To find the branch nearest you, go to [key.com/branch](https://key.com/branch) or call 1-800-KEY2YOU® (539-2968). For clients using a TDD/TTY device, please call 1-800-539-8336.

## Contributions to your HSA

When you enroll in a high deductible health plan (HDHP) and open an HSA with KeyBank, your employer may contribute to your HSA. Your contributions along with those of your employer (combined) may add up to the amount of—but cannot exceed—the below figures.

## The benefits of a KeyBank HSA

- Your tax-advantaged dollars grow and earn interest while in the account, and that interest earned is also tax-advantaged.
- Your employer may opt to make contributions to your account.
- You can easily manage and track expenses with Key Bill Pay and monitor your account activity through online banking.
- If you leave your job, relocate, or become unemployed, your KeyBank HSA account stays active and goes with you. Your HSA remains active and you may continue to withdraw funds from your account. (To make further contributions, however, you will need to remain enrolled in an HDHP.)
- Unlike flexible spending accounts, the money accrued in your account remains in your account and carries over year after year.
- You control the funds in your HSA.

## What are the maximum contributions?

Plan Year	Individual Coverage	Family Coverage	Over 55 Catch Up
2023	\$3,850	\$7,750	\$1,000
2024	\$4,150	\$8,300	\$1,000

## Contributing to your KeyBank HSA

Method	Type of Contribution	
Branch	Current or prior year contribution	Prior year contributions must be made by tax filing deadline and require signed deposit form
Online	Current or prior year contribution	Once enrolled in Key's online banking, you can transfer funds to your Key HSA from another KeyBank deposit account or from another financial institution
ACH/Payroll	Current year	Speak to your employer about your options
IRA	Trustee-to-trustee transfer	One-time transfer allowed from existing IRA
HSA	Rollover/Trustee transfer	Allowed one rollover per year; no limits on trustee-to-trustee transfers



See important disclosures on reverse.



# Health Savings Account Overview

## KeyBank's HSA

Key's HSA features a tiered interest-bearing checking account with an optional Key Investment Services® (KIS) brokerage account. Account access is available via check, debit card, and online banking.

<b>Checking Account</b>	<ul style="list-style-type: none"> <li>• Interest-bearing</li> <li>• No minimum balance</li> <li>• Check/debit card access</li> </ul>	<ul style="list-style-type: none"> <li>• Deposit by online banking or visiting a branch</li> <li>• Online banking/Bill Pay</li> </ul>
<b>Long-Term Investments</b> Key Investment Services LLC HSA Investment Account <sup>1</sup>	<p>Work independently or with an advisor.</p> <p>With a minimum balance of \$3,500 in your KeyBank HSA, you can independently invest a minimum of \$1,000 in your KIS HSA investment account in mutual funds. With a minimum \$7,000 balance, you can work with a KIS advisor to invest a minimum of \$1,000 in mutual funds, exchange traded funds (ETF) and managed portfolio options.</p> <p>Connect with a Key Investment Services advisor to learn more information.</p>	
<b>Debit Card</b>	<ul style="list-style-type: none"> <li>• Optional Healthcare Spending Protection</li> <li>• Healthcare Spending Protection prevents accidental use at pizza shops, gas stations, etc. by restricting spending to merchants and services associated with qualified medical distributions.<sup>2</sup> (Based on Mastercard<sup>3</sup> determination)</li> <li>• Additional cards available</li> </ul>	
<b>Statements</b>	<p>You will receive a monthly statement containing all bank account activity and a summary of your KIS HSA investment account activity, if applicable. Detailed KIS HSA investment account activity is sent in a separate statement.</p>	
<b>Fees</b>	<p>Please refer to the disclosure you receive at account opening for details about fees and the many ways to waive them. The monthly \$3.00 paper statement fee is NOT waived unless you sign up for online statements.</p>	

## Accessing your funds

<b>Branch</b>	With signed withdrawal form
<b>ATM</b>	Free at KeyBank ATM; foreign ATM fees may apply
<b>Debit Card</b>	Free of charge <sup>4</sup>
<b>Online Transfers</b>	Free to both Key and non-Key financial institutions
<b>Online Bill Pay</b>	Free of charge
<b>Check</b>	Free of charge

You cannot pay for an expense that was incurred prior to the time your account was opened or your high deductible health plan goes into effect, whichever is the later of the two. HSA funds can be used to pay for qualified medical expenses for yourself, spouse, and dependents whether or not they are covered under your health plan.<sup>2</sup>

**Go** to [key.com/hsa](http://key.com/hsa)

**Call** Kerry Luczyk, Key@Work Relationship Manager at 330-687-5647



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<sup>2</sup> IRS Publication 502\* includes an alphabetized list of qualified medical expenses. (\*Available from the IRS or their website <http://www.irs.gov/pub/irs-pdf/p502.pdf>)

<sup>3</sup> Mastercard is a registered trademark, and the circles design is a trademark of Mastercard International Incorporated.

<sup>4</sup> Go to [key.com/savings](http://key.com/savings) for more details about getting an HSA debit card.

Banking products and services are offered by KeyBank National Association. All credit products subject to credit approval.

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## Investing using your Health Savings Account

Invest dollars in the market today to be ready to cover out-of-pocket healthcare costs tomorrow – keeping you, your family, and your budget healthy. A true win-win-win.

Cover your out-of-pocket medical costs with a KeyBank Health Savings Account (HSA) and begin investing that money on your own or with guidance from Key Investment Services.

### Why open a KeyBank Health Savings Account?

#### Triple tax advantages

HSA contributions are pretax and reduce your taxable income. Your earnings grow tax free and withdrawals for eligible medical expenses are tax-free, too.

#### No dates to worry about

Use the money in your HSA when you need to, without worrying about losing it. The money carries over year after year regardless of employment and whether you use it or not.

#### Offset insurance coverage expenses

HSAs offset the costs of high deductible insurance plans, and funds can be used to pay for everything from doctor's bills to telehealth visits to some over-the-counter medications.

#### Prepare for retirement

Take the pressure off your 401(k). Once you meet the investment thresholds, you can use your HSA to invest in mutual funds, or in ETFs, and can even have the support of an advisor.

### Two simple options to get started today, regardless of your experience level in investing.



#### 1. Self-managed investing (unsolicited trades)

This option allows you a simple, easy-to-use way to manage investments in your account, following your own strategy.

##### What you'll need:

Must keep \$2,500 in HSA checking account and have a minimum of \$1,000 to start investing.



#### 2. Managed with advisor support (solicited/advisor-led trades)

Our seasoned professionals at Key Investment Services assist you with forming a portfolio strategy and executing trades based on your goals.

##### What you'll need:

Must keep \$6,000 in HSA checking account and have a minimum of \$1,000 to start investing.

Both options allow for tracking, updates and online trading through your online banking portal. It's all part of a seamless experience that both empowers you as an investor and inspires the peace of mind that allows you to get back to your life.

For more information or to schedule an appointment, visit [key.com/kis](https://key.com/kis) or contact your financial advisor.

## Key Investment Services



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# Health savings accounts can be powerful financial tools.

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In recent years, as people continually seek ways to make healthcare more affordable, health savings accounts (HSAs) have emerged as a popular tool for saving money and building wealth. At the most basic level, HSAs are special purpose accounts used in conjunction with a high deductible health plan (HDHP). They enable people to pay for current health expenses and save for future qualified medical expenses, including retiree health expenses, on a tax-free basis. But the true advantages lie in some of its lesser-known benefits.

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## Additional benefits of HSAs

### Retirement healthcare savings

Healthcare costs are on the rise, without much relief on the foreseeable horizon. For younger workers, this is particularly important. You may not have many health-related expenses now, but as you grow older, these expenses can accumulate quickly. HSAs can help cover the costs of future healthcare needs – expected and unexpected – by allowing for pretax contributions that can be withdrawn tax free for qualifying expenses.

### Major tax advantages<sup>1</sup>

Contributions are tax-free, either pretax if using payroll deductions or tax deductible if making direct payments to your account. Any interest or earnings from your account grow tax-deferred. And withdrawals for qualified medical expenses are tax free. This is what's called the Triple Tax Advantage. It's what distinguishes HSAs from other retirement accounts, which are taxed either when deposits are made or funds are withdrawn or distributed.

### Overlooked investment value

Many people are not aware they can invest the balance in their HSA account. This is extremely valuable if you are healthy and want to leverage the long-term growth HSAs offer. Some HSAs, including KeyBank's, offer

select retirement options when balances reach a certain threshold. Remember, earnings grow tax deferred, and if you ultimately withdraw the money for medical expenses, there is no tax penalty. Withdrawals can be applied to Medicare premiums or even long-term care expenses, including insurance. Once you're 65, you can withdraw the funds for nonmedical expenses without penalty, but such withdrawals will be taxed as ordinary income.

### Growing balance.

There is no spend it or lose it component of HSAs. What you do not use at the end of one year rolls over to the following year. If you want to contribute more with the idea of converting your savings to investment, not only is that acceptable, but it is a great way to complement traditional 401(k) contributions and provide added security.

### Complete control.

Finally, your HSA is yours. You keep the account if you leave your employer, relocate, or become unemployed. You choose how you use the funds, which can empower you to have greater choice and control of how you choose to meet future healthcare needs.



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# Health savings accounts can be powerful financial tools

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## Frequently asked questions

### **Can anyone open an HSA?**

No. You must have an HDHP, cannot be enrolled in Medicare, or cannot be claimed as a dependent on someone's taxes.

### **What is an HDHP?**

HDHPs are healthcare plans that offer higher deductibles but lower premiums than other health insurance plans.

### **How much can I contribute to my HSA in any given year?**

Limits change annually per IRS guidelines and are based upon coverage level of your HDHP. Individuals 55 or older are allowed an additional \$1,000 catch-up contribution.

HSA contributions in excess of the IRS annual contribution limits are not tax deductible and are generally subject to a 6% penalty, per IRS guidelines.<sup>2</sup>

### **My employer makes contributions to my HSA. Are these contributions taxed?**

Employer contributions are not subject to federal income tax, or Social Security or Medicare taxes.

### **When would my HSA contributions be prorated?**

Times in which you should speak to a tax professional about prorating contributions would include instances like retirement planning, change of employment and related benefits start date.

### **What are qualified medical expenses?**

Common qualified expenses include deductibles, coinsurance, prescriptions, dental, vision, and more. For a more comprehensive list, refer to the back page of this document.

### **Do I have to use my HSA for qualified medical expenses?**

No, but nonqualified deductions are taxable as income and subject to a 20% tax.

### **Can I use my HSA for my spouse or children? Can it be transferred after my death?**

You can use your HSA to cover qualified expenses for you, your spouse, or any dependent children. As with an IRA or 401(k), you must name a beneficiary of your HSA. This beneficiary will inherit your account if you are to pass.



# Health savings accounts qualified expenses.<sup>3</sup>

## Medical expenses that are deductible and/or eligible for tax-free withdrawals from a health savings account

## Nondeductible Expenses (not eligible for tax-free HSA withdrawals)

<ul style="list-style-type: none"> <li>• Abdominal supports</li> <li>• Abortion</li> <li>• Acupuncture</li> <li>• Alcoholism treatment</li> <li>• Ambulance</li> <li>• Anesthetist</li> <li>• Artificial limbs</li> <li>• Autoeette (when used for relief of sickness/disability)</li> <li>• Bandages</li> <li>• Birth control pills (by prescription)</li> <li>• Blood tests</li> <li>• Blood transfusions</li> <li>• Braces</li> <li>• Cardiographs</li> <li>• Chiropractor</li> <li>• Christian Science practitioner</li> <li>• Contact lenses</li> <li>• Contraceptive devices (by prescription)</li> <li>• Convalescent home (for medical treatment only)</li> <li>• Crutches</li> <li>• Dental treatment</li> <li>• Dental X-rays</li> <li>• Dentures</li> <li>• Dermatologist</li> <li>• Diagnostic fees</li> <li>• Diathermy</li> <li>• Drug addiction therapy</li> <li>• Drugs (prescription)</li> <li>• Elastic hosiery (prescription)</li> <li>• Eyeglasses</li> <li>• Fees paid to health institute prescribed by a doctor</li> </ul>	<ul style="list-style-type: none"> <li>• Fluoridation unit</li> <li>• Guide dog</li> <li>• Gum treatment</li> <li>• Gynecologist</li> <li>• Healing services</li> <li>• Hearing aids and batteries</li> <li>• Hospital bills</li> <li>• Hydrotherapy</li> <li>• Insulin treatments</li> <li>• Lab tests</li> <li>• Lead paint removal</li> <li>• Lodging (away from home for outpatient care)</li> <li>• Menstrual care products</li> <li>• Neurologist</li> <li>• Nursing services</li> <li>• Obstetrician</li> <li>• Operating room costs</li> <li>• Ophthalmologist</li> <li>• Optician</li> <li>• Optometrist</li> <li>• Oral surgery</li> <li>• Organ transplant (including donor's expenses)</li> <li>• Orthopedist</li> <li>• Osteopath</li> <li>• Over-the-counter drugs, medicines, and other medical products</li> <li>• Oxygen and oxygen equipment</li> <li>• Pediatrician</li> <li>• Physician</li> <li>• Physiotherapist</li> <li>• Podiatrist</li> <li>• Postnatal treatments</li> </ul>	<ul style="list-style-type: none"> <li>• Practical nurse for medical services</li> <li>• Pregnancy test kit</li> <li>• Prenatal care</li> <li>• Prescription medicines</li> <li>• Prosthesis</li> <li>• Psychiatrist</li> <li>• Psychoanalyst</li> <li>• Psychologist</li> <li>• Psychotherapy</li> <li>• Radium therapy</li> <li>• Registered nurse</li> <li>• Special school costs for the handicapped</li> <li>• Speech therapy</li> <li>• Spinal fluid test</li> <li>• Splints</li> <li>• Sterilization</li> <li>• Surgeon</li> <li>• Syringes</li> <li>• Telehealth and remote care services</li> <li>• Telephone or TV equipment to assist the hard-of-hearing</li> <li>• Therapy equipment</li> <li>• Transportation expenses (relative to healthcare)</li> <li>• Vaccines</li> <li>• Vasectomy</li> <li>• Vitamins (if prescribed)</li> <li>• Wheelchair</li> <li>• Wigs (hair loss due to disease)</li> <li>• X-rays</li> </ul>	<ul style="list-style-type: none"> <li>• Advance payment for services to be rendered next year</li> <li>• Athletic club membership</li> <li>• Bottled water</li> <li>• Commuting expenses of a disabled person</li> <li>• Cosmetic surgery and procedures</li> <li>• Cosmetics, hygiene products, and similar items</li> <li>• Diaper service</li> <li>• Domestic help</li> <li>• Exercise equipment</li> <li>• Funeral, cremation, or burial expenses</li> <li>• Hair loss medication/hair transplants</li> <li>• Health programs offered by resort hotels, health clubs, and gyms</li> <li>• Illegal operations and treatments</li> <li>• Illegally procured drugs</li> <li>• Maternity clothes</li> <li>• Premiums for life insurance, income protection, disability, loss of limbs, sight, or similar benefits</li> <li>• Scientology counseling</li> <li>• Social activities</li> <li>• Special foods or beverages</li> <li>• Specially designed car for the handicapped other than an autoeette or special equipment</li> <li>• Swimming pool</li> <li>• Teeth whitening/bleaching</li> <li>• Travel for general health improvement</li> <li>• Veterinary fees</li> <li>• Vitamins and nutritional supplements</li> <li>• Weight loss programs (subject to change under new IRS guidelines)</li> </ul>
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**Note:** HSA funds may not be used, at least on a tax-free basis, to pay for health insurance premiums. There are four notable exceptions. HSA funds may be used to pay for:

1. A health plan during any period of continuation coverage required under any federal law (i.e., COBRA, etc.),
2. A qualified long-term care insurance contract,
3. A health plan during a period in which the individual is receiving unemployment compensation under any federal or state law, and
4. Medicare premiums (this is a relatively new recognized expense and a "great" reason to fund an HSA prior to retirement, so you can use tax-free dollars to pay Medicare premiums on Part A, Part B, Part C, and Part D).

<sup>1</sup>KeyBank cannot give you tax or legal advice on how establishing an HSA, contributing to it, paying qualified medical expenses or making rollovers or transfers to and/or from an HSA applies to your particular situation. Please consult with your tax advisor to determine how your HSA may impact your taxes. Please consult with your tax advisor to determine how your HSA may impact your taxes.

<sup>2</sup>[www.irs.gov/publications/p969#en\\_US\\_2021\\_publink1000204046](http://www.irs.gov/publications/p969#en_US_2021_publink1000204046)

<sup>3</sup>This list provides examples of expenses that may qualify and is not meant to be comprehensive. The Internal Revenue Service maintains the official list of qualified medical expenses in Publication 502. For more detailed information, please visit [key.com/hsa](http://key.com/hsa) to view IRS Publication 502 entitled, "Medical and Dental Expenses" for the most up-to-date list of eligible expenses. [www.irs.gov/publications/p969#en\\_US\\_2021\\_publink1000204046](http://www.irs.gov/publications/p969#en_US_2021_publink1000204046)

