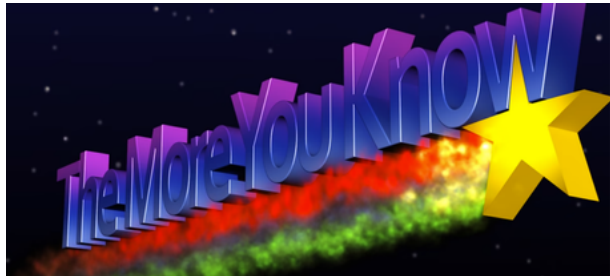


Health Savings Accounts (HSAs)



A Health Savings Account is a personal savings account for eligible individuals (i.e., those enrolled in an HDHP medical plan) to save for healthcare expenses tax-free. Contributions, investment earnings, and withdrawals for qualified medical costs are all tax-free at the federal level, with most states following suit.

An HSA is a great way to set aside tax-free money for your healthcare expenses. But its benefits go beyond that; it can also be an important part of your retirement savings strategy.

HSA Highlights

1. An HSA is the only savings vehicle that offers a triple tax advantage:
 - Contributions are tax-deductible,
 - Investment earnings grow tax-free, and
 - Withdrawals for qualified medical expenses are tax-free.
2. HSAs can be used for both current and future medical expenses: Funds can cover immediate medical costs and be invested for long-term growth to address rising healthcare costs in retirement.
3. HSAs offer flexibility and portability: Account holders maintain ownership even with job changes and can use funds for non-medical expenses after age 65 (subject to income tax).

Accessing Your Health Equity Account

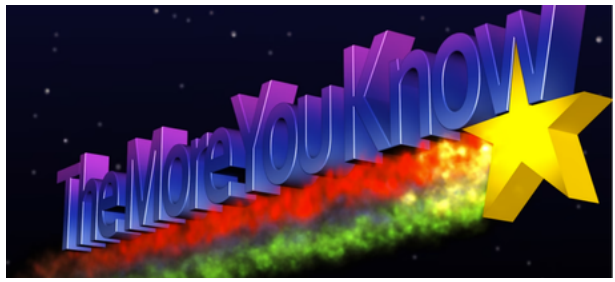
- Your funds can be accessed most easily via the Health Equity Visa debit card.
- You can also reimburse yourself or pay a provider from either the website or the Health Equity App.
- Additional tasks you can manage online/via app:
 - Access account activity - contributions, payments made, fees, interest, etc.
 - Research investment options & buy/sell funds
 - Manage debit cards/request additional cards

The HSA account offered by InspereX is administered by **Health Equity**, the country's largest HSA provider with 5.5 million members & \$11 billion under custody.

Eligibility & Contributions

- Individuals must be enrolled in a High Deductible Health Plan (HDHP) to contribute to an HSA. Cigna's HDHP I plan and HDHP II plan offered by InspereX are HSA eligible.
- **Employer contributions:** In 2025, InspereX will continue to contribute \$1,500 annually to the HSA account of those with Employee-only coverage and \$3,000 for all others in an HDHP plan. For context, while most employers do not make employer contributions to HSAs, for those that do, the average employer contribution is \$725.
- **Employee contribution limits:** In 2025, the overall contribution limit for individual coverage is \$4,300 and \$8,550 for all other coverage levels. As employer contributions count towards this limit, at InspereX, individuals with employee-only coverage can contribute up to \$2,800, while those with any other coverage level can contribute \$5,550. Those 55 or older can make an additional \$1,000 "catch-up" contribution.

Health Savings Accounts (HSAs), cont.



Qualified Healthcare Expenses

- HSAs can be used for various medical costs including doctor/dental visits, prescriptions, acupuncture, braces, acne medication, ambulance services, and even LASIK surgery.
- Certain over-the-counter products like pain relievers, allergy medicines and even hand-sanitizer qualify as HSA expenses.
- While enrollment in an HDHP is required to *contribute* to an HSA, the usage of funds is not constrained by HDHP participation (i.e., if you later change coverage, you can still use the funds.)

Investment & Growth

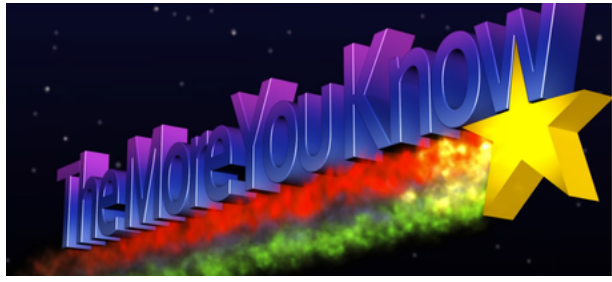
- First and foremost, gains in your HSA account are tax free.
- HealthEquity provides a variety of investment options to help you potentially grow your Health Savings Account. This includes a curated lineup of 31 low-cost, Vanguard mutual funds available to all members who have reached the investment threshold and are enrolled to invest.
- HealthEquity makes building an investment portfolio easy, including step-by-step investment enrollment guidance, quick setup of your selected investment funds, auto-invest and/or portfolio rebalancing enablement and visibility into performance, asset allocation, diversification, and fees
- Investing your HSA is not an all or none proposition. You can invest a portion of your account balance while maintaining a cash reserve for immediate medical needs. Health Equity requires that you keep a minimum cash balance of \$1,000.

Retirement Planning

Given their tax advantages and flexibility, HSAs can be a powerful tool for retirement planning, especially for individuals maximizing contributions to other retirement accounts. In fact, when it comes to retirement, while everyone talks about the 401(k), your HSA can be one of the best accounts for saving for retirement. Why?...

- No required minimum distributions: Unlike 401(k)s and IRAs, HSAs are not subject to required minimum distributions.
- If used on qualified a medical expense, distributions are not taxed, meaning they offer dollar for dollar spending power (your account balance = how much you can purchase). As 401(k) distributions are taxed, the spending power offered is more limited.
- What most people don't realize is that, after age 65, HSA funds can be withdrawn for *any reason* subject to ordinary income tax - no different than your 401(k) savings!





Flexible Spending Accounts (FSAs)

A Flexible Spending Account, or FSA, is a tax-advantaged savings account that allows you to set aside pre-tax money to pay for eligible medical or dependent care expenses. This means you can potentially save on taxes by using FSA funds to cover these costs. FSA funds are generally “use it or lose it,” meaning funds must be used in the year in which they are elected with limited opportunities for rollover.

There are two main types of FSAs:

- **Medical FSA:** This type of FSA is used to pay for qualified medical expenses, such as doctor's visits, prescription medications, dental care, vision care, and health insurance premiums for those that do NOT have a high deductible health plan (e.g., our OAP plan)
- **Dependent Care FSA:** This type of FSA is used to pay for childcare expenses for dependents under 13 years old or disabled dependents of any age.

Features of a Medical FSA

- **Tax-free savings:** Money you contribute to your Medical FSA is deducted from your pre-tax income, which means you pay less in taxes.
- **Pay for eligible expenses:** Use the funds to pay for qualified medical expenses, such as:
 - Deductibles, copays, and coinsurance for medical, dental, and vision services
 - Medical equipment (e.g., crutches, wheelchairs)
 - Surgery and hospitalization costs
 - Mental health counseling
 - Over-the-counter medications
 - And more!
- **2025 Contribution Limit:** The maximum contribution limit for Medical FSAs in 2025 is **\$3,050**.
- **Compatibility:** Under IRS regulations, a Medical FSA **can only be paired with the OAP plan**; it cannot be paired with a high deductible health plan (HDHP).

Features of a Dependent Care FSA

- **Tax-free savings:** Similar to a Medical FSA, contributions to a Dependent Care FSA are pre-tax deductions.
- **Pay for childcare expenses:** Use the funds to pay for childcare expenses for **dependents under 13 years old or disabled dependents of any age**.
- **Examples of qualifying expenses:**
 - Daycare
 - Preschool
 - Babysitting
 - Before and after school programs
 - Nanny services
 - Summer camps
- **2025 Contribution Limit:** The maximum contribution limit for Dependent Care FSAs in 2025 is **\$5,000** per household.
- **Compatibility:** A Dependent Care FSA can be elected regardless of which medical plan you choose, or without any medical plan election.