



# Set aside money and save on taxes with an HSA

If you have chosen the State Health Plan's Savings Plan rather than the Standard Plan, you should consider starting a Health Savings Account, or HSA, to get the greatest financial advantage from your high-deductible plan. HSAs give you a way to reduce your taxes, increase your spendable income and even invest some of your contributions. Because it rolls over, you can keep the money in later years, even if you change jobs or retire.

HSAs come as one of several MoneyPlus benefits, a program of tax-favored accounts available through the South Carolina Public Employee Benefit Authority (PEBA). Although HSAs are available through many providers, you can make your HSA contributions through pretax payroll deduction using Optum Bank, the HSA bank custodian for MoneyPlus benefits.

## HSA benefits

Opening an HSA gives you:

- A place to set aside pretax money for qualified medical expenses, including through payroll deduction when you enroll in the MoneyPlus HSA, which increases your spendable income.
- Account rollover from one year to the next, and the ability to take your account with you if you leave your job and even when you retire, unlike a Medical Spending Account.
- An opportunity to open an investment account for balances past minimum thresholds – generally \$2,000 – and allocate it toward mutual fund options through Optum, which lets you earn investment income tax-free.

Annual Savings Plan premium savings (compared to Standard Plan premiums)	
Single member	\$1,055.76
Member and spouse	\$2,111.52
Member and children	\$1,480.56
Full family	\$2,322.72

Because you can keep the money throughout your lifetime, HSAs let you to prepare for major medical expenses while enrolled in a high-deductible plan. If you are enrolled in the Standard Plan now and you move to the Savings Plan, you can save the amounts in the above table through reduced premiums every year, and you could allocate those savings pretax toward future health care needs, all without doing anything to reduce your take-home pay.

## HSA limitations

To contribute to an HSA, you cannot have health coverage with any plan other than your high-deductible Savings Plan, including Medicare, and you cannot be claimed as a dependent on someone else's income tax return. You can, however, enroll in insurance options like the State Dental Plan, Dental Plus, the State Vision Plan or Supplemental Long-Term Disability. You cannot use the money in an HSA to pay premiums.

HSAs have annual contribution limits. In 2017, these are:

- \$3,400 for single member coverage;
- \$6,750 for family coverage; and
- Additional \$1,000 "catch-up" contributions for members age 55 and older.

## Limited-use MSAs

Savings Plan members are not eligible for the Medical Spending Accounts (MSAs), the tax-free accounts for eligible expenses that are available to members who chose the Standard Plan. Even so, if you enrolled in an HSA, you can enroll in a Limited-use MSA for contributions beyond the HSA annual contribution limit.

Limited-use MSAs generally work the same way as full MSAs — contributions are capped at \$2,600 and cannot roll over to subsequent plan years. They differ from full MSAs in that they can only be used for dental and vision care expenses.

Also, they cannot be used to pay for deductibles, coinsurance, copayments or over-the-counter items.

## Learn more

- [www.peba.sc.gov/moneyplus.html](http://www.peba.sc.gov/moneyplus.html) - providing information on this and other PEBA MoneyPlus flexible benefits.
- [www.irs.gov/publications/p969/](http://www.irs.gov/publications/p969/) - providing information on IRS regulations for HSAs.
- [OptumBank.com](http://OptumBank.com) – the website for the custodian of PEBA's HSA accounts, where users have access to a variety of account management and investment tools.



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