



Employee FAQ:

Health Savings Accounts

What is a health savings account (HSA)?

An HSA is a tax-advantaged personal savings account that can be used to pay for medical, dental, vision and other qualified expenses now or later in life. To contribute to an HSA you must be enrolled in a qualified high-deductible health plan (HDHP) and your contributions are limited annually. The funds can even be invested, making it a great addition to your retirement portfolio.

Why should I participate in an HSA?

Funds contributed to an HSA are triple-tax-advantaged.

- 1. Money goes in tax-free.** Most employers offer a payroll deduction through a Section 125 Cafeteria Plan, allowing you to make contributions to your HSA on a pre-tax basis. The contribution is deposited into your HSA prior to taxes being applied to your paycheck, making your savings immediate. You can also contribute to your HSA post-tax and recognize the same tax savings by claiming the deduction when filing your annual taxes.
- 2. Money comes out tax-free.** Eligible healthcare purchases can be made tax-free when you use your HSA. Purchases can be made directly from your HSA account, either by using your benefits card, ACH, online bill-pay – or, you can pay out-of-pocket and then reimburse yourself from your HSA.
- 3. Earn interest, tax-free.** The interest on HSA funds grows on a tax-free basis. Unlike most savings accounts, interest earned on an HSA is not considered taxable income when the funds are used for eligible medical expenses.

What expenses are eligible for reimbursement?

Health plan co-pays, deductibles, co-insurance, vision, dental care, and certain medical supplies are covered. The IRS provides specific guidance regarding eligible expenses. (See IRS Publication 502).

Am I eligible to participate?

In order to contribute, you must be enrolled in a qualified HDHP, not covered under a secondary health insurance plan, not enrolled in Medicare, and not another person's dependent. You also cannot be enrolled in a traditional Flexible Spending Account for you or your spouse. There are no eligibility requirements to spend previously-contributed HSA funds.

What is a high-deductible health plan?

An HDHP is a health insurance plan with deductible amounts that are greater than \$1,650 for individual or \$3,300 for family coverage and have an out-of-pocket maximum that does not exceed \$8,300 for individual or \$16,600 for family coverage in 2025.

In 2026, these limits increase to \$1,700 for individual or \$3,400 for family coverage and out-of-pocket maximums that do not exceed \$8,500 for individuals or \$17,000 for families.

How do I contribute money to my HSA?

Payroll deduction is most likely offered by your employer. Your annual contribution will be divided into equal amounts and deducted from your payroll before taxes. Direct contributions can also be made from your personal bank account and can be deducted on your personal income tax return.

Can I change my contributions to my HSA during the year?

Yes. You will not be subject to the change-in-status rules applicable to other benefit accounts. You will be able to make changes in your contributions by providing the applicable notice of change provided by your employer.

How much can I contribute to my HSA?

Contributions can be made by the eligible employee, their employer, or any other individual. In 2025, annual contributions from all sources may not exceed \$4,300 for singles or \$8,550 for families. Annual contributions from all sources may not exceed \$4,400 for individuals or \$8,750 for families in 2026.

Individuals aged 55 and over may make an additional \$1,000 catch-up contribution.

Do I have to spend all my contributions by the end of the plan year?

No. HSA money is yours to keep. Unlike a flexible spending account (FSA), unused money in your HSA isn't forfeited at the end of the year; it continues to grow, tax-deferred.

What happens if my employment is terminated?

HSAs are portable and move with you if you change employment. Your HSA belongs to you, not your employer, just like your personal bank account.

How do I access the funds in my HSA?

You are responsible for ensuring the money is spent on qualified purchases only and maintaining records to withstand IRS scrutiny. Payments can be made via ACH, online bill-pay, or debit card, depending on what is available to you.

When must contributions be made to an HSA for a taxable year?

Contributions for the taxable year can be made in one or more payments at any time after the year has begun and prior to the individual's deadline (without extensions) for filing the eligible individual's federal income tax return for that year. For most taxpayers, the deadline is April 15 of the year following the year for which contributions are made.

What happens to the money in my HSA if I no longer have HDHP coverage?

Once you discontinue coverage under an HDHP and/or get secondary health insurance coverage that disqualifies you from an HSA, you can no longer make contributions to your HSA. However, since you own the HSA, you can continue to use the remaining funds for future healthcare expenses.

Is tax reporting required for an HSA?

Yes. IRS form 8889 must be completed with your tax return each year to report total deposits and withdrawals from your account. You do not have to itemize to complete this form.

Can I still deduct healthcare expenses on my tax return?

Yes, but not the same expenses for which you have already been reimbursed from your HSA.

Download our FF Mobile Account App for easy access to your HSA account. Find it on Google Play and the App Store!

Can I withdraw the money for non-healthcare purchases?

Yes. If you withdraw the money for an unqualified expense prior to age 65, you'll be subject to your ordinary income tax, in addition to 20 percent tax penalty. You can withdraw the money for any reason without penalty after age 65, but are subject to applicable income taxes.

Can I roll over or transfer funds from my previous HSA into my new HSA?

Yes. Pre-existing HSA funds may be rolled into a new HSA and will continue their tax-free status. Contact your First Financial Account Manager for assistance.

Can I control how the funds are invested?

Yes. Once your HSA cash account balance reaches the minimum amount required by the custodian, you can transfer funds to an HSA investment account. You can choose from a selection of mutual funds and setup an allocation model for future transfers like you would for a 401(k) plan.

Can I transfer funds between the cash and investment accounts?

Yes. You can transfer money between your HSA cash and HSA investment account at any time.

Will my HSA eligibility be affected if I have funds in my General Purpose Flexible Spending Account at the end of my plan year?

To make HSA contributions, your General Purpose Flexible Spending Account must have a zero balance at the end of the plan year.

What happens to my HSA when I resign or retire?

The HSA is yours to keep whether you resign, are terminated, retire from or change your job. You will continue to have access to your account and funds. However, nominal bank fees may be incurred if you are no longer enrolled in your HSA through your employer.

Will I receive a separate Benefits Card for my HSA, Dependent Care Account, and Limited Purpose FSA?

All First Financial administered consumer driven health plans can be accessed using the same benefits card.

