WELLS FARGO

Your HSA and Medicare

If you're thinking about enrolling in Medicare or you've already enrolled, you may have questions about how you can use your Health Savings Account (HSA). Luckily, regardless of your stage in life, your HSA is a valuable tool. As you move into retirement, your HSA gives you an easy way to pay for your healthcare costs, tax free.[1]

Paying for qualified healthcare expenses

When you're enrolled in Medicare and throughout your lifetime, you can continue to use the tax-free funds from your HSA for qualified healthcare expenses[2] including:

- Long-term care premiums[3]
- Medicare premiums and out-of-pocket expenses
- Medicare Part A deductible
- Medicare Part B premiums and co-insurance
- Medicare Part D prescription drug premiums

Please note that you can't use your HSA to pay premiums for a Medicare supplemental policy.

Did you know? When you turn 65, you can use your HSA for non-qualified expenses with no tax penalty! You'll just have to pay income tax, which is typically lower in retirement.

Making contributions to your HSA

Once you enroll in Medicare, you're no longer eligible to make contributions to your HSA. Your eligibility to make HSA contributions ends the month you're enrolled in Medicare. Your annual HSA contribution limit is prorated based on the number of months you were eligible to contribute.[4]

If your spouse enrolls in Medicare you can still contribute to an HSA as long as you are still covered by an HSA-qualified health plan.

Calculating your contribution limit if you enroll in Medicare mid-year

IRS rules state that contribution limits must generally be prorated by the number of months you are eligible to contribute to an HSA.[5] Your eligibility is based on your coverage status on the first day of the month.

To calculate your personal contribution limit:[6]

1. Take the total annual contribution limit based on your coverage type (individual or family) and age.
2. Divide that amount by 12.
3. Multiply it by the number of months that you qualify that year.

Together we'll go far

For example, let's say you were eligible to contribute to your HSA for four months this year. Based on the 2016 individual contribution limits, plus the age 55 or older $1,000 catch-up contribution, your personal contribution limit would be:

$3,350 + $1,000 ÷ 12 x 4 = **$1,450**

Don't forget to designate a beneficiary!*

Designating a beneficiary determines how your HSA funds are distributed when you pass away. The tax consequences differ depending on who your beneficiary is:

- **If your spouse is the designated beneficiary:** Your HSA will be treated as your spouse's HSA and there is no tax event — the account simply transfers to your spouse.
- **If your spouse is not the designated beneficiary:** The account stops being an HSA, and the fair market value of your HSA becomes taxable to the beneficiary in the year in which you pass away.
- **If your estate is the beneficiary:** The value of your HSA is included on your final income tax return.

To designate a beneficiary, complete and return the form found online at wellsfargo.com/hsatoolkit.

We're here to help

Visit wellsfargo.com/hsa.

Call Wells Fargo HSA Customer Service at 1-866-884-7374.

*If you do not file a beneficiary designation with Wells Fargo, in the event of your death, funds will be distributed in accordance with the default beneficiary provision of the Wells Fargo HSA Custodial Agreement. This provision states that if no beneficiary designation is on file with Wells Fargo at the time of your death or if no beneficiary survives you, your beneficiary will be your spouse if then living, and if your spouse is not then living, then your estate.

[1] All tax references are at the federal level. State taxes vary. Please contact a tax advisor for more information.

[2] Individuals are responsible for determining whether their expenses are qualified medical expenses. Wells Fargo does not make this determination.

[3] Long-term care premiums are subject to the deduction limits for long-term care insurance premiums.

[4] To be considered "eligible" you must be enrolled in an HSA-qualified health plan without additional, disqualifying coverage, and meet all the criteria.

[5] This document assumes that the tax year is the calendar year. The rules described in this document may be applied differently if the tax year is not the calendar year (e.g., if it is the fiscal year).

[6] Your personal contribution limit may be lower than Internal Revenue Code maximums. Individuals are responsible for calculating and monitoring their contribution limits — Wells Fargo does not calculate or monitor your contribution limit.

All information provided here is intended as a convenient source of tax information. This information is general in nature, is not complete, and may not apply to your specific situation. Before relying on this information, you should consult your own tax advisor regarding your tax needs. Wells Fargo makes no warranties and is not responsible for your use of this information or for any errors or inaccuracies resulting from your use.

Deposit products offered by Wells Fargo Bank, N.A. Member FDIC.