

# Health Savings Accounts

AN EFFECTIVE WAY TO MANAGE CLIENTS' HEALTHCARE COSTS  
AND SUPPLEMENT THEIR RETIREMENT SAVINGS



# Health Savings Accounts

With baby boomers set to retire, increased health costs, and decreased employer-sponsored health coverage, health savings accounts are on the rise.

Industry experts predict that by 2010, there will be 15-25 million health savings accounts (HSAs) holding over \$75 billion in assets. The financial industry has not seen a similar growth opportunity since the introduction of individual retirement accounts (IRAs) in 1974.<sup>1</sup>

HSAs are tax-favored savings and investment accounts. Created by the Medicare Act of 2003, these accounts allow individuals to make tax-deductible contributions for out-of-pocket medical expenses and invest their money in virtually any asset.

## Your clients could enjoy the following HSA benefits:

- Contributions can be used in the current year or rolled over to pay future health costs—allowing built-up balances to grow tax free.
- Once the HSA holder turns 65, funds can be withdrawn without penalty from these accounts for non-medical expenses.

For individuals to qualify for an HSA, they must be enrolled in a high-deductible health plan.

While HSAs offer individuals tax-favored savings for health costs, they allow you to grow your retirement business and capture fees on HSA investments and health insurance sales—providing a new opportunity to capture and retain additional investment assets into the future.



<sup>1</sup> Diamond Management & Technology Consultants, Inc., January 2007.

## How to Get Started

HSAs offered through Pershing can help you capture additional assets and meet your clients' health savings and retirement needs. Pershing will custody the investment assets that are tied to the health savings account, affording seamless management of clients' accounts.<sup>2</sup> When opening health savings accounts, you can select from two industry-leading HSA custodians as your product sponsor.

- HSAs are opened directly with the product sponsor. Your firm will also open a retail brokerage account at Pershing linked to the HSA.
- The product sponsor will have the responsibility for applicable HSA tax reporting.
- No amendment is required for your financial organization to offer HSAs. Your financial organization only needs to execute a service agreement with the product sponsor of your choice.
- An additional fee will be applied for supporting the data delivery download, as per your Schedule A agreement. No other costs or fees are associated with establishing HSAs at Pershing.

HSA Bank®, a division of  
Webster Bank, N.A.

[hsabank.com/hsainfo](https://hsabank.com/hsainfo)

HSA Bank is a national leader of health savings accounts, serving individual clients to Fortune 500 companies. HSA Bank provides a comprehensive HSA experience by delivering convenience, education, low maintenance fees, 24-hour access, and personal service.

Millennium Trust  
Company, LLC

[mtrustcompany.com/services/hsa](https://mtrustcompany.com/services/hsa)

Millennium Trust Company is a leading provider of administrative and custody services. In conjunction with Flexible Benefit Service Corporation (Flex), Millennium Trust offers a fully integrated HSA solution. The FlexHSA® solution provides education, client service, access to qualified health insurance plans, and more.

<sup>2</sup> As with other retail brokerage accounts held at Pershing LLC, it is the responsibility of the financial organization and/or the investment professional to determine investment suitability.

## Health Savings Account Regulations<sup>3</sup>

### Requirements

- › A qualified high-deductible health plan must be in place before an HSA can be established.
- › HSAs are not subject to the Consolidated Omnibus Budget Reconciliation Act (COBRA).

### Contributions

- › Maximum annual contributions for an individual are \$2,850.
- › Maximum annual contributions for a family are \$5,650.
- › Employer contributions are tax-deductible.
- › Catch-up contributions are available to account holders age 55 or older who are not enrolled in Medicare.
- › A one-time trustee-to-trustee transfer of assets is permitted from IRAs, up to the maximum annual contribution.

### Expenses & Withdrawals

- › Non-eligible medical expenses are subject to income tax plus a 10% tax penalty, until the account holder is 65.
- › Withdrawals are tax free if used for qualified medical expenses [as defined in Section 213(d) of the Internal Revenue Code].
- › Funds can be withdrawn from HSAs at any time to pay for qualified medical expenses, which include most non-elective surgeries and procedures.

### Unused Balances

- › Unused balances roll over from year to year.
- › Unused HSA funds can be withdrawn for non-medical reasons after age 65 without penalty.

### Ownership and Portability

- › HSA monies belong to the individual and are portable if employment changes.

<sup>3</sup> Regulations are subject to change. The regulations outlined in this document are for calendar year 2007.

## A Retirement Planning Solution

Pershing provides you and your clients an extensive suite of retirement planning solutions, which includes individual retirement accounts (IRAs), employer-sponsored retirement plans, and value-added support services.

## Your Business Without Limits™

Visit [pershing.com](https://pershing.com) today to learn more about how you can grow your business without limits.

## About Us

Pershing LLC is a leading global provider of financial business solutions to more than 1,150 institutional and retail financial organizations and independent registered investment advisors who collectively represent over five million active investors. Financial organizations, investment professionals, and independent registered investment advisors depend on Pershing's depth of experience and consultative approach to provide them with forward-thinking solutions that help them to grow their businesses. Located in 19 offices worldwide, Pershing is committed to service excellence and to providing dependable operational support, robust trading services, flexible technology, an expansive array of investment solutions, and practice management support. Pershing (member FINRA/NYSE/SIPC) is a member of every major U.S. securities exchange and its international affiliates are members of the Deutsche Borse, the Irish Stock Exchange and the London Stock Exchange. Pershing LLC is a subsidiary of The Bank of New York Mellon Corporation. Additional information is available at [pershing.com](http://pershing.com).

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