

Health Savings Accounts

Frequently Asked Questions.

What is a Health Savings Account?

A Health Savings Account (HSA) is a tax-exempt trust or custodial account which you use to pay qualified medical expenses for you and your family.

Am I eligible for an HSA?

If you meet the following criteria in any one month, you are eligible:

- You are covered under a high-deductible health plan (HDHP) on the first day of that month;
- You are not covered under another type of health plan that is not an HDHP (certain exceptions apply);
- You are not enrolled in Medicare (generally, are under 65 yrs. old); and
- You may not be claimed as a dependent on another individual's tax return.

What is an HDHP?

An HDHP is a plan with an annual deductible of at least \$1,200 for individual coverage or \$2,400 for family coverage. These amounts are for the years 2010-2011 and are subject to cost-of-living adjustments (COLAs).

Are there other requirements for the HDHP?

Yes. The HDHP must limit out-of-pocket expenses. For 2010-2011, the maximum out of pocket expenses, which include money applied to your deductible and your coinsurance for covered charges, must be no more than \$5,950 for individual coverage and no more than \$11,900 for family coverage. These amounts are subject to COLAs.

Who can contribute to my HSA?

Once you have met the requirements, anyone may contribute to your HSA, regardless of your employment status.

How much can I contribute to my HSA?

For 2010-2011, you can contribute up to \$3,050 for individual and \$6,150 for family.

In addition, a "catch-up" contribution is available for eligible individuals who have attained age 55 by the end of their taxable year but have not attained age 65. For 2010-2011, the amount is \$1,000.

What are the Federal Tax benefits of an HSA?

100% of your contribution is deductible. Furthermore, the earnings grow tax deferred and all qualified distributions are tax free. Be sure to consult with your tax or legal professional for guidance.

How do I claim the Federal Tax Deduction for my HSA contribution?

Any contributions made by you and any other person on your behalf are deductible as long as they do not exceed the maximum annual contribution amount. Employer contributions are not deductible. However, any employer contributions do not count as wages for federal income tax purposes.

When is the contribution deadline for funding an HSA?

Contributions for the taxable year can be made in one or more payments, at the convenience of the individual or the employer, at any time prior to the time prescribed by law (without extensions) for filing the eligible individual's federal income tax return for that year, but not before the beginning of that year. For calendar year taxpayers, the deadline for contributions to an HSA is generally April 15 following the year for which the contributions are made. Although the annual contribution is determined monthly, the maximum contribution may be made on the first day of the year.

How are HSA distributions taxed?

Qualified distributions from your HSA are excludable from gross income. Any other distributions are included in your gross income and are subject to an additional 20% tax on the amount included, except in the following cases:

- Your death
- Your disability
- You reach the age of 65

Any HSA distributions that are not rolled over will be taxed as income in the year they are distributed, unless used for qualified medical expenses. HSA custodians/trustees are not required to determine whether HSA distributions are qualified.

The qualified medical expenses must be incurred only after the HSA has been established and funded.

What happens to my HSA in the event of my death?

If you are married and your spouse is your beneficiary, the HSA becomes his/her HSA.

If your beneficiary is not your spouse, the HSA ceases to be an HSA effective on the date of your death. The proceeds will be included in the beneficiary's gross income for the year of death.

How do I know whether my expenses are qualified or not?

It is your responsibility to be sure that you are paying qualified health care expenses from your Health Savings Account.

The best way for you to be sure if your expenses are qualified is to refer to Section 213 of the IRS Code, under Publication 502: Medical and Dental Expenses. To order IRS Publication 502, go to the IRS website www.irs.gov.

You may also wish to consult with your tax advisor regarding these matters. First American Bank is not responsible for determining if your distributions qualify, nor do we provide tax advice.

First American Bank offers two types of Health Savings Accounts:

Our **Health Savings Account** is a free account* which pays interest based on the balance in the account.

There are many great features:

- No minimum deposit
- No monthly fee*
- Free Health Savings Tran\$action Debit Card
- Free Online Banking and Bill Payment
- Free e-Statements

Our **Health SavingsPLUS Account** offers all of the benefits of our HSA, but allows you to invest a portion of your account in a select group of mutual funds.

	Health Savings Account	Health SavingsPLUS Account
Monthly Account Fee	\$0*	\$0*
Monthly Investment Fee	N/A	\$4
Debit Card	Free	Free
Online Banking	Free	Free
eStatement	Free	Free
Bill Payment	Free	Free
Pays Interest	Yes	Yes
Investment Option	No	Yes
Minimum Deposit	No	No
FDIC Insured	Yes	Yes - On the checking portion of the account No - On the invested portion of the account

How do I pay for my healthcare expenses with my Health Savings Account?

Your First American Bank Health Savings Account is a checking account. You can pay for your expenses just as you would with any checking account:

- Use your debit card anywhere MasterCard® is accepted
- By check
- Online Bill Pay

How do I know how much money is in my account?

Just as with any checking account at First American, you may check your balance through one of the following ways:

- Online Banking – via www.firstamlink.com
- Bank By Phone – (847) 952-3000
- Monthly Statement – your e-statement is available online, or you may choose to receive a paper statement*.

How do I open my First American Bank Health Savings Account?

You can open your First American HSA online at www.firstambank.com. It's fast and easy! Or you can stop by one of our nearly 50 locations and fill out an application. Visit our website for a location near you.

Health SavingsPLUS Account

What is a Health SavingsPLUS (HSA PLUS) Account?

The First American HSA PLUS account allows you to invest a portion of your HSA in a variety of mutual funds. These mutual funds may provide higher yields than you would otherwise earn if your funds were left solely in your HSA.

The Health SavingsPLUS Account is comprised of two parts:

- A checking portion – This is an interest bearing account that works just like our traditional HSA. You can write checks, make deposits, and use your debit card to pay any medical bills. This portion is insured by the FDIC.
- An investment portion – You may invest in a variety of nationally recognized mutual funds. Monies in this portion are not insured by the FDIC, not bank guaranteed and may lose value.

What are my investment options?

Every investor should be able to design an investment plan to meet their individual needs and goals. We have selected several nationally recognized

mutual funds. For our current fund offerings, visit our website at www.firstambank.com.

Is there a minimum investment amount?

No. However, you need to have a balance exceeding \$2,000 in the checking portion of your account prior to making any investments. While your balance may fall below \$2,000 as you pay medical expenses, you will need to bring your balance back above \$2,000 before you can make any additional investments.

Are there any fees?

Yes. A \$4 monthly fee will apply to your HSA PLUS Account. You may make an unlimited number of reallocations between funds and/or an unlimited number of transfers to and from the checking portion of your account with no additional fees from First American Bank.

However, please note that some mutual funds may charge fees and expenses as stated in the fund's prospectus. Mutual fund exchange fees may apply for funds held less than the length of time specified in the fund's prospectus and annual trading limits may apply. For complete information on the HSA PLUS Account mutual funds, including fees and expenses, please see the fund prospectus.

How do I choose the mutual funds that are appropriate for me?

Carefully read each fund's prospectus which includes information on the fund's investment objectives, risk, charges, and expenses along with other information before investing or sending monies. You may also choose to consult with your financial advisor to determine appropriate investment options.

Are the funds FDIC insured?

An investment in the funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although the funds seek to preserve the value of your investment, it is possible to lose money by investing in the funds.

Investors should consider these and other relevant facts when choosing among investment options under an HSA, particularly if the need arises to have to finance short-term medical costs out of an investment account.

Do I have online access to my invested funds?

Yes. You will be able to view your invested funds the day after you've activated that portion of your account. The website will give you a detailed overview of your investment balances, your current portfolio percentages and the future investment elections for any new money transferred to the investment portion of your account.

How can I pay for eligible expenses?

You may only access funds in the checking portion of your Health SavingsPLUS Account. If you wish to use the assets from your investment portion to pay for your medical expenses, you must redeem your mutual fund holdings and transfer the proceeds to the checking portion of your account. The assets from the investment portion can only be accessed by transferring to the checking portion of your Health SavingsPLUS Account. Funds will not be available on a same day basis. Please allow at least 5 business days for the funds to be available in the checking portion of your account.

*A \$3.00 monthly fee will be charged if you elect to receive a paper statement. The fee will be waived if 1) you elect to receive e-statements only; or 2) a combined minimum average daily balance of \$2,000 is maintained between the checking portion of the Health Savings Account and an associated checking, NOW, savings, or money market account.

Disclaimer: Investors should carefully read the Fund prospectus, which includes information on the Fund's investment objectives, risk, as well as charges and expenses along with other information before investing or sending money. Funds in the investment portion of your Health SavingsPLUS account are not FDIC insured, May Lose Value and are Not Bank Guaranteed.

Neither First American Bank nor its subsidiaries (collectively "First American Bank") are registered investment advisors nor is First American Bank acting in the capacity of a registered investment advisor with respect to the offering of Health Savings Account ("HSA") investment options. Participation in the investment options is voluntary. Under no circumstances is First American Bank offering any of the HSA investment options and makes no representations with respect to the investment options offered.

First American Bank disclaims any and all liability, contingent or otherwise, for the performance of the investment options. Please see your personal financial advisor for personal investment advice.