

Today's healthcare costs continue to climb rapidly with no end in sight. Fortunately, there's also a brand-new way to save money on your medical expenses. Introducing the Health Savings Account, or HSA, from Sterling Savings Bank.



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# HEALTH SAVINGS ACCOUNTS



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## What Is A Health Savings Account?

A Health Savings Account lets you save and pay for medical expenses using money that's tax-deductible. As long as it's used for qualified medical expenses, the money also stays tax free when it's withdrawn (consult your tax advisor).

Designed to work together with a high-deductible health plan, an HSA covers routine medical expenses while the accompanying insurance policy protects against major medical or catastrophic events. You can then personally manage your healthcare dollars, making it possible to cut expenses and save money over the cost of a traditional health insurance policy.

Your balance also can be carried over from year to year, even if you change jobs or insurance carriers. And similar to an Individual Retirement Account (IRA), once you're age 65, you can withdraw funds for any reason without an added tax penalty. (Distributions will be subject to ordinary federal income tax.)

## Am I Eligible?

The IRS has some requirements and restrictions for opening an HSA. In general, participating individuals:

- 1) Must be enrolled in a qualified high-deductible health plan.
- 2) Cannot be covered by another healthcare plan (with certain exceptions, including vision, dental and disability).
- 3) Cannot be enrolled in Medicare.
- 4) Cannot be claimed as a dependent on someone else's tax return.

## Which High Deductible Health Plans Qualify?

Not all high-deductible health plans qualify you to enroll in an HSA. You'll need to ask your health insurance carrier to be absolutely certain that your plan qualifies. For the most part, your health plan must satisfy the following annual deductible and out-of-pocket expense restrictions:

	Minimum Annual Deductible	Maximum Out-of-Pocket Expenses
Self Only	\$1,100	\$5,600
Family	\$2,200	\$11,200

Example for the year 2008. Annually adjusted by IRS for Cost of Living.

## How Do I Contribute To My Account?

You, your employer, or anyone else can contribute to your HSA. Given that high-deductible health plans typically costs less than traditional policies, the savings on premiums can easily be put into your HSA instead. Should your employer choose to contribute, that money is not considered wages so it, too, remains tax free.

Altogether, you can contribute any dollar amount up to the following IRS limit:

Single Policy	\$2,900
Family Policy	\$5,800

Example for the year 2008. Annually adjusted by IRS for Cost of Living.

## What Are The Tax Benefits?

An HSA could save you thousands of dollars in taxes. HSA contributions made by you or someone other than your employer are fully tax deductible on your federal income taxes (excludes pre-tax contributions by an employer through a cafeteria plan). Some states allow a tax deduction as well. Each year, Sterling reports the amount contributed to your account to the IRS. You simply file an additional form with your tax return to show your contributions and the amount you spent (distributions). You will need to maintain records and receipts to show the money was used solely for qualified medical expenses; otherwise, there is a 10% tax penalty on withdrawn funds (consult your tax advisor).

## How Do I Access My Money?

Sterling makes accessing your account easy. Whenever you need to make a withdrawal (distribution) for a medical expense, you simply pay with your Sterling Savings Bank HSA Check Card—good anywhere Visa® is accepted—or write one of the checks Sterling provides with your account. You can also access your account online or by calling toll free: 1-800-772-7791. And, of course, your friendly branch representatives are always ready to help.

## What Type Of Medical Expenses Are Allowed?

People use their HSAs to pay for regular doctor appointments, prescription drugs, eyeglasses—even over-the-counter medicines like aspirin. Ultimately, you are responsible to know whether or not your particular medical expense is allowed. For a list of qualified medical expenses, ask your health insurance provider or visit [sterlingsavingsbank.com](http://sterlingsavingsbank.com).

## How Is It Potential Retirement Income?

Dollars you contribute to your HSA that aren't used for qualified medical expenses are allowed to accumulate and grow. Upon reaching age 65 (or becoming disabled), you can use your remaining balance for non-medical purposes with no tax penalty. Withdrawals simply count as taxable income at a time when you'll most likely be in a lower tax bracket.

Considering the amount you could save and grow over the years, your potential nest egg could be significant.

## What Are Sterling's Other Advantages?

Sterling offers competitive, tiered money market rates on your balance—a huge plus given that earnings on an HSA are tax-deferred (consult a tax advisor). If you open a Sterling checking account, we can also set up convenient automatic monthly transfers to your HSA. Just ask and let our friendly representatives help you. They'll make sure you enjoy Perfect Fit banking no matter which services you need, including:

- Checking & Savings
- Free Online Banking
- 1-2-Free Bill Pay\*
- Direct Deposit
- Consumer Loans

Best of all, you'll enjoy our warm and friendly Hometown Helpful® service. We go out of our way to do what's right and to make people feel at home. That's why Sterling is called The Perfect Fit Bank®. See what we can do for you.

## Other Questions?

For more information on Health Savings Accounts, visit [sterlingsavingsbank.com](http://sterlingsavingsbank.com). Otherwise, ask your Sterling representative.

This brochure provides general HSA rules and contribution limitations current as of January 1, 2008, and does not reflect any legislative or regulatory changes since then. It is intended to provide general information concerning only the federal tax laws governing HSAs. It is not intended to provide legal advice or to be a detailed explanation of the rules or how such rules may apply to your individual circumstances or under your state tax laws. For specific information, you should consult your tax or legal professional.

\*Offer valid for Personal Net Banking customers only. There is no fee for 1-2-Free Bill Pay when at least two (2) bills are paid per calendar month. Customers not paying at least two (2) bills per calendar month will be charged a \$5.95 inactivity fee. Premium and Private Reserve Checking customers receive Bill Pay for free, without exception, when combined with Personal Net Banking.