How Does a Health Savings Account Work?

Health Savings Account	+	High-Deductible Health Insurance Plan
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You establish a Health Savings Account, into which you make tax-free contributions up to specified maximums each year.		You purchase a qualifying high-deductible health plan.
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If an illness or injury strikes, funds can be withdrawn tax free from the HSA to pay for qualified medical expenses.	→	Once the health insurance deductible is satisfied, insurance benefits become available to pay for covered expenses.
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Funds not withdrawn to pay for qualified medical expenses remain in the HSA and have the opportunity to grow from year to year in an investment account whose earnings grow free of tax.		
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HSA funds may be withdrawn for purposes other than paying qualified medical expenses, but are subject to income tax plus a 10% penalty tax. Beginning at age 65, HSA funds may be withdrawn for any reason, subject to regular income tax without penalty, or can continue to be used to pay qualified medical expenses without tax.		

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