



Health Savings Accounts

Frequently asked questions about Health Savings Accounts

What is a Health Savings Account?

A Health Savings Account (HSA) is a tax-exempt trust or custodial account which pays 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** entitled to Medicare benefits (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 \$1,000 for individual coverage or \$2,000 for family coverage. These amounts 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 2005, the maximum out of pocket expenses, which include money applied to your deductible and your coinsurance for covered charges, must be no more than \$5,000 for individual coverage and no more than \$10,000 for family coverage. These amounts are subject to COLAs.

How is an HSA established?

Just like an IRA, there is a qualified trustee or custodian.



Who can contribute to my HSA?

Once you have met the requirements, you, your employer and your family members may contribute to your HSA, regardless of your employment status.

How much can I contribute to my HSA?

Generally, the lesser of 100% of the annual deductible under your HDHP or a specified amount (subject to COLAs). For 2005, the specified amount is \$2,650 for individual coverage and \$5,250 for family coverage.

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 2005, the amount is \$600.

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 your family members 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 includable in your gross income and are subject to an additional 10 percent tax on the amount includible, 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.

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.

What are the basic features of First American Bank's Health Savings Account?

There are many great features:

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

*The monthly service fee will be waived if: 1) You elect to receive a monthly e-Statement; 2) You maintain a \$3000 minimum daily balance in HAS; or 3) Your combined minimum average daily balance in any First American Bank checking and/or savings account is greater than \$3,000.

If you choose to receive a paper statement or do not meet the combined balance requirement, the maintenance fee is \$3.00 per month.

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

Stop in any one of our 35 conveniently located branches, and fill out an application. It's fast and easy to apply. For a listing of our locations, visit our website at www.FirstAmBank.com

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

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

- Use your Tran\$action Debit Card anywhere MasterCard is accepted
- By check



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

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

- Online Banking -- via www.FirstAmLink.com
- Bank By Phone
- Monthly Statement – through your e-Statement which is available online, or if you elect to receive a paper statement each month

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

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

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, call 1-800 TAX-FORM, (1-800-829-3676) or go to the IRS website www.irs.gov.

If you would like more information about Health Savings Accounts and HDHPs, check out the websites listed below:

www.FirstAmBank.com
www.treas.gov/offices/public-affairs/hsa/
www.irs.gov

For additional information, please contact
Customer Service at (847) 952-3700
Or email HSA@firstambank.com



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HSA Application Checklist

The two pages following this checklist are your Health Savings Account Application. To assure a smooth account opening, please use this handy checklist to be sure you have provided everything we need.

Did you remember to:

- Complete the Beneficiary and Power of Attorney (POA) portion of the application with the required information?
- Select the debit card option for easy access to your funds?
- Attach clean copies of the required ID? We need 2 forms of ID. We need at least 1 piece of the following ID for both yourself and your POA (if applicable).
 - U.S. Driver's License
 - U.S. Passport
 - U.S. State ID Card
 - Foreign Passport
 - U.S. Armed Forces Card
 - Matricula Card

As long as you have at least 1 of the above primary forms of ID, you can also include any of the following as a secondary form of ID.

- Any of the above forms of ID
 - Major Credit Card (Visa, MasterCard, American Express or Discover) (Debit cards are not valid)
 - Illinois Voters Registration Card
 - Illinois Firearms Owner Card
 - Certified U.S. Birth Certificate
 - U.S. Alien Registration Card
 - U.S. Auto Registration Form
 - Student ID Card
- Provide your Social Security Number and the tax year you would like to contribute to on your check (if you are sending a deposit today)?
 - Sign the application?

Mail your application to:

First American Bank
P.O. Box 0794
Elk Grove Village, IL 60009-0794

Or fax your application to **Health Savings Accounts:**

(847) 364-7467



Health Savings Account (HSA) Application

Type of Health Insurance Plan Coverage (select one): <input type="checkbox"/> Self Only <input type="checkbox"/> Family
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ACCOUNT HOLDER INFORMATION (Please print clearly)

Name			Social Security Number		E-mail Address		
Mailing Address				Mother's Maiden Name		Date of Birth	
City	State	Zip	Primary Identification # *				
Street Address (not a P.O. Box)			Issued By (state)		Date ID Issued		ID Expiration Date
City	State	Zip	Home Phone		Daytime Phone		Fax

EMPLOYER INFORMATION

Name of Employer				Type of Business			
Employer's Address				Phone Number			
City	State	Zip	Fax Number				

BENEFICIARY INFORMATION

In the event of my death, I name as:

Primary Beneficiary (Any Agent assigned under a POA must also be your beneficiary)

Name		% of holding
		100
Social Security Number		Relationship
Mailing Address		
City	State	Zip
Phone Number		Date of Birth

ADDITIONAL OPTIONS

The following options are available on your Health Savings Account:

- 50 HSA Checks (a fee of \$15.63 will apply)
- Tran\$action Debit Card (no additional fee)
- Paper statement (monthly charges will apply)
a paper statement is in addition to the E-statement that will automatically be provided free of charge.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT:

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. When you open the account, we will ask for your name, address, date of birth and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents. This also applies to anyone you designate as an agent under a Power of Attorney Agreement for the account.

The above designations are subject to the following conditions:

1. These designations are subject to all terms and conditions of the First American Bank Health Savings Account Custodial Agreement and other documents you have received in connection with your HSA and will be effective only if received prior to the death of the person executing it.
2. These designations apply to the account holders entire interest, if any, in account assets remaining undistributed at the account holder's death.
3. You must file any desired change of Beneficiary(dies) in writing.

*Driver's License number, passport, or state or government-issued photo identification showing residence.

Application subject to approval

ADDITIONAL SIGNERS* (OPTIONAL)

<p>Power of Attorney (POA) (Optional): Since Regulations require that only one individual owns the HSA Account, the account holder may want their spouse and/or another third party through Power of Attorney to write checks or use their Debit Card. I (account holder) hereby designate the following individual as an additional authorized signer on my Health Savings Account.</p>					
Name (as it will appear on the card)		Primary Identification #		Date ID Issued	Issued By (state)
Mailing Address			ID Expiration Date	Mother's Maiden Name	Date of Birth
City	State	Zip	Social Security Number	Daytime Phone	Evening Phone
<p>Request for an additional Debit Card (Optional): In connection with my HSA I authorize First American Bank to issue a Tran\$action Debit Card which I can use to make withdrawals from my HSA. If I have completed the Power of Attorney above and the Secondary Card Holder Information below, I also authorize a Tran\$action Debit Card to be issued to the person named below. I understand that such individual will be an authorized user of my debit card and account, and that I will be liable for all charges made by the authorized user.</p>					<input type="checkbox"/> Please Issue Debit Card

ACKNOWLEDGMENTS

By signing below, I acknowledge and agree to the following:

1. I authorize First American Bank to make inquiries they feel are necessary to determine my credit worthiness including, but not limited to, obtaining credit reports from credit reporting agencies and other credit information from other sources.
2. This HSA is being opened in accordance with the provisions of Section 223 of the Internal Revenue Code. Notification of funding and distributions may be reported to the IRS.
3. I assume complete responsibility for: (1) determining that I am eligible for an HSA each year that I make a contribution; (2) ensuring that all contributions I make are permitted under applicable tax laws; and (3) I am solely responsible for the tax consequences of any contributions (including rollover contributions) and distributions. I understand the eligibility requirements for the HSA deposits I make and I state that I qualify to make such deposits.
4. I authorize the Bank to provide information about my HSA to my employer in connection with the establishment and maintenance of my HSA.
5. The HSA is not an employee welfare benefit plan governed by the Employee Retirement Income Security Act (ERISA), even if it is offered through or contributed to by my employer.
6. I agree to the Schedule of Bank Fees which will be provided to me. I acknowledge that the Bank's fees are subject to change from time to time, provided that I understand that any Monthly Maintenance Fees are non-refundable.
7. I agree that the custodian or trustee of my HSA is authorized to act without further inquiry in accordance with writings bearing my signature.
8. The information I have provided above is true and complete.

Signature of HSA Owner

Date

<p>Payment enclosed with application (if applicable): _____</p> <p>If you are sending your initial contribution along with your application, please select which year* you would like to contribute to.</p> <p>*Please note that to count for the Previous Tax Year, we must receive your contribution no later than April 15 of the Current Tax Year.</p> <p style="text-align: center;"> <input type="checkbox"/> Previous Tax Year <input type="checkbox"/> Current Tax Year </p> <p>Mail application and opening deposit (if applicable) to: First American Bank, P.O. Box 0794, Elk Grove Village, IL 60007-0794</p>

*Application subject to approval