

Funding account options

Choosing a funding account

Essentially, the differences between funding accounts relate to:

- Who contributes to and owns the account
- Whether or not there are contribution limitations
- If the funds can roll over from year to year
- What expenses the money can be used for

Before you choose a funding account, talk to your account consultant or broker to find which option is right for you.

	Health Savings Account (HSA)	Health Reimbursement Account (HRA)	Flexible Spending Account (FSA)
Overview	A tax-free, employee-owned account that combines with a high deductible health plan to help employees save on qualified medical expenses	A tax-free medical reimbursement plan funded by the employer, for use on qualified medical expenses	A tax-free spending account used for qualified medical expenses, which must be used by the end of each year
Is a high deductible health plan required?	Yes	No	No
Who owns the account?	The employee	The employer	The employer
Who funds the account?	Employers and employees	The employer	Employers and employees
Are there contribution limits?	In 2013, the maximum is \$3,250 for single coverage and \$6,450 for family	The employer controls contribution limits	The employer controls contribution limits
Is the account transferable?	Yes, since the employee owns the account	It may or may not be, depending on how the employer designs the plan	Money not used by the end of a given year is forfeited to the employer
What are the advantages?	<ul style="list-style-type: none">• Both employer and employee can contribute• Account is transferable• Employee has investment options• Expansive list of qualified medical expenses• After age 65, employee can spend money on anything without penalties	<ul style="list-style-type: none">• No trust required• Employer designs the plan• Cash flow advantage for the employer – no upfront funding required• Employer can decide to vest money or not• Employees can only spend money on qualified expenses	<ul style="list-style-type: none">• Can be used with any commercial health plan• Can be combined with an HSA or HRA• Tax savings for employers and employees