

| Criteria                   | FSA   | HSA   |
|----------------------------|---|---|
| Overview                   |   |   |
| General Purpose            | Funding predictable healthcare expenses in the current year with pre-tax dollars.   | Funding a lifetime of healthcare expenses with pre-tax dollars.   |
| Account Owner              | <b>Employer</b><br>Because the account belongs to your employer, your participation in the plan ends when your employment is terminated.  | <b>Employee</b><br>Because the account belongs to the employee, they maintain ownership after they leave the company.   |
| Health Plan Pairings       | Can be paired with any health plan.   | Must be paired with a qualified HDHP:<br><ul style="list-style-type: none"> <li>• Deductible not less than \$1,400 for single or \$2,800 for family (2021).</li> <li>• Annual out-of-pocket expenses do not exceed \$7,000 for single or \$14,000 for family (2021).</li> </ul> |
| Distribution of Funds      | <b>Eligible Medical Expenses Only</b><br>Funds may be used to pay for eligible medical expenses only; cannot access for non-medical reasons.  | <b>Eligible Medical Expenses with Exceptions</b><br>Funds are to be used to pay for eligible medical expenses, but may be withdrawn for non-medical expenses with 10% penalty.  |
| Timing of Usage            | <b>Check with your employer to see if you have rollover or grace period for your FSA.</b><br><b>FSA with Rollover</b><br>Up to \$500 of remaining balance may be rolled over to be used in the following plan year.<br><b>FSA with Grace Period</b><br>Account balance must be used by the end of the grace period for that plan year; unused balance is forfeited. | <b>Funds are Never Forfeited</b><br>Reimbursement can be made for any eligible expense incurred from the HSA open date to the current date. Funds do not expire, making an HSA an excellent savings vehicle.  |
| Earnings Investments       | No earnings paid.   | Some HSA offerings provide integrated investment options and/or interest benefits.  |
| Tax Savings                | <b>Tax-deductible</b><br>Employer contributions are tax-deductible.<br><b>Tax-free</b><br>Employee contributions made via payroll deduction are taken out prior to income tax assessment.   | <b>Tax-deductible</b><br>Employer contributions and contributions made by employees (i.e. from their bank account) are tax-deductible. Employee contributions by payroll deferral are pre-tax.  |
| Contributions              |   |   |
| Source of Contributions    | Employer: optional<br>Payroll deferral: optional<br>From employee bank account: not allowed   | Employer: optional<br>Payroll deferral: optional<br>From employee bank account: optional  |
| Contributions              | Annual election amount is determined by the participant during open enrollment and deducted evenly per pay period; Changes may only be made due to a qualified life event (marriage, birth, etc.).  | Annual election amount is determined by the participant during open enrollment and deducted evenly per pay period; Employees can adjust contributions throughout the year up to IRS limit; Employers may also contribute.   |
| Contribution Limit         | IRS limit of \$2,750 (2021)   | IRS limit of Single: \$3,600 Family: \$7,200 (2021)   |
| Disbursements              |   |   |
| Access to Funds            | Pay providers directly via debit card or submit claims for reimbursement.   | Pay providers directly via debit card or online bill pay, or on the provider's website via ACH.   |
| Claims for Reimbursements  | Submit a claim for reimbursement and receipts online, by fax, or using the mobile app.  | There are no claims. Employees pay for eligible expenses directly from the account.   |
| Substantiation Requirement | Receipts and Explanation of Benefits (EOBs) should be kept for all purchases. Your plan administrator will require them for reimbursement.  | There is no requirement for substantiation. The participant is solely responsible for proper use of funds. Documentation should be kept in case of IRS audit.   |
| Cash Withdrawal            | Not permitted.  | Cash withdrawals are allowed. The cash must be used on an eligible expense or be subject to a 20% penalty. After age 65, cash withdrawals can be made for non-eligible expenses penalty-free but subject to income taxes.   |