

Does the “S”  
in HSA stand  
for savings,  
spending  
or both?

Five tips to selecting  
the right HSA provider.

**WageWorks**  
*everyone benefits®*



## Let's be flexible.

They're called Health Savings Accounts. And while the "S" stands for savings, that isn't what they're all about. Remember, HSAs are also part of a flexible spending plan. They work like a checking account with a debit card, but they also work like an investment account. So it's fair to say they're complex, if not downright confusing.

And they're certainly not all created equally.

So when you're choosing a plan for your company, you need to **look beyond the price tag and basic functionality**—you need to dig into the complexities a little to determine what works best for you and your people.



The following **5** tips will help.

1

## Shift your (and your employees') mindset from spending to spending *and* saving.

As we've established, it's about savings—*pretax* savings, as a matter of fact, so your employees have an incentive to stockpile funds for future medical expenses.

And because there's no use-it-or-lose-it rule, you can spend that money on medical bills whenever you'd like, saving it year-over-year to build up a healthier—so to speak—reserve. All with a triple tax benefit:



Your HSA contributions are pre-tax, lowering your federal gross income.



Investment growth is tax-deferred.



You can withdraw and spend the funds tax-free when used for qualified medical expenses.

**Your provider also needs to understand why these benefits matter, how they should be delivered and what your employees need.**

The other thing to remember is that HSAs—and the rules that govern them—are always changing. You'll want to find an HSA partner who's actually helping shape legislation, not one who's merely reacting to it.

The best part: you can even use the money for non-medical expenses\*, provided you're 65 or older—so in this instance, at least, it really does function like a 401(k). Withdrawing funds for non-healthcare expenses prior to age 65 results in a 20% penalty.

\*HSA withdrawals for non-medical expenses are taxable and will increase your taxable income.

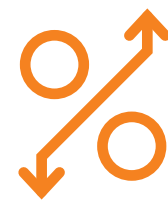




## 2 Look closely for hidden fees to get a true picture of costs.

Participant fees are definitely part of the equation, but if you don't investigate every inch of the deal, you could miss a host of other fees that can get tacked onto your bill.

Traditional financial providers, for example, have ancillary fees normally associated with banking products (we're *all* familiar with those)—charging you extra for balance transfers, various transactions, ATM withdrawals and paper statements.



Other providers charge “investing fees,” (Isn't that what you're paying them for already?) which are based on the size of individual balances. They can run up to more than 100 basis points, so as your balance grows, so do your costs. This is an effective way to punish you for saving.

Some Consumer-Directed Benefits providers also have proportionately higher expense ratios. And leave it to insurance companies to “hide” HSA fees inside a broader price, so that it looks like a better deal.

*Look closely and look for a partner with simple, clear, flat costs that come without strings. Or hidden extras. Or ancillary fees.*

# 3

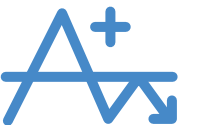
## Ensure you're getting an experienced, registered investment advisor.

The big question here is: Who's evaluating and managing the investment options for your employees' HSA dollars? Is it a recently promoted marketing guy who's got a "really good feel" for this sort of stuff, or is it a leading financial expert who understands the unique characteristics of HSAs and objectively assesses your options?

It's up to you, but you might want to consider the latter.



You'll also want to look out for providers who offer proprietary investment options—which is a fancy way of saying their own investment products. **If you're with A+ Investment Group, they might be steering you toward (or just dumping your money into) A+ Investment Group funds.** And that typically means they have *their* and not *your* best interests in mind.



Again, because an HSA is both a spending and a savings account, you need a mix of funds that are good for both and not bad for either.

*Simply put: Look for a provider with a mix of low-cost, high-performing funds that allow for spending without penalties.*

# 4

## Be sure the solution can simultaneously manage various and complex transactions.

The dual nature of HSA accounts can be too much for banks (who want you to spend) and investment institutions (who want you to save). The right solution will help you do both, so look for an unbiased provider who's happy to manage savings, spending and all that goes with them.

Ask potential providers these questions, and make sure they're looking you in the eye when they answer:



Can you manage liquid and investment assets when deposits and transactions change daily?

Can you deal with changing contributions and errors that occur when users make contributions?

Can you manage the intricacies of regulatory compliance?

Do your solutions allow participants to easily self-manage both their savings and spending?

*If you don't like what a vendor has to say, keep searching.*





# 5

## Don't take security **for granted.**

Benefits platforms are home to your employees' most personal and private data, and protecting that information is our highest priority.

Be sure any potential vendor gives you a full demonstration of their security protocols and capabilities—because you don't need a sales pitch, you need proof of performance. Have them walk you through their testing procedures and introduce you to their vendors, forensics and legal teams. And be sure you get a look through the qualifications of each of their security personnel.

### No one said this was easy.

Selecting a Consumer-Directed Benefits provider is far from simple. But when you ask the tough questions, you should be comfortable with the answers.

We invite you to ask us anything—about our security, our service, our objective investment partner—about anything covered here or anything that concerns you.

And when it comes to picking a provider, we'll help take the complexities out of making your choice.

