

Get the most from your Health Savings Account

HSA Primary and HSA Plus Medical Plans

A Health Savings Account (HSA) is a valuable feature of your medical plan. This special tax-advantaged account allows you to set aside pretax dollars in a bank account that you own. You decide whether to use your HSA funds on current qualified health care expenses (which include medical, dental, and vision expenses) — for yourself and eligible family members — or let them grow tax-free to pay for future qualified expenses, even in retirement.

Your HSA is administered by Smart-Choice Accounts and can be accessed on the Smart-Choice Accounts website through BenefitsNavigator at benefitsnavigator.baesystems.com.

HSA advantages at a glance

Here are the key advantages of participating in an HSA:

- By contributing *pretax* dollars to your account, you can enjoy important tax advantages (see box at right).
- You have the flexibility to use your savings on current OR future eligible health care expenses. Plus, YOU choose the amount you want to save in your HSA (which you can change at any time).
- Once your HSA balance reaches \$1,000, you can invest a portion of your account balance in mutual funds to help promote potential future growth.
- A debit card makes it easy to access your HSA funds. No need to file claims!
- Your balance rolls over from year to year, and there are no “use it or lose it” rules. It is yours to keep even if you change medical plan options, leave the company, or retire. In short, the account is always yours.

The HSA's triple tax advantage

Here's a closer look at how you save on taxes through an HSA.

Your money goes in tax-free.¹

You can save in your HSA on a pretax basis through convenient payroll deductions. Not only do you save money on qualified expenses — including deductibles and other out-of-pocket expenses — but you lower your taxable income for the year.

Your money grows tax-free.

You earn tax-free interest on your money. And that interest generates even more interest!

Your money comes out tax-free.

You don't pay taxes on the money you take out to pay for qualified health care expenses.

To see how much you could save in income taxes, use the **HSA calculator** on the Smart-Choice Accounts website through BenefitsNavigator at benefitsnavigator.baesystems.com.

¹HSA contributions and earnings are not subject to federal taxes; however, a few states treat the contributions as taxable income. Those employees residing in California and New Jersey will have applicable state taxes withheld from their contributions each pay period.

HSA eligibility rules

By enrolling in the HSA Primary or HSA Plus plan, you can contribute to an HSA to help pay the higher out-of-pocket costs associated with these plans.

- For 2022, you can save up to \$3,650 in your HSA if you're covering only yourself, or \$7,300 if you're covering yourself and your family. If you'll be age 55 or older during the plan year, you can also make "catch-up" contributions of up to \$1,000.
- You can enroll your children up to age 26 in your medical coverage, and you may use your HSA to pay for their health care expenses as long as you also claim them as dependents on your federal income tax return.

Are you eligible to contribute to an HSA?

It's easier to think about who is NOT eligible to contribute:

- Will you be covered by Medicare or TRICARE?
- Will you be covered by another non-high-deductible plan (that is, a plan with a deductible less than \$1,400 for individuals and \$2,800 for families, based on 2022 limits)?
- Will you receive reimbursements for medical expenses from someone else's general purpose Flexible Spending Account?
- Will you be claimed as a dependent on someone else's tax return?

If you answer "yes" to any of these questions, you will **not** be eligible to contribute to an HSA through a BAE Systems medical plan. However, you are eligible to enroll in a Health Care Flexible Spending Account (FSA). This means you will be able to use your FSA funds for qualified expenses such as medical, dental, vision, and prescriptions.



Learn more

For HSA terms and conditions — including eligibility, contributions and more — log on to the Smart-Choice Accounts website through BenefitsNavigator at benefitsnavigator.baesystems.com.

Setting up your HSA

When you elect an HSA-eligible medical plan, and you are eligible for an HSA, you are agreeing to have an HSA automatically opened on your behalf when you begin to make payroll contributions. To establish an account, your information will be securely sent by the BAE Systems Benefit Center to Smart-Choice Accounts, with no further action required of you.

Spending your HSA

When it's time to pay for care or prescription drugs, there are two ways to pay from your HSA:

- **Use your HSA debit card.** Simply swipe it to pay for qualified medical expenses, and the funds will be taken directly from your account. Ensure you have sufficient funds in your HSA to cover your expenses before using your debit card. Check your balance by logging on to the Smart-Choice Accounts website through BenefitsNavigator. Smart-Choice Accounts will also send you a quarterly statement with your beginning and closing HSA balances.
- **Pay out of pocket.** If you prefer, you can pay for your qualified expenses up front and pay yourself back later through your HSA. To get started, log on to the Smart-Choice Accounts website through BenefitsNavigator — or use the mobile app!





Make it easy with the Smart-Choice Accounts Mobile app

When you download the Smart-Choice Accounts Mobile app onto your mobile device, you can quickly access, view, and manage your account. Here's some of what you can do while on-the-go:

- Check account balances and activity
- Track and organize expenses
- Use your device's camera to upload receipts/documentation, if required
- Scan products to verify whether they're IRS-qualified medical expenses

To learn more about the app, visit BenefitsNavigator, select **Smart-Choice Accounts**, and review the **Getting Started Guide**.

Note: Sensitive account information is never stored on your mobile device; secure encryption is used to protect all transmissions.

HSA communications

Once your HSA has been established, you'll receive:

- A welcome letter from Smart-Choice Accounts with your account number and contact information
- A Smart-Choice Accounts debit card with frequently asked questions and card usage tips

Once there's activity in your account, you'll receive:

- A quarterly account statement detailing your transactions
- A Form 1099-SA — generated at the end of each calendar year — detailing all HSA distributions for tax purposes. The following April, you will receive a Form 5498-SA with your total annual contribution for the prior year.

Qualified expenses

Be sure you only use your HSA to pay qualified expenses, which are listed at [irs.gov/publications/p502](https://www.irs.gov/publications/p502). If you use money from your HSA on nonqualified expenses — such as child care, cosmetic surgery, health club fees, teeth whitening products, or vitamins — you'll pay taxes on that money plus an additional 20% penalty tax if you're under age 65.

Growing your HSA

You can use your HSA to get a head start on saving for future health care needs. In fact, you can grow your HSA in three ways:

- **Maximize your contributions.** Be sure to contribute the maximum to your HSA through Smart-Choice Accounts. If you're age 55 or older (or will turn age 55 during the plan year), you can also make pretax "catch-up" contributions, up to \$1,000. Although most people choose to contribute on a pretax basis, you can also contribute after-tax dollars to your HSA. Your pretax and after-tax contributions apply to the same annual limit. When you make after-tax contributions, you can list the amount contributed as a deduction on your taxes.
- **Interest.** Your account earns tax-free interest. Over time, the interest you earn will generate even more interest!
- **Investment earnings.** You can invest a portion of your HSA balance once it reaches \$1,000. This is a great way to put your money to work for you and potentially grow your HSA more quickly. For more information on your investment options, log on to the Smart-Choice Accounts website through BenefitsNavigator.

Questions?

In addition to reviewing the information on the Smart-Choice Accounts website through BenefitsNavigator at benefitsnavigator.baesystems.com, you can call the BAE Systems Benefit Center at **1 888 900 4223**, Monday through Friday from 8 a.m. to 8 p.m. Eastern time.



Added flexibility at age 65

Once you turn age 65, you can use the money in your account for *any* reason. You just pay regular income tax on any funds not used for eligible health care expenses.

HSA funding

Your account will typically be opened in two to four weeks. In the meantime, be sure to activate your debit card when it arrives by mail.

Your HSA funds will become available as soon as they're deducted from your paycheck and deposited into your account — at which time you can use them on eligible expenses. **Unlike an FSA, your total annual contribution to an HSA is not deposited at the start of each year.**

Limited purpose Flexible Spending Account

If you participate in an HSA, you can also enroll in a limited purpose Health Care Flexible Spending Account (HCFSA). The HCFSA is limited to eligible dental and vision expenses — allowing you to put more of your HSA dollars toward medical and prescription drug expenses.

If you currently have a Smart-Choice Accounts debit card for your limited purpose FSA, you will use the same card for both FSA and HSA expenses. Your Smart-Choice Accounts debit card will use funds in your limited purpose FSA first. If it's a medical expense, or you have no funds in your limited purpose FSA, your HSA dollars will be used to cover the expense.

Keep your receipts

Whether you choose to use your debit card to pay for eligible expenses from your HSA or you choose to pay out of pocket and seek reimbursement, be sure to keep your receipts in case you need to prove to the IRS how you spent your HSA funds. Unlike an FSA, you do not submit receipts to Smart-Choice Accounts to verify your payments.

Save today in your HSA. Your future self will thank you.

Keep in mind that, with an HSA, you can spend all the money in your account on current expenses, save it for tomorrow, or spend some today and save some for tomorrow. When and how you use your account will depend on your health care needs and savings goals.



Resources to help you

Smart-Choice Accounts

BenefitsNavigator:
benefitsnavigator.baesystems.com

BAE Systems Benefits website

benefits.baesystems.com

BAE Systems Benefit Center

1 888 900 4223 | Outside the U.S.,
call +1 718 354 1341

Representatives are available between 8 a.m. and 8 p.m. Eastern time, Monday through Friday (except holidays).

Internal Revenue Service (IRS)

List of qualified HSA and FSA expenses:
irs.gov/publications/p502



This is only a brief overview. It does not address all plan features that may apply to you. If there is any conflict between the language in this brochure and the language in the plan legal documents, the language in the plan legal documents will govern. In addition, this overview creates no rights between you and BAE Systems. Any participant rights are solely as described in the plan legal documents.

This document is not intended to provide tax advice, nor can it be relied on as tax advice. Additionally, BAE Systems cannot offer you advice on your individual tax obligations. We encourage you to consult your tax adviser if you have questions about information contained in this brochure.

While BAE Systems expects to continue its benefit plans, these plans are subject to change from time to time and may be discontinued at any time, at the sole discretion of BAE Systems. Benefit provisions vary among BAE Systems businesses; if you transfer within BAE Systems, your benefits may change.

Si usted necesita ayuda en español puede ponerse en contacto con el BAE Benefit Center llamando al 1 888 900 4223.