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HSA's and your FSA

In addition to your Health Savings Account (HSA), AURA offers a Flexible Spending Account (FSA). An FSA is a long-standing tax-advantaged program that helps you offset your annual medical costs, and as such, they have a "use it or lose it" rule. The HSA is geared towards managing your long-term healthcare costs, and it is coupled with a qualified High Deductible Health Plan (your Consumer Driven Plan) plus, unlike an FSA, all funds can rollover year to year.

Your HSA is different and separate from your FSA. Although they are both tax-advantaged accounts used for qualified medical expenses, the FSA has a "use it or lose it" rule: typically, if by **December 31** you haven't used all the money remaining in your account, IRS rules require that you forfeit that money. AURA's FSA plan will be amended effective January 1, 2014 to allow for $500 roll-over into the appropriate account in 2015. With an HSA, however, you can roll over unused funds from year to year. In fact, your HSA can act as a vehicle to save for long-term needs, such as retiree medical expenses.

Another key difference between an FSA and HSA is that your HSA funds accumulate throughout the year, as you and AURA contribute funds. But full FSA funds are available on **January 1** of each year.

If you choose to have an FSA along with your HSA, it can be a challenge to understand how these accounts work and benefit you. According to IRS guidelines, when you have both an HSA and FSA, you can only use the FSA for preventative care, post-deductible expenses, vision and dental costs—making the account ***a limited-purpose (or limited-use) FSA.***

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To maximize your tax advantages, you can leverage the limited-purpose FSA for anticipated covered care, vision and dental expenses (such as braces or glasses), while allowing your HSA funds to grow or to be used toward other qualified medical expenses.

Here's a common example of how your HSA and limited-purpose FSA can work together:

> Your child needs braces that cost $1,500 in the first year. You have set up your limited-purpose FSA for $1,200 for the year. To pay for the dental expenses, you could utilize your FSA funds first because of the "use it or lose it" rule. Once you have accumulated funds, for the last $300 you can use your HSA funds to pay for the qualified dental expense.

Common qualified medical expenses for a limited-purpose FSA include:

- Eye glasses
- Contact lenses
- Laser eye surgery
- Orthodontia
- Braces

See Human Resources for other pertinent information.