

The Bancorp Bank HSA



Securely connect with your money anytime, anywhere. Log in and experience the benefits.



prepared exclusively for
SAMPLE HSA-KIT

<u>Account Type</u>	<u>Number</u>
Health Savings Account	0640000000



Congratulations on making the most of the High Deductible Health Plan that you have purchased through Independence Blue Cross by opening a Health Savings Account with The Bancorp Bank HSA. **Your Health Savings Account will allow you to save money tax free** and pay for qualified medical expenses, whether you itemize your taxes or not! In addition, the money is yours to keep and will roll over and continue to grow from year to year.

Included in this handbook are directions on how to make deposits as well as the **tools you need** to manage your Health Savings Account:

- Accessing your Account Online
- Deposit slip and Postage Paid envelope
- Answers to Frequently Asked Questions
- List of eligible health care expenses approved by the IRS

What to expect:

- Your checks and debit card will arrive 5 to 7 business days after your account has been opened
- You will receive a PIN number for your debit card prior to the card itself
- You will receive a password for online access via email or US mail

In order for us to comply with Federal regulations, please complete and return the enclosed HSA Signature card and beneficiary election form to us within the next 10 business days. Please review, make any necessary corrections, and sign where indicated.

On the back cover, you will find a handy **reference card with your account number and our contact information**. If you have questions, our Customer Service Representatives are available 24 hours day, 7 days a week to assist you.



Checks and Debit Card

We will mail checks and a Debit Card so that you can easily access the funds in your account. Please allow 5 to 7 business days for these items to arrive.

The Debit Card will be inactive, follow the instructions provided on the card to activate it. If you did not select a Personal Identification Number (PIN), it will be mailed to you separately.

Please Verify your account balance prior to writing checks or using your Debit Card

To Activate Your Debit or ATM Card and Change Your PIN

You may activate your Debit or ATM card at an ATM or by phone. At an ATM, insert or swipe your card and enter your PIN (Personal Identification Number). To activate your card by phone or to change your PIN at any time, dial Customer Service at 800.283.1534, select option 7, and follow the instructions when prompted.

Online Account Access

You have complete, real-time account access 24 hours a day, 7 days a week

- through the Internet at www.MyBancorpHSA.com
- or
- by phone at 800.283.1534

Here are just a few of the beneficial features you have available with your online account.

- **View account transactions and images** of your cleared checks for up to 12 months
- **Account statements** can be printed or exported directly into Quicken[®] or Microsoft[®] Money
- **Bill payment and presentment** allows you to pay virtually anyone in the U.S. and receive bills electronically
- **Deposits** can be made into your account one-time or on a recurring schedule through our *exclusive* E-Money Mover Service. Find out more in the Making Deposits section.
- **More About HSAs** section provides you the **latest news and information** on Health Savings Accounts

How To Login To Your Account



To access your new account, go to www.MyBancorpHSA.com and click the "Log In" button. Your User ID is your Social Security Number (9 digits, no dashes).

For security reasons, your account Password is being sent separately. If an email address was provided, we sent the Password and log in instructions to you with the subject of "Welcome to The Bancorp Bank HSA Important Log In Information"; otherwise this information will arrive by U.S. mail.

During your initial log in, you will be asked to select a new User ID and Password. Please note them in a safe place as the bank does not store this information.

Enhanced Login Security

Your account security is a top priority at The Bancorp Bank HSA. Enhanced Login Security provides your account additional protection from illegal access, identity theft and fraud. When you log in to your account the first time, you will be prompted to enroll in this free service. Enrollment is fast and easy. You will provide responses to 3 Challenge Questions, verify your email address, and confirm your enrollment. For more information regarding this service, click the "Getting Online" link on the home page.

Getting Online Guide

For step-by-step instructions on how to log in to your account, go to www.MyBancorpHSA.com and click the "Getting Online" link. This guide will help you access your account and explains many of the convenient features that are available.

Problems logging in?

If you are attempting to log in and keep returning to the Log In page, you may need to update your browser's cookie settings. For detailed information on how to update your settings, click on the "Internet Explorer 6.0 Help" link on the Log In page.

Test Your Browser

You can check your browser to determine if the current configuration is compatible with Internet Banking's preferred system requirements. Simply go to www.MyBancorpHSA.com's Log In page and click the "Test your browser" link on the right side of the page. If your configuration does not meet the preferred requirements, a message will be displayed that includes information on upgrades or modifications that should be made to the existing browser. For assistance with testing, click the "Testing Help" link on the Log In page.

Making Deposits



Funding your account is easy. Below are a number of convenient methods to deposit money into your account.

E-Money Mover

With our *exclusive* E-Money Mover service you can easily move money one-time or on a recurring schedule to and from an account at another financial institution or from your credit card. Log in to your account, register a bank account or credit card and make a transfer. It's that easy.

Mail in Check or Money Order

You can always make deposits by mailing us a check or money order. A postage paid envelope can be found in this kit and can be reordered through the online account maintenance form or through Customer Service. Please do not send cash through the mail, as we cannot guarantee its safe arrival.

Mail your deposit to:
The Bancorp Bank HSA
Attn: Deposit Operations
405 Silverside Road, Suite 105
Wilmington, DE 19809

Direct Deposit

You can add funds to your account through Direct Deposit. It is a safe, convenient and fast way to make deposits. To use Direct Deposit, you can download an authorization form from The Bancorp Bank HSA website. Provide the completed form or the following information to the entity that will be sending the funds to your account:

Bank Name: The Bancorp Bank
Our ABA Number: [031101114](#)
Your Account Number: [0640000000](#)

Making Deposits



The UPS Store™

Make deposits at one of 3,400 The UPS Store locations nationwide for free. UPS will deliver your deposit to us the next day and you will have a tracking number for peace of mind. To use this service you will need to print The UPS Store work order form from the website and take it, along with your deposit, to the nearest store location.

MoneyGram® ExpressPaymentSM

MoneyGram ExpressPayment is a simple, fast, and secure way to make a cash deposit into your account at no cost to you! You can fund your account and make additional cash deposits at 18,000 locations nationwide, including Wal-Mart stores.

To make a cash deposit go to any MoneyGram location and complete their form. *The bank's receiver code is 3002.* The MoneyGram agent will supply you with a reference number so that you can track each deposit. The money will be deposited in your account in about two business days.

Wire Transfer

Wire transfers are the safest and fastest way to make high dollar deposits. The funds are available as soon as the transfer is complete. Incoming wire transfers to your account are free.

For wire transfers into your account, please include:

- Our ABA Number: 031101114
- Your Account Number: 0640000000
- The Account Name: SAMPLE HSA-KIT

ATMs

Many financial institutions accept deposits at their ATMs. When you use another bank's ATM to make a deposit, it will be credited to your The Bancorp Bank HSA account.

Deposits are subject to the bank's Funds Availability Policy. For more information, please visit the disclosures section at www.MyBancorpHSA.com.



CONTRIBUTIONS

How much can I contribute to my HSA?

The maximum annual contribution that an individual, with individual coverage, can make to an HSA is \$2,850 for 2007. In the case of a family, with family coverage, the maximum annual contribution is \$5,650 for 2007. Beginning in 2007 the deductible is not considered in determining the amount of the allowable contribution.

How much may I contribute to the account if I establish my HDHP after January 1, 2007?

For tax years beginning in 2007, an individual or family, who become covered under an HDHP in a month other than January, may make a full deductible HSA contribution for the year as long as certain conditions are met. The 12 month rule.

Example: An individual enrolls in an HDHP in December of 2007 and is otherwise an eligible individual in that month. The individual is not an eligible individual in any other month in 2007. The individual can make an HSA contribution for 2007 as if he or she had been enrolled in the HDHP for all of 2007. If the individual ceases to be an eligible individual (e.g., if he or she ceases to be covered under an HDHP) in June 2008, an amount equal to the HSA deduction attributable to treating the individual as an eligible individual for January through November 2007 is included in the individual's income in 2008.

Can I use funds from my IRA to fund my HSA?

For tax years beginning in 2007, an individual may make a one-time contribution to an HSA of an amount distributed from his or her IRA. The contribution must be made in a direct trustee-to-trustee transfer. Amounts distributed from the IRA are not includible in the individual's income to the extent that the distribution would otherwise be includible in income. Such distributions are not subject to the 10-percent additional tax on early distributions.

The amount that can be distributed from the IRA and contributed to an HSA is limited to the otherwise maximum deductible contribution to the HSA computed on the basis of the type of coverage under the HDHP at the time of the contribution. The amount that can otherwise be contributed to the HSA for the year of the contribution from the IRA is reduced by the amount contributed from the IRA. No deduction is allowed from the amount contributed from an IRA to an HSA.

Health Savings Frequently Asked Questions



An individual is allowed only one distribution and contribution during his or her lifetime, except that if a distribution and contribution are made during a month in which an individual has individual coverage as of the first day of the month, an additional distribution and contribution may be made during a subsequent month within the taxable year in which the individual has family coverage. The limit applies to the combination of both contributions.

If the individual does not remain an eligible individual during the testing period, the amount of the distribution and contribution is includible in the individual's gross income. The testing period is the period beginning with the month of the contribution and ending on the last day of the 12th month following such month. The amount is includible for the taxable year of the first day during the testing period that the individual is not an eligible individual. A 10 percent additional tax also applies to the amount includible. An exception applies if the individual ceases to be an eligible individual by reason of death or disability.

May I use my HRA or FSA to fund my HSA?

For distributions and contributions made on or after the date of the enactment of the Act and before January 1, 2012, the Act allows certain amounts in a Health FSA or HRA to be distributed and contributed through a direct transfer to an HRA without violating the otherwise applicable requirements for such arrangements. The amount that can be distributed from the Health FSA or HRA may not exceed an amount equal to the lesser of (i) the balance in the Health FSA or HRA as of September 21, 2006, or (ii) the balance in the Health FSA or HRA as of the date of the distribution. The balance in the Health FSA or HRA as of any date is determined on a cash basis (i.e. expenses incurred that have not been reimbursed as of the date the determination is made are not taken into account).

Any amounts contributed to the HSA are excluded from the employee's income for income and employment tax purposes and are not taken into account in applying the maximum deduction limitation for HSA contributions. This provision is limited to one distribution with respect to each Health FSA or HRA of the individual.



Example: An individual has a balance in his or her Health FSA as of September 21, 2006 of \$2,000 and the balance in his or account as of January 1, 2008 is \$3,000. Under the new changes, the individual may distribute an amount not to exceed \$2,000 from his or her Health FSA to his or her HSA. If the individual ceases to be an eligible individual as of June 1, 2008, the \$200 contribution amount is included in his or her gross income and subject to a 10-percent additional tax. If instead, the distribution and contribution are made as of June 30, 2008 when the balance in the Health FSA is \$1,500, the amount of the distribution and contribution is limited to \$1,500.

DISTRIBUTIONS

How do I make withdrawals (or take distributions) from my HSA?

You can make tax-free withdrawals (also known as distributions) from your HSA to pay for qualified medical expenses at any time during the year. However, you do not have to make withdrawals from your HSA each year. Your contributions remain in your HSA from year-to-year until you use them. If you make withdrawals for non-qualified medical expenses or for other reasons, the amount withdrawn will be subject to income tax and may be subject to an excise tax as well. Please keep in mind you should track all of your withdrawals from your HSA so you can supply documentation on your expenditures, if needed. It is up to you to monitor the deposits and withdrawals made to your HSA.

TAX RELATED QUESTIONS

How do I report distributions on my tax return?

How you report your distributions depends on whether or not you used the distribution for qualified medical expenses.

- When you use a distribution from your HSA for qualified medical expenses, you do not pay tax on the distribution but you have to report the distribution on IRS Form 8889. Follow the instructions for the form and attach it to your IRS Form 1040.
- When you do not use a distribution from your HSA for qualified medical expenses, you must pay tax on the distribution and report the amount on IRS Form 8889. Follow the instructions for the form and attach it to your IRS Form 1040.

You must also report and pay an additional tax on your IRS Form 1040, unless you meet one of the exceptions established by the IRS. You will need to contact the IRS or your accountant for more information on the exceptions.

Health Savings Frequently Asked Questions



Reporting and paying the additional tax: There is a 10 percent additional tax on the part of your distribution that was not used for a qualified medical expense. The account owner is required to report the additional tax in the Other Taxes section of your IRS Form 1040.

Exceptions to the additional tax: There is no additional tax if you are disabled, age 65 or older, or die during the year.

Are health insurance premiums qualified medical expenses?

In most cases, health insurance premiums are not qualified medical expenses. However, the following are exceptions:

- Premiums for qualified long-term care insurance
- Premiums for COBRA health care continuation coverage
- Premiums for health coverage while an individual is receiving unemployment compensation
- For individuals over age 65, premiums for Medicare Part A or B, a Medicare HMO and the employee share of premiums for employer-sponsored health insurance, including premiums for employer-sponsored retiree health insurance

Premiums for Medigap policies are not qualified medical expenses.

Health Savings Account Eligible Medical Expenses



According to the Internal Revenue Service (IRS), HSAs can be used to pay for:

1. Eligible medical expenses including over-the-counter medicines and drugs
2. Health insurance premiums under COBRA continuation coverage
3. Health insurance premiums while receiving unemployment compensation
4. Medicare Part A or Part B premiums for individuals enrolled in Medicare
5. Qualified long term care insurance premiums

Eligible medical expenses for HSAs are defined in Section 213(d) of the Internal Revenue Code. A complete list is available from the IRS in Publication 502 (Medical and Dental Expenses) by visiting www.irs.gov or by calling 800.829.3676. Below is a reference list that may help you determine whether or not a medical expense is eligible for HSA reimbursement. This reference list is provided ONLY as a guide. Please consult IRS Publication 502 or a professional legal or tax advisor regarding the eligibility of a medical expense. In addition, some expenses are limited by dollar amounts or depend on specific criteria.

Eligible HSA Medical Expenses (not fully inclusive)

Acupuncture	Fees paid to doctor prescribed health institute
Alcoholism treatment	FICA and FUTA tax (paid for medical services)
Ambulance	Fluoridation unit
Anesthetist	Guide dog
Artificial limbs	Gum treatment
Autoeette (used for relief of sickness/disability)	Gynecologist
Blood tests	Healing services
Blood transfusions	Hearing aids and batteries
Braces	Hospital services
Chiropractor	Hydrotherapy
Christian Science Practitione	Insulin treatments
Contact lenses	Lab tests
Convalescent home (medical treatment only)	Lead-based paint removal
Crutches	Lodging (away from home for healthcare)
Dental treatment	Metabolism tests
Dental X-rays	Neurologist
Dentures	Obstetrician
Dermatologist	Operating room costs
Diagnostic fees	Ophthalmologist
Diathermy	Optician
Drug addiction therapy	Optometrist
Drugs (prescription or over-the-counter)	Oral surgery
Elastic hosiery (prescription)	Organ transplant (including doctor's expenses)
Eyeglasses	Orthopedic shoes

Health Savings Account Eligible Medical Expenses



Eligible HSA Medical Expenses Continued

Orthopedis	Special school costs for the handicapped
Osteopath	Spinal fluid test
Oxygen and oxygen equipment	Splints
Pediatrician	Sterilization
Physician	Stop smoking programs
Physiotherapist	Surgeon
Podiatrist	Telephone or TV equipment to assist the hard of hearing
	Therapy
Postnatal treatments	Transportation expenses (for healthcare)
Practical nurse for medical services	Ultraviolet ray treatment
Prenatal care	Vaccines
Psychiatrist	Vasectomy
Psychoanalyst	Vitamins (if prescribed)
Psychologist	Wheelchair
Psychotherapy	X-rays
Radium therapy	
Registered nurse	

Non-Eligible HSA Medical Expenses (not fully inclusive)

Advance payment for services to be rendered next year
Athletic club memberships
Automobile insurance premium allocable to medical coverage
Boarding school fees
Bottled water
Commuting expenses of a disabled person
Cosmetic surgery and procedures
Cosmetics, hygiene products and similar items
Diaper service
Domestic help
Funeral, cremation or burial expenses
Health club dues
Health programs offered by resort hotels, health clubs, and gyms
Illegal operations and treatments
Illegally procured drugs
Insurance premiums for life insurance, income protection, disability, loss of limbs, sight or similar benefits
Maternity clothes
Scientology counseling
Social activities
Special food or beverages
Specialty designed car for the handicapped other than an Autoette or special equipment
Swimming pool
Travel for general health improvements
Tuition and travel expenses for a problem child to a particular school

The material presented here is not intended to serve as a substitute for tax advice from a qualified professional.

Protect Your HSA



Protect your HSA with our flexible Overdraft Protection option. With a Personal Line of Credit you will eliminate the worry of having a low account balance for covering a medical related expense. The Overdraft Protection will be available when you need it to eliminate returned check and insufficient fund fees.

Core Features

- No application fee
- No annual fee
- No monthly maintenance fee
- No transaction fee when Overdraft Protection is required
- Only funds necessary to cover your expense will be transferred into your account
- Easy online tracking of transferred funds

To add a Personal Line of Credit as Overdraft Protection to your HSA, log in to your account and click the "Apply Now" button. You will have the choice to complete an online application or download a paper application.



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Wilmington, DE 19809

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