



# Considering opting out of the HCSP?

Paying for health care may be one of your household's largest expenses. According to Fidelity's Retiree Health Care Cost Estimate, a 65-year-old couple retiring in 2018 will need an estimated \$280,000<sup>1</sup> to cover health care costs in retirement.

The Health Care Savings Plan (HCSP) can help you pay for rising health care costs, not just in retirement, but anytime after you leave Minnesota public employment.



## The HCSP is TAX-FREE!

More of your money works for you because you do not pay income taxes on contributions or reimbursements.

### ► Here's a comparison assuming a severance payment of \$10,000

#### HCSP Payout

Severance Payment	\$10,000
Federal Income Tax	\$ - 0
State Income Tax	- 0
FICA Tax	- 0
<b>Net Cash Payout</b>	<b>\$10,000</b>

#### Cash Payout

Severance Payment	\$10,000
Federal Income Tax	\$ -2,200
State Income Tax	- 705
FICA Tax	- 765
<b>Net Cash Payout</b>	<b>\$6,330</b>

For illustration purposes only. This hypothetical example assumes a 22% federal withholding rate; 7.05% state withholding rate; and 7.65% FICA (Social Security and Medicare) tax rate. Individual tax rates will vary based on total taxable income and filing status for the year.

<sup>1</sup> Estimate based on a hypothetical 65-year old couple retiring in 2018, with average life expectancies of 85 for a male and 87 for a female. Estimates are calculated for "average" retirees, but may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes. The Fidelity Retiree Health Care Costs Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, Original Medicare.

More information on back



## Here are some additional benefits to consider before you elect to waive participation in the HCSP.



The HCSP is a **post-employment** account. That means you can request reimbursements after you end public employment, *regardless of your age*. The account can be used to reimburse eligible healthcare expenses incurred by you, your spouse, legal tax dependents, and adult children up to age 26.



HCSP funds can be used to reimburse many medical expenses that insurance does not cover, such as:

- Spouse and dependent premiums
- Medical and dental co-pays and deductibles
- Eye care expenses such as glasses (prescription or reading), contacts and vision correction procedures
- Hearing aids and batteries



You may be responsible for paying monthly **Medicare premiums** (Part B, C, or D), even if you have health insurance coverage from another source. Your premiums (and your spouse's premiums) are a reimbursable expense from an HCSP account.



Upon your death, any remaining account balance will transfer to an HCSP account for your spouse. If there is no spouse, the balance will be divided equally among any legal dependents to use for the reimbursement of eligible healthcare expenses. If you do not have a spouse or legal dependent(s) at the time of your death, the account balance will transfer to an HCSP account for your designated beneficiary.

**An election to waive participation is irrevocable.** You will not have another opportunity to participate in the HCSP, even if you change public employers or your situation changes.



The Health Care Savings Plan (HCSP) is Administered by Minnesota State Retirement System (MSRS)

## Questions?



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