Optum Financial®

Managing your HSA beneficiaries



Frequently asked questions

Here's some helpful info on how to designate beneficiaries for your HSA (health savings account). For specific legal or tax implications, contact your legal or tax advisor.

What is an HSA beneficiary?

An HSA beneficiary is the individual(s) or legal entity that you designate to be the recipient of your remaining HSA funds when you pass away. You can have one or multiple beneficiaries and you may change the designations at any time.

Why is it important to designate an HSA beneficiary?

Naming a beneficiary to your HSA is important to ensure your remaining funds are managed quickly and easily upon your passing.

Who can be designated as an HSA beneficiary?

Who you designate determines how your HSA will be transferred (or distributed) and may include tax implications:

Spouse: If your spouse is the designated beneficiary, ownership of your HSA will automatically transfer to your spouse, and the transfer is not taxable (unless the funds are used for nonqualified medical expenses).

Individual other than spouse: If you designate someone other than your spouse (e.g., children), account ownership will not transfer, and the fair market value of your HSA becomes taxable to the beneficiary in the year in which you pass away.

Trust: If your trust is the beneficiary, the value will be distributed to the trust.

If no beneficiary was designated prior to passing, and you are married, your surviving spouse can receive the HSA funds directly as a death distribution or transfer to another HSA. If you are single and have not named a beneficiary, your HSA will be distributed to your estate.

How does marital status affect designation(s)?

If you are married and designate a beneficiary other than, or in addition to, your spouse, your spouse must consent in writing by signing the HSA Designation of Beneficiary Form. This form must be notarized. Please consult your tax advisor or an attorney when completing this form, as there may be tax and/or legal consequences for your designation.

What happens if my marital status changes?

If your marital status changes, you should review your beneficiary designations and update them accordingly to ensure they reflect your current status. If you are updating your marital status, are now married and designating a beneficiary other than, or in addition to, your spouse, you are required to submit the HSA Designation of Beneficiary Form to complete beneficiary designation updates.

What is spousal consent?

Spousal consent is required when a married person designates someone other than, or in addition to, their spouse as a beneficiary for their HSA.

If spousal consent is needed to validate your designation, you must complete the HSA Designation of Beneficiary Form. This allows your spouse to acknowledge and consent to the beneficiaries you have chosen. This form must be signed by your spouse and witnessed by a notary public.

How can I designate or update my beneficiaries?

Mobile app or online: You may designate or update your beneficiaries on the mobile app or online using the secure online portal unless spousal consent is required. If spousal consent is required, you must complete the HSA Designation of Beneficiary Form, which must be signed by your spouse, notarized and mailed. Once you have saved your beneficiary designation(s), your beneficiaries will display in the portal.

To add or update a beneficiary:

1. Sign in to your mobile app or online portal
2. Select **Settings**
3. Select **Beneficiaries**
4. Select **Add a New Beneficiary**
5. Follow the prompts to add or edit your beneficiaries and assign a percentage allocation. If you do not assign a percentage allocation, your beneficiaries will not be saved.

Important: Be sure to select *Save* when you have completed your additions or updates.

Mail: You may complete your beneficiary designation using the HSA Designation of Beneficiary Form. Mailed forms must be notarized or they will not be processed. Follow the instructions on the form and mail to the address indicated. Once received and processed, your beneficiaries will display in the portal.

What is the difference between a primary and contingent beneficiary?

The primary beneficiary(ies) you name will receive an allocated share of your HSA in the event of your death. Contingent beneficiary(ies) named for a specific primary beneficiary will receive an allocated share of your HSA if the specific primary beneficiary passes away before you. Each contingent beneficiary must be linked to a primary beneficiary. You cannot link a contingent beneficiary to another contingent beneficiary.

Am I required to name a contingent beneficiary?

You are not required to name contingent beneficiaries. However, you may designate one or more contingent beneficiaries for each primary beneficiary you name. The contingent beneficiary(ies) you name will receive the portion of the HSA that you designated for a specific primary beneficiary who passes away before you.

Why am I required to provide a Social Security number (SSN) or Tax Identification Number (TIN) for each of my beneficiaries?

Providing an SSN, or TIN where applicable, helps facilitate timely distribution of your benefits.

I am completing my beneficiary designation online. What does the *Distribute Equally* button do?

When the *Distribute Equally* button is selected, allocation will be made as evenly as possible among named beneficiaries.

Scenario A: Two primary beneficiaries have been named. *Distribute Equally* button is selected. Both beneficiaries display 50% allocation.

Scenario B: Three primary beneficiaries have been named. *Distribute Equally* button is selected. One beneficiary displays 34% allocation and the remaining two beneficiaries display 33% allocation.

Can I use fractions or decimals when assigning beneficiaries?

Fractions or decimals aren't permitted. Please use whole numbers and the total must add up to 100%.

What forms are required that the beneficiary should complete after the HSA account holder passes away?

The Death Distribution Request Form.

How do I get a copy of the HSA Death Distribution Form?

You can obtain a copy of the form by calling us at **1-866-234-8913**.

What forms are required that the beneficiary should complete after the HSA account holder passes away?

The following documents are required supporting documentation when completing the death distribution form. Documents must be correctly certified, signed, notarized or court stamped, depending on the requirements of the form and state:

- Death Distribution Request Form
- Original certified death certificate
- Copy of the beneficiary's/claimant's unexpired driver's license or state-issued ID
- Letter of Administration/Testamentary, if the Estate is the claimant. **Tax ID or EIN obtained from the IRS for the estate is required.**
- Small Estate Affidavit, if applicable. A small estate affidavit will only be accepted when the balance of the HSA itself is below the small estate threshold for the state issuing the Small Estate Affidavit.
- Transfer Form from your HSA custodian, if applicable

The below documents are not accepted:

- Trust documents where trust is not a named beneficiary on the account
- Power of Attorney documents (this is not the same as power of estate, common misconception)
- Copies of wills because they are subject to probate
- Letter of Testamentary/Letters of Administration from probate court without the court seal/stamp or judge's signature based off that state's requirements

How does a spouse beneficiary transfer the receiving HSA?

There are a few options to receive the HSA from the account holder who passed away.

Spouse beneficiary has an existing Optum Bank HSA:

- If the beneficiary has an existing Optum HSA, funds can be transferred to the existing account. The account must be in the beneficiary's name and SSN, not the decedent's.
- The original certified death certificate will need to be submitted, and form completed.

Spouse beneficiary does not have an existing Optum Bank HSA:

- If the beneficiary does not have an HSA with Optum, the beneficiary can apply online before sending this form in with the original certified death certificate.
- If the beneficiary does not meet HSA eligibility requirements and is ineligible to contribute to an HSA but is the surviving spouse and beneficiary of a deceased HSA account holder, you are able to open an HSA for purposes of transferring the inherited HSA assets in a separate, individually owned account under your name and SSN.

Spouse beneficiary has an existing HSA with another financial institution:

- The beneficiary is able to transfer funds to another financial institution.
- Please send the completed transfer request form from your HSA custodian or trustee, along with this form and the original certified death certificate.
- Make sure to also include the transfer form or appropriate paperwork from the other institution. Ideally, this form is included when submitting.

Alternative option to transferring the HSA:

The beneficiary may request to liquidate the HSA investment, if applicable, close the account, and have the remaining funds, less fees and expenses, sent via check.

How does a non-spousal or other individual beneficiary receive the funds from the HSA?

The nonspousal beneficiary may request to liquidate the HSA, close the account and have the remaining funds, less fees and expenses, sent via check.

How does an executor, personal representative or administrator of decedent's estate handle the HSA?

The executor, administrator or personal representative may request to liquidate the HSA, close the account and have the remaining funds, less fees and expenses, sent via check.

What if the HSA beneficiary is a minor with a nonparent guardian?

If the requestor is a legal guardian, the payment is issued to the guardian FBO (for the benefit of) the beneficiary. Accepted documents will depend on the state but would generally be one of the following: Judicial Decree (with court stamp, judge's signature); Valid Power of Attorney for the minor; Affidavit of Guardianship (with court stamp, judge's signature).

What if the HSA beneficiary lives in a foreign country?

If the beneficiary lives in a foreign country, the following is needed: a U.S. Tax ID Number, a completed W-8BEN form, and a bank account in the U.S. for deposit.

What should be done with the decedent's HSA payment cards?

A beneficiary that has a decedent's HSA payment card should destroy those cards, as the cards will be linked to the decedent's restricted account.

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Health savings accounts (HSAs) are individual accounts held at Optum Bank®, Member FDIC, unless otherwise indicated, and administered by Optum Financial, Inc. or ConnectYourCare, LLC, an IRS-Designated Non-Bank Custodian of HSAs, a subsidiary of Optum Financial, Inc. Neither Optum Financial, Inc. nor ConnectYourCare, LLC is a bank or an FDIC insured institution. HSAs are subject to eligibility requirements and restrictions on deposits and withdrawals to avoid IRS penalties. State and/or local taxes may still apply. Fees may reduce earnings on account. Refer to your HSA account agreement for details.

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