



Morningstar® Retirement ManagerSM

HSAs as Outside Accounts Talking Points

What is the guidance on outside accounts feature with HSAs?

Guidance on outside accounts is a feature within Morningstar Retirement Manager that's designed to help participants make investment decisions on retirement accounts they hold outside of their employer-sponsored plan. Through this feature, users can tell us about other accounts they have earmarked for retirement—such as a 401(k) from a past job or an account held by a spouse/partner.

Users can now enter health savings accounts (HSAs) that are specifically designated for covering healthcare costs in retirement. Morningstar Retirement Manager can consider Individual Coverage HSAs and Family Coverage HSAs.

What is a Health Savings Account (HSA)?

An HSA is a savings account that is intended to help people pay for medical expenses in conjunction with a high-deductible health insurance plan. Contributions to HSAs are either pre-tax (if through an employer) or tax-deductible. Withdrawals can be made tax-free to pay for qualified healthcare expenses, like prescriptions and doctors' visits, and people can invest the savings in their HSA without paying taxes on the growth of those investments.

Thanks to their tax advantages, HSAs have become a popular savings vehicle for healthcare costs both before and in retirement. Because HSAs can be used to help fund healthcare expenses in retirement, Individual Coverage HSAs and Family Coverage HSAs can now be added as outside accounts in Morningstar Retirement Manager so that those accounts can be factored into a user's retirement strategy.

How does Morningstar Retirement Manager factor an HSA into a user's retirement strategy and why is it important?

Users can only enter HSAs with savings that are specifically designated for use in retirement. Telling us about an HSA helps us gain a more holistic view of a user's total savings and financial picture. It also allows us to provide investment guidance to help keep their HSA investments in line with the appropriate risk level.

HSAs are factored into a user's retirement strategy in a few different ways, which they'll see reflected on the advice dashboard:

- ▶ **Overall savings:** Their HSA savings will be factored into the overall annual savings recommendation.
- ▶ **Asset class guidance:** Within our recommendations for their risk level, they'll see our asset class guidance for all the outside retirement accounts they've told us about, including HSAs. This guidance is designed to help them determine how to invest their savings in these other accounts.
- ▶ **Spending strategy:** Users who are age 50 and older will see their HSA accounted for in their sustainable spend-down strategy for retirement.

To note, users will have to apply our asset class guidance to their HSA themselves since we do not actively manage those accounts. Once they do, they should return to Morningstar Retirement Manager to confirm exactly how they've invested the account so that we have the most accurate information available.

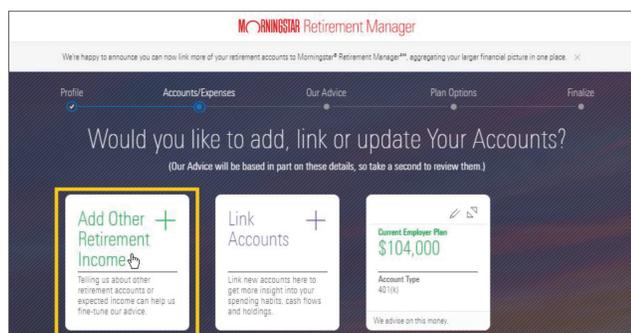
Who is able to add an HSA to Morningstar Retirement Manager?

All Morningstar Retirement Manager users will be able to add HSAs in the service.

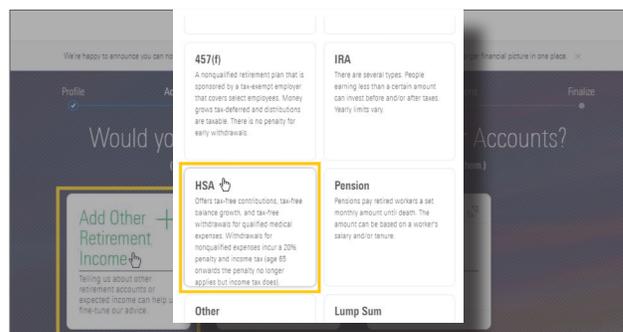
Morningstar® Retirement ManagerSM HSAs as Outside Accounts

How does someone add an HSA to Morningstar Retirement Manager?

Users follow an intuitive process to add their HSA(s) to Morningstar Retirement Manager. To start, they'll navigate to the service through their plan provider's website as they normally do. When they get to the page with their account(s) shown in different tiles, they'll see an option to select **Add Other Retirement Income**.



From the list of account types that pop up, they'll select **HSA**, followed by the type of HSA they have—either individual or family coverage.



From there, users will be prompted to enter details about their HSA. In order to save the account in Morningstar Retirement Manager, they must at least share the account name, balance, and risk level or exact investment holdings. They can also tell us about any pretax contributions they're making to the account, or contributions being made by their employer.

Once the account is saved, it will have its own tile on the accounts page and will be accounted for in the users' retirement strategy.

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Guidance is designed to give general asset class information to help your participants determine how to manage their accounts. It is provided as general and educational information only and is not intended to provide "investment advice" as defined by the Employee Retirement Income Security Act of 1974, as amended (ERISA). Guidance information should not be considered as advice to buy or sell a particular investment option. Participants are responsible for determining the suitability of any investment option for their unique situation.

We consider "outside accounts" to be those accounts, other than the participant's employer-sponsored retirement plan account, that they have set up for retirement savings. Morningstar Investment Management cannot monitor, review or update its suggestions or projections for outside accounts on an on-going basis, nor does it have the capability to monitor or review investment decisions the participant makes in outside accounts. Because Morningstar Investment Management depends on the completeness, accuracy and timeliness of the outside account information provided, participants are solely responsible for reviewing and updating their individual financial information. Participants are responsible for tracking their outside accounts and the market to be aware of any changes in the value of such outside accounts, and reporting that information to Morningstar Investment Management.

There is no fee to receive guidance on outside accounts, however, participants should be aware they could incur redemption fees, transaction costs, other security or account level charges and expenses, and/or tax consequences for the securities in their outside accounts. Participants should consult with a professional financial adviser or tax adviser if they have any questions prior to making any investment decisions.