

Demystifying HSA INVESTMENT FEES

Health savings accounts (HSAs), when properly administered, can be a great long-term investment. Exorbitant and often hidden fees can significantly erode earnings in the long-term. Employers that insist on clear insight into investment fees can benefit from HSAs as a valuable tool for enabling employees' long-term health and wealth security. At HealthEquity we believe that it is important that every investor know and understand the total cost of ownership as they consider participating in the investment options in their HSA.

We pride ourselves on being both a low-cost and high-fund-quality leader in the HSA marketplace. The following information shows how HealthEquity maintains a low-cost approach to investing:

Investment Admin Fee:¹

Asset-based fee that covers investment administration roles and responsibilities. HealthEquity charges 0.40% or 40 basis points annually on the average daily balance.

For every \$1,000 invested, the fee is **\$4 PER YEAR**

Fund Expense Ratio:

A fee withheld by the mutual fund company to cover their costs. The average fee for all funds available to HealthEquity members is: 0.09% or 9 basis points annually.

For every \$1,000 invested, the fee is **90¢ PER YEAR**

OTHER THINGS TO ASK ABOUT:

Fiduciary Rule alignment: The Department of Labor's standards state that brokers must put their client's interests above their own and be transparent about fees and commissions. Does your HSA administrator work to comply with this?

Bait-and-switch: Some administrators tout a few low-cost funds but also include many high cost funds. Look at the full lineup of funds that are available from your administrator and not just those they highlight.

Fee items NOT charged through HealthEquity but commonly charged through other HSA administrators:

Platform fee: A fee, typically charged by the administrator to gain access to a third party's investment management platform. This multi-party approach is expensive, costing accountholders as much as \$36 per year.

Transaction fee: A fee incurred on the transaction (buy or sell) of a mutual fund.

Short-term redemption fees: A fee charged for not holding a fund long enough.

Mutual fund commissions: Typically an asset-based sales charge from the investment company upon buying or selling the fund.

Revenue sharing: A hidden fee paid from mutual funds to administrators, brokers and others. These costs may constitute a conflict of interest depending on how they are managed. HealthEquity does not accept revenue sharing. These costs can increase the fund expense ratio by as much as 100 basis points.²

Proprietary funds: Mutual funds created and managed by the administrator that could cost more and return less.

Mutual fund minimums: Many mutual funds require minimums before accountholders can buy them.



¹ The Investment Admin fee at HealthEquity covers certain investment services, including: (i) Maintaining trading platform, (ii) Executing trades through Charles Schwab, our broker-dealer, (iii) Reconciling trades to accounts, (iv) Investment recordkeeping and accounting, (v) Tax and audit services, (vi) Debit card for ease of payment at point of sale, (vii) Monthly statements, (viii) Access to mobile and online portals for tools and resources, and finally (ix) 24/7/365 customer support.

² Source: Morningstar glossary. http://www.morningstar.com/InvGlossary/12b-1_fee.aspx

INVESTMENT FEE COMPARISONS

A recent Morningstar report, 2017 Health Savings Account Landscape, found that HealthEquity had the lowest underlying expense ratios of any of its competitors. The table below outlines a general investment fee comparison of HealthEquity and two of our competitors in an apples-to-apples comparison performed by Morningstar.*

	HealthEquity	Administrator 2	Administrator 3
Investment admin fee	0.40%	None	None
Average fund expense ratio	0.05% (range: 0.03% to 0.07%)	0.48% (range: 0.46% to 0.50%)	0.99% (range: 0.77% to 1.20%)
Mutual fund minimums	None	Not publicly disclosed	Not publicly disclosed
Platform fee	No fee	\$36 annually	\$24 annually
Transaction fee	No fee	Not publicly disclosed	Not publicly disclosed
Short-term redemption fees	No fee	Not publicly disclosed	Not publicly disclosed
Mutual fund commissions	None	Not publicly disclosed	Not publicly disclosed
Revenue sharing	None	Not publicly disclosed	Not publicly disclosed
Proprietary funds	None	None	None

*Source: Morningstar report, <http://corporate1.morningstar.com/ResearchLibrary/article/813893/2017-health-savings-account-landscape/>

POTENTIAL INVESTMENT FEES AFTER 15 YEARS¹

HealthEquity

AVERAGE TOTAL
\$2,046
LOW \$1,957 HIGH \$2,135

LOWER FEES

Admin 2

AVERAGE TOTAL
\$3,108
LOW \$3,021 HIGH \$3,195

1.5X MORE EXPENSIVE
than HealthEquity

Admin 3

AVERAGE TOTAL
\$4,981
LOW \$4,055 HIGH \$5,850

2.4X MORE EXPENSIVE
than HealthEquity



¹ Based on average mutual fund expenses and platform fees or investment admin fees, calculated against annual invested contributions of \$2,000 with a 7% annual rate of return.