

WHEN TO CONSIDER A HEALTH SAVINGS ACCOUNT (HSA)



1 WHAT IS AN HSA?

Health Savings Accounts (HSA) were created for the sole purpose of paying for health related expenses in a tax advantaged way. HSAs have triple-tax advantages:

1. Contributions are tax deductible;
2. Earnings grow tax-deferred; and
3. Withdrawals are tax free if used for qualified medical expenses.

You can use your HSA to pay for everything from preventative care, to physician office visits, to sunscreen.

BONUS BENEFIT: Funds roll over each year so you can save for the future!



2 HOW DOES A HEALTH SAVINGS ACCOUNT WORK?

- You must have a high deductible health insurance plan.
2022 Deductible Limits: \$1,400 individual / \$2,800 family
- You may fund an HSA with either post-tax dollars or pre-tax dollars via your employer.
- You can only contribute the maximum allowed amount every year.
2022 Contribution Limits: \$3,650 individual / \$7,300 family
- You may pay for medical expenses with a debit card or with checks issued by the HSA account administrator linked to your HSA.



3 WHAT ELSE DO I NEED TO KNOW?

- Once you have enrolled in Medicare, you are no longer allowed to contribute to an HSA.
- Funding your HSA before retirement is one savings strategy to help cover post-retirement medical expenses.
- Some HSA's have the option to operate as a self-directed IRA, providing a wide variety of investment options.
- Subject to certain rules, you can make a once in a lifetime IRA to HSA rollover.

SO WHAT DOES THIS MEAN FOR ME?

Jane Doe elected to have \$200 of her pretax income deposited into her employer sponsored Health Savings Account every month. She also made a one time \$1,000 contribution this year. After breaking her leg, Jane wrote a check from her HSA to pay the hospital for her deductible amount of \$1,450. Jane used her HSA debit card to purchase OTC pain relievers and pay for her acupuncturist appointments. At the end of the year, she has a balance of \$1,600 to carry over into next year. Though not taxable, her employer contributions, personal contributions, account interest earnings and withdrawals from the HSA will be reported on her tax return.

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