

HSA 101

IS A HEALTH SAVINGS ACCOUNT (HSA) RIGHT FOR ME?



When a High Deductible Health Plan (HDHP) is combined with an HSA, you can:

- Control healthcare expenses.
- Increase tax savings.
- Reduce insurance premiums.
- Enjoy flexibility and portability.
- Save for retirement.

Here is a quick overview of the advantages and disadvantages of an HSA.

Remember...

The HDHP, which is a requirement for an HSA, isn't always the best medical plan option if you expect to have significant healthcare expenses. However, if your general health is good to excellent, an HDHP may work well for you.



Advantages



- ✓ Triple tax savings. The lifetime tax benefits even surpass those of a 401(k).
- ✓ Save for future health care expenses. Think retirement, a time when medical expenses typically increase.
- ✓ You can use your HSA funds to pay deductibles, coinsurance and copays for medical, dental and vision services for yourself, your spouse, and your eligible dependents.
- ✓ If you are age 55 or older, you may contribute an extra \$1,000 annually as a “catch up.”
- ✓ You own and a take this account with you wherever you go, there are no “use it or lose it” restrictions.

Disadvantages



- ✗ If you withdraw funds for non-medical purposes prior to age 65, those funds are considered taxable income and a 20 percent penalty is also assessed by the IRS. After age 65, you would only be assessed taxes on the funds.
- ✗ It isn't always easy to accurately budget for healthcare expenses. Illness can be unpredictable, and information about the cost and quality of medical care can be difficult to find.
- ✗ It can be challenging to set aside money to put into an HSA. An older, sicker person may not be able to save as much as a younger, healthier person.