HEALTH SAVINGS ACCOUNTS FOR RETIREMENT

Health Savings Account (HSA) Benefits:

- Save taxes – contributions to an HSA reduce your gross taxable income
- There are no income restrictions on HSA deductions - the entire contribution is deductible regardless of your income
- Earnings in an HSA account are not taxed
- The flexibility to shop for healthcare services and products - make more informed healthcare decisions
- Funds stay with you when you change jobs or retire - you own the account
- Unused funds roll over from year-to-year
- Options for self-directed investments can potentially grow your savings tax-free
- Designate a beneficiary, such as a surviving spouse - the funds aren't lost at death
- And, the best of all - save for retirement! Reimburse yourself, tax-free, for any qualified health expenses as well as deductibles, co-insurance, prescriptions, vision expenses, and dental care incurred any time after opening the HSA. After age 65, HSA funds can be used for any purpose without penalty (only income tax is assessed).

Make an HSA contribution that reduces current taxes, use cash on hand for current expenses, and let your HSA grow tax-free for retirement!

Only a quarter of workers say funding their account is a financial priority. If you do not contribute to an HSA, you are missing out on immediate tax benefits and the opportunity to build additional savings for retirement.

You qualify for an HSA if you meet all the following requirements:

- You are covered under a high deductible health plan (HDHP), either through your employer, through your spouse, or one you've purchased on your own, on the first day of the month. For 2019, individuals who have single health plans with a minimum deductible of $1,350 and a maximum out-of-pocket cost of $6,750 (family plans double those amounts) are considered to have a HDHP.
- You are not covered by TriCare, the health care program for uniformed service members, retirees, and their families.
- You have not accessed VA medical benefits in the past 90 days.
- You cannot be claimed as a dependent on someone else's 2019 tax return.
- You have no health coverage other than your HDHP (see Other Health Coverage Allowed for details).
- You are not enrolled in Medicare (if you collect Social Security benefits you are in Medicare, making you ineligible to contribute to an HSA).
- You have a valid Social Security Number and a primary residence in the United States.

Most people use an HSA is to use pre-tax earnings to pay for health care. But we consider an HSA the **holy grail of savings accounts**. To use your HSA as a valuable retirement planning tool, follow these four steps:

1. Open a HSA.
2. Contribute the maximum allowed each year.
3. Save your receipts and let your balance grow.
4. Use your HSA like an IRA in retirement.

Open a HSA: Open an account at hsabank with $3,500 if single and under 55, $4,500 if over 55, or double those amounts if joint. Once opened and funded, let us know. We will work with you to move all except $1,000 to an account at TD Ameritrade so that we can work with you to invest for long-term growth.

Contribute the maximum allowed each year: In 2019, you can contribute up to $3,500 to an HSA if you have a single health insurance policy, or $7,000 if a family policy. If you are age 55 or older, you can make an additional $1,000 in catch-up contribution.

Save your receipts and let your balance grow: Pay current medical bills from cash on hand, letting the balance in your HSA grow. Save all paid medical receipts.

Use your HSA like an IRA in retirement: Once retired, you can reimburse yourself for all those receipts you saved. If you take out HSA funds that are not used for prior or current qualified health expenses, this normally incurs a 20 percent tax penalty, in addition to regular income tax. But there is no penalty for non-health care withdrawals in retirement! The HSA works just like an IRA once you are 65 –funds can then be taken for any purpose with only income tax due, the same as how withdrawals from traditional IRAs are handled after age 59½.

If in the future you no longer have a qualified high-deductible plan, you can still pay for medical expenses with HSA funds. You just can't make any new contributions until you have a qualified plan again.

Contributing to an HSA essentially allows workers with IRAs to double their annual retirement savings. HSAs have an advantage: while traditional IRA holders are required to begin taking minimum distributions at age 70½, there is no such requirement with an HSA.

Should you have any questions, need further discussion, or we can be of assistance in any way, please contact us.