



## Understanding the Advantages of an HSA in 2022

*HSAs can be particularly beneficial to those who are young and healthy*

A Health Savings Account (HSA) can be a good alternative to traditional health care, especially for those who are young and healthy. With an HSA, you put money away in a tax-advantaged account but in order to be eligible, you must already be in a health plan that has a high deductible. Anyone can open an HSA, provided they are not already covered by another health plan, are not 65 and covered by Medicare, and cannot be claimed as a dependent on someone else's tax return.

With a high-deductible health plan (HDHP), you get health benefits only after the deductible is satisfied. In 2022, that means no less than \$1,400 for individuals, or \$2,800 for families. These numbers are the minimum, and your deductible may be higher depending on the HDHP you choose.

### Why is it Different?

An HSA can grow over time, assuming no huge market downturns. HSAs offer options for investing what you contribute. These include stocks, bonds and mutual funds, as well as interest-earning savings accounts and money market accounts.

Growth is fueled by the HSA's rollover feature: If you do not use all of your HSA funds in a given year, the money remains in your account, rolling into your health plan for the following year. Some of these carry more risk than others, so be sure to know what

your plan offers. Consult a financial professional to help you find the options that are best for you.

Also, HSA accounts are yours, so if you lose your job or find another one, your HSA account remains for you to use. Because you are responsible for covering such a high deductible out of pocket, the premiums you pay through your paycheck or otherwise are considerably less than what you likely pay for a traditional health-care plan. That helps you to contribute to an HSA.

Many employers also contribute some money to either your HSA or your HDHP plan premium, making your burden less. As with many other health plans, there is a maximum yearly contribution to an HSA. For 2022, individual coverage contributions can be no more than \$3,650 for a family, \$7,300. Due to these factors, HSAs are particularly beneficial to those who are young and healthy. The rollover allows individuals to save money when they have few health issues, and builds funds for emergencies.

### A Caveat

HSAs could have the opposite effect, as well. If you open an HSA while you have relatively high health expenses, you risk losing the account's ability to save and grow – and in coming years, may wind up paying all your high deductible out of pocket.

## How Can it Help with My Taxes?

An HSA carries several tax benefits:

- Some employers will allow you to make pre-tax contributions from your paycheck, therefore reducing your taxable income.
- If you make deductions after-tax on your own, you can deduct the amount from your federal, and possibly state, income taxes.
- All contributions to an HSA, as well as interest or investment earnings, grow tax-deferred.
- Contributions and withdrawals are tax-free so long as they are used for qualified medical expenses (IRS Publication 502).

Choosing a health-care plan is a difficult decision, so be sure to consult a professional to help you make the right choice.

Speak with your financial professional for clarification or more information on the advantages of an HSA.