



The Value Of HSAs As A Savings Vehicle For Retirement

One of the valuable lessons we learned from the COVID-19 pandemic is the importance of having savings in hand to pay for unexpected and emergency health care expenses. By accumulating funds in their Health Savings Accounts, accountholders were well prepared to pay for those out-of-pocket expenses when they arose.

But did you know that a Health Savings Account is also one of the best ways to plan and prepare for retirement? Here's why:

HSAs provide MULTIPLE BENEFITS that are especially valuable to you in later years:

YOU RECEIVE CONSIDERABLE TAX ADVANTAGES WITH AN HSA*:

- Contributions or deposits into the account are tax-deductible
- Distributions or withdrawals from the account that are used to pay qualified healthcare expenses are tax-deductible
- Account earnings – whether from the interest earned on the funds retained in the account or from earnings in the form of dividends or capital gains from invested HSA funds – are tax-deductible
- At age 55 and older, you and your spouse can each contribute an additional, tax-free “catch up” amount into your individual HSA
- Account funds roll over from year to year, untaxed.
- Keep healthcare receipts and invoices so you can take tax-free distributions for unreimbursed expenses even years after they were incurred.

*Nearly all states conform with federal tax laws with regard to HSAs; however, California and New Jersey tax HSA contributions.

YOU RETAIN FULL CONTROL OF YOUR HSA:

- The account belongs to you, even if your employer contributes to it.
- You decide:
 - o how much, up to the statutory limit, to contribute to the account
 - o the use you make of account funds
 - o whether to allow funds to grow in the account or move all or some of the funds into an investment account.
- The account is portable and stays with you even if you change jobs or health insurers or enroll in Medicare

EVEN IF YOU ARE NO LONGER COVERED UNDER AN HSA-COMPATIBLE HIGH DEDUCTIBLE HEALTH INSURANCE PLAN OR ARE ENROLLED IN MEDICARE, YOU CAN USE TAX-FREE HSA FUNDS TO PAY FOR THESE POST-RETIREMENT HEALTH EXPENSES :

- Medicare and long-term care premiums
- Out-of-pocket expenses under Medicare such as deductibles and coinsurance for medical care, as well as deductibles and coinsurance for medications
- Meals and lodging while receiving medical care away from home
- Gaps left by Medicare such as long-term care services, hearing aids, dental and vision care.
- Custodial care which does not require medical support, whether the care is delivered in a nursing home or in-home

As a retirement savings vehicle, how does an HSA compare with a traditional 401(k) or IRA?

- Withdrawals from a 401(k) or IRA are taxable, whether or not they are used for healthcare expenses
- When the account holder reaches a certain age, he or she must begin to take Required Minimum Distributions from a 401(k) or IRA

Include a Health Savings Account in your retirement planning with the goal of maximizing this valuable asset to help you meet healthcare expenses in later life, both planned-for and unexpected.

With that in mind, here are some strategies you may want to consider:

- Maximize your HSA contributions

- Take advantage of the additional catch-up contribution you can make when you reach age 55

- Establish a separate HSA for your spouse when he or she becomes age-eligible to make a catch-up contribution. IRS regulations require a spouse to have a separate HSA in which to deposit the additional contribution

- To the extent possible, avoid making withdrawals from your HSA

- Take distributions only to pay for qualified healthcare expenses

- If you decide use HSA funds as an investment vehicle, take care to protect this valuable asset by making wise, carefully considered investment decisions.

It is neither too early nor too late to plan for a financially secure retirement.