

What is a Health Savings Account (HSA)?

Think of an HSA as a “medical” IRA. A health savings account is a tax-advantaged account to be used for qualified medical expenses. Not only can you deduct your contributions to an IRA from your taxes, HSA funds can also be invested into a variety of investments to grow in value tax-free. Since inception in January 2004, HSAs are quickly gaining in popularity among individuals and employers alike.

What are the requirements for having an HSA?

1. You must be enrolled in a high deductible HSA qualified health plan with any carrier
2. You cannot be claimed as a dependent on another person's' tax return
3. You cannot be enrolled in Medicare
4. You cannot have dual health insurance coverage (be covered by another non HSA qualified health plan.)

How much can be contributed to an HSA?

The 2019 IRS contribution limits are \$3,500 for single plan coverage and \$7,000 for family plan coverage. In 2020 the IRS contribution limits are increasing \$50 for a single to \$3,550 for a single plan coverage and \$ 100 for a family to \$7,100 for family plan coverage.

IRS Limits

	2019	2020	Change
HSA Contribution limit (employer + employee)	Self: \$3,500 Family: \$7,000	Self: \$3,550 Family: \$7,100	Self: +\$50 Family: +\$100
HSA catch up contributions (age 55 or older)	\$1,000	\$1,000	No change
HDHP minimum deductibles	Self: \$1,350 Family: \$2,700	Self: \$1,400 Family: \$2,800	Self: + \$50 Family: + \$100
HDHP maximum out-of-pocket (deductibles, co-payments & all except premiums)	Self: \$6,750 Family: \$13,500	Self: \$6,900 Family: \$13,800	Self: +\$150 Family: +\$300

How do I fund an HSA?

You fund the HSA using federally tax-free dollars. If your employer allows, you can elect to have pre-tax contributions made via payroll deduction. You can also transfer funds online or

send an “after tax” check and take the deduction as an above the line deduction on your federal income tax return 1040 when you file your taxes. Another option is to roll money over from an existing IRA.

As an individual policyholder, you would open up an HSA Account . To Find a suitable HSA Account please review this [list](#).

How can the funds be used?

The funds can be used for qualified health care expenses, including medical, dental and vision. Please see www.IRS.gov section 213 (d) for a full listing of qualified expenses. HSA funds can also be used to pay for COBRA premiums, Long Term Care premiums and Medicare premiums (Part B, C and D). All funds can be spent on eligible expenses for any IRS dependent, regardless of whether or not they are covered on the health plan. If funds are used for non-qualified expenses, a 20% IRS penalty applies.

What happens when I turn 65?

You can continue to use funds in an HSA for qualified medical expenses tax free, but another benefit for account holders 65 and over is that the HSA funds can also be spent on non-qualified expenses without a 10% penalty. Distributions for non-qualified expenses are taxed as “ordinary income”.

Do I lose the funds if they are not spent at the end of each year?

No. Unlike other health care accounts like FSA's, there is no “use it or lose it” provision with HSA's. The funds in an HSA roll-over from year to year, are interest bearing, and are even portable if the account holder changes jobs or health insurance carriers. HSA's are often viewed as additional retirement savings accounts for these reasons.

How do I pay for things?

Depending on the HSA bank, you can use a HSA debit card or checking book which you can use to purchase items that are qualified expenses. For example, at an in-network doctor's office you will wait to be billed and then place your debit card numbers in the card options spot on the bill when you receive it. At the pharmacy, for dental, vision and out-of network doctors, you will also have the option of using your debit card at the time of service.

Do I have investment options for balances in my HSA?

Yes, you have full reign to self-direct the funds in your HSA account. However, it is recommended that you leave your deductible or better yet the out-of-pocket maximum amount liquid in your HSA managed account in case of a medical emergency.

Read also this good article about free HSA accounts.

<https://www.whitecoatinvestor.com/fidelity-vs-lively-hsa-review/>

Why would I choose an HSA?

HSAs are beneficial in many ways. Not only do account holders save money on health insurance premiums, but they are better able to take control over their health care choices and expenses. HSAs are the innovative financier of health care today and retirement tomorrow. Why spend more than you need to on premiums and taxes when you could be saving the money for yourself on a rich benefit PPO plan?

For additional information on HSA and our services, please contact us at 310-909-6135.