HealthEquity®

10 HSA MYTHS, DEBUNKED

From tax savings to retirement savings to health savings, here's the truth about Health Savings Accounts.

Connecting Health and Wealth

MYTH 1

HSAs are too complicated.

REALITY

If you can manage a traditional checking or savings account, you can use an HSA.

Health Savings Accounts (HSAs) work just like traditional savings accounts but confer several tax advantages that your savings account doesn't provide. And just like checking accounts, an HSA uses a debit card that you can use to pay for qualified medical expenses.[1]

[1] HSAs are never taxed at a federal income tax level when used appropriately for qualified medical expenses. Also, most states recognize HSA funds as tax-deductible with very few exceptions. Please consult a tax advisor regarding your state's specific rules.

How do I get started?

Become an HSA health saver in just three easy steps.

1. Enroll in an HSA-qualified health plan

Choose a health plan through your employer or via the Affordable Care Act state exchanges.

2. Activate your HSA online

Your employer may partner with an HSA administrator. But you can choose any administrator you want.

3. Set up payroll contributions or make regular contributions on your own.

You can't use an HSA if it's not funded, so make sure to add money to your HSA!

MYTH 2

If I don't spend my HSA money, I lose it at the end of the year.

HSA	vs	FSA
HSA-qualified health plan		Traditional health plan
Lower premiums		Higher premiums
Higher deductibles		Lower deductibles
Investable		Not investable
Funds never expire		Funds expire

REALITY

HSA funds *never* expire.

Unlike Flexible Spending Account (FSA) funds, you keep your HSA dollars forever, even if you change employers, health plans, or retire.

The HSA is a powerful long-term savings vehicle.

Create a nest egg to pay for healthcare expenses in retirement

Invest your HSA money to enjoy potential tax-free growth[2]

Designate a beneficiary for your HSA and gift the account to your heirs

[2] Investments made available to HSA holders are subject to risk, including the possible loss of the principal invested, and are not FDIC or NCUA insured, or guaranteed by HealthEquity, Inc. Investing through the HealthEquity investment platform is subject to the terms and conditions of the Health Savings Account Custodial Agreement and any applicable investment supplement. You should carefully consider the investment objectives, risks, charges and expenses of any mutual fund before investing. A prospectus and, if available, a summary prospectus containing this and other important information can be obtained by visiting the Vanguard website at vanguard.com. Please read the prospectus carefully before investing. Consult your advisor or the IRS with any questions regarding investments or on filing your tax return.

Become a savvy healthcare consumer

Choose generics

Generic medications can cost 20 to 70 percent less than branded medications.[3]

Consider urgent care

Emergency room visits can cost significantly more than urgent care.[4] Unless it's a life-threatening event, consider urgent care instead.

Comparison shop

Whether you need a simple procedure or even major surgery, be sure to get prices from several healthcare providers.

[3] Federal Trade Commission, 2020: Consumer.ftc.gov/articles/0063-generic-drugs-and-low-cost-prescriptions

[4] Debt.Org, 2020: Debt.org/medical/emergency-room-urgent-care-costs/

MYTH 3

If I change jobs, I'll lose my HSA funds.

REALITY

HSAs are member-owned accounts—and your funds stay with you.

Unlike FSAs, which are employer-owned accounts, an HSA is your account to keep forever—regardless of whether you change jobs or retire. A real advantage of an HSA is that employer contributions are yours immediately. Contrast that to retirement accounts, which sometimes take years to vest employer contributions.

MYTH 4

The HSA is a spending account, not a savings account.

REALITY

The HSA's triple-tax advantage empowers you to accelerate long-term health savings.

First, you save when you spend. Because you use tax-deductible contributions to pay for qualified medical expenses, your annual HSA tax savings can add up fast.

Second, you can invest your HSA funds and enjoy tax-free account growth. This is the real power of the HSA and what makes it the ultimate long-term health savings account.

Let your contributions and tax savings potentially compound year after year into retirement—and beyond.

HSA triple-tax savings

- Make pre-tax payroll contributions
- Invest HSA funds tax-free
- Take tax-free distributions for qualified medical expenses

MYTH 5

HSAs are only for healthy people.

REALITY

Members with chronic medical conditions can significantly benefit from annual HSA tax and retirement savings.

Many people calculate their healthcare costs principally based on annual health plan deductibles. They see that high-deductible health plans (HDHPs) require more out-of-pocket spending before insurance kicks in. And if you have comparatively high expected healthcare costs, it seems logical to prefer the health plan that covers more costs with less out-of-pocket expenses.

But this calculation is limited for three reasons.

Three reasons HSAs are potentially advantageous for persons with chronic medical conditions

1. Many HDHPs cover 100% of the costs after you reach your deductible. By contrast, many traditional health plans still require cost-sharing and copays (albeit at a reduced rate) even after the deductible.

2. Deductible comparisons don't account for the potential annual tax savings associated with pre-tax HSA contributions. If you have a lot of planned healthcare expenses, that tax savings can make a significant difference.

3. Persons with chronic healthcare conditions will need a way to pay for healthcare expenses in retirement also. HSAs empower long-term retirement health savings that let you spend money tax-free on qualified medical expenses. By contrast, funds in your 401(k) will always be taxed as ordinary income.[5]

[5] After age 65, if you withdraw funds for any purpose other than qualified medical expenses, you will be subject to income taxes. Funds withdrawn for qualified medical expenses will remain tax-free.

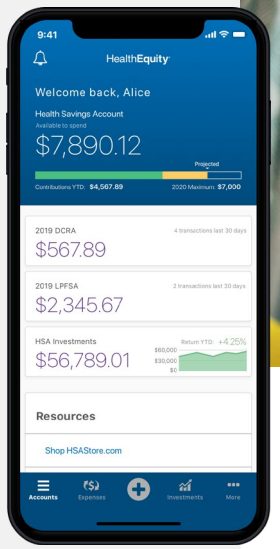
Why choose HealthEquity?

100% US-based 24/7 Member Services

Award-winning mobile app[6]

Easy account management

Fast payments and reimbursement



MYTH 6

HSAs are only available through your employer.

REALITY

Anyone who is enrolled in an HSA-qualified health plan can open an HSA.

Because HSAs are member-owned accounts, you don't have to rely on your employer to access an HSA. Unlike FSAs, anyone can open—and contribute to—an HSA, provided they are enrolled in a qualifying health plan.

Most employers that offer an HSA work with a preferred administrator. However, members are at liberty to open an HSA with any administrator they want. Just be aware you could lose the ability to make pre-tax payroll contributions (though tax-deductible contributions are always available).

[6] Accounts must be activated via the HealthEquity website in order to use the mobile app.

MYTH 7

I'm too young or old to benefit from an HSA.

REALITY

HSAs bring significant advantages to members of all ages.

Our younger members love their HSA because it lets them set aside a second nest-egg for healthcare expenses in retirement. Because most young people don't have a lot of healthcare expenses today, they can stash the money away for long-term needs tomorrow.

Our wiser, more senior members also love their HSA because it empowers them to catch up on their retirement savings. Members love the fact that HSAs enable tax-free spending in retirement (when used for qualified medical expenses).

Best of all, the IRS allows members 55 and older to make $1,000 additional annual catch-up contributions.

HSA vs 401(k)

Both accounts let you make pre-tax contributions and grow tax-free earnings. But only an HSA lets you take tax-free distributions for qualified medical expenses. After age 65 you can use your health savings account for any expense, you'll simply pay ordinary income taxes—just like a 401(k).

401(k)	vs HSA
FICA taxed contributions	100% tax-deductible contributions
Tax-free earnings	Tax-free earnings
Medical expenses taxed as ordinary income	Tax-free distribution for qualified medical expenses
Regular expenses taxed as ordinary income	Regular expenses taxed as ordinary income (after age 65)
Minimum distributions required	No required minimum distributions

MYTH 8

You can't contribute to your HSA after age 65.

REALITY

Anyone at any age can contribute to an HSA, provided they're enrolled in an HSA-qualified health plan.

Because Medicare is not an HSA-qualified health plan, you cannot enroll in Medicare and contribute to an HSA. Since most people become eligible for Medicare when they turn 65, they assume the age cutoff for HSA contributions is 65 also.

But you can get your own HSA-qualified health plan directly from plan providers and continue to make HSA contributions as long as you want, provided you do not enroll in Medicare.

Save big on thousands of qualified medical expenses, including:

- Pain relievers
- Doctor visits
- Dental cleaning
- Sleep aids
- Eyeglasses/contacts
- Cold/cough medicine
- Chiropractic care
- Insulin testing supplies

MYTH 9

HSAs are too expensive and only work for wealthy people.

REALITY

HSAs empower families at all income levels to put more money in their pocket and stretch every dollar further.

HSA-qualified health plans usually confer significant premium savings. Then, whatever you don't spend on annual health insurance premiums can be put away for a future healthcare emergency.

HSAs also let you use pre-tax contributions to pay for qualified medical expenses. When it comes to healthcare spending, your HSA works very much like an FSA. The difference is that HSAs also give you added flexibility to save funds that you don't spend in a plan year.

MYTH 10

HSA contributions don't grow.

REALITY

HSAs enjoy tax-free investment growth, year after year.

One of the biggest differences between FSAs and HSAs is that you can invest your HSA funds into mutual funds—just like you can with a 401(k). Once invested, any potential earnings grow tax-free. Tax-free earnings can supercharge your long-term health savings.

Your retirement engine

Unlike other account types, an HSA lets you invest money to potentially build the ultimate retirement nest egg. To get you there, HealthEquity offers a powerful lineup of low-cost Vanguard mutual funds.[7] Choose from index funds or target date funds.

[7] Investments made available to HSA holders are subject to risk, including the possible loss of the principal invested, and are not FDIC or NCUA insured, or guaranteed by HealthEquity, Inc. Investing through the HealthEquity investment platform is subject to the terms and conditions of the Health Savings Account Custodial Agreement and any applicable investment supplement. You should carefully consider the investment objectives, risks, charges and expenses of any mutual fund before investing. A prospectus and, if available, a summary prospectus containing this and other important information can be obtained by visiting the Vanguard website at vanguard.com. Please read the prospectus carefully before investing. Consult your advisor or the IRS with any questions regarding investments or on filing your tax return.

HealthEquity®

HSA YOUR WAY

Don't let HSA myths hold you back from realizing your health, wellness, and financial goals. HSAs are designed to empower every American—at any income level—to connect health and wealth. Join the movement. Enroll today!

Questions? We're here for you 24/7

866.408.5482 | my.HealthEquity.com

ANNUAL TAX SAVING POTENTIAL[8]

(when you contribute the max)

$2,190	$1,095
Family plan	Individual plan

2022 IRS Contribution Limits

$7,300	$3,650
Family plan	Individual plan

Members 55+ can contribute an extra $1,000

[8] Estimated savings are based on an assumed combined federal and state income tax bracket of 30%. Actual savings will depend on your taxable income and tax status.

HealthEquity does not provide legal, tax, financial or medical advice. Always consult a professional when making life changing decisions.
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