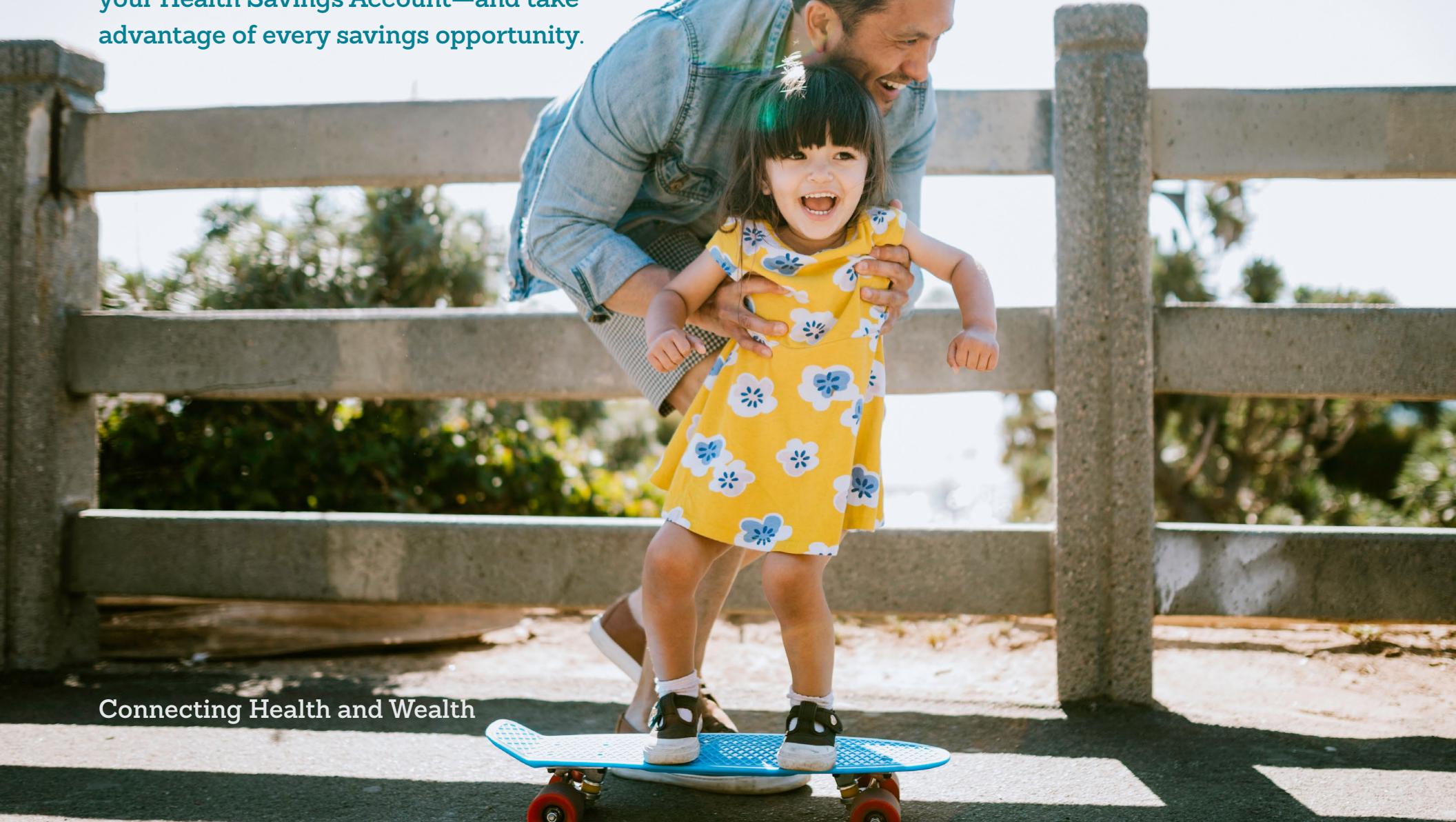


# TOP 10 WAYS TO USE AN HSA

Discover how to make the most of  
your Health Savings Account—and take  
advantage of every savings opportunity.



Connecting Health and Wealth



## ARE YOU USING YOUR HSA TO ITS FULL POTENTIAL?

Health Savings Accounts (HSAs) continue to grow in popularity. Today, there are 30+ million active HSAs, and 1 in 5 Americans younger than 30 are current members.<sup>1</sup> Clearly, people recognize the value of HSAs and are finding ways to take advantage.

HSAs bring the potential for tax savings, healthcare savings, retirement savings—and so much more.

This guide counts 10 ways to use an HSA. Inside you'll find insights to get the most from your account. We include simple illustrations and lots of examples, so you can see the power of an HSA and understand how to maximize every savings opportunity.

The truth is that HSAs aren't complicated, but there are little tricks that can make a world of difference.

**Let's dive in.**

<sup>1</sup> Devenir, 2021 Midyear Devenir HSA Research Report: [devenir.com/research/2021-midyear-devenir-hsa-research-report/](https://devenir.com/research/2021-midyear-devenir-hsa-research-report/)

# 1 GET LOWER HEALTH INSURANCE PREMIUMS

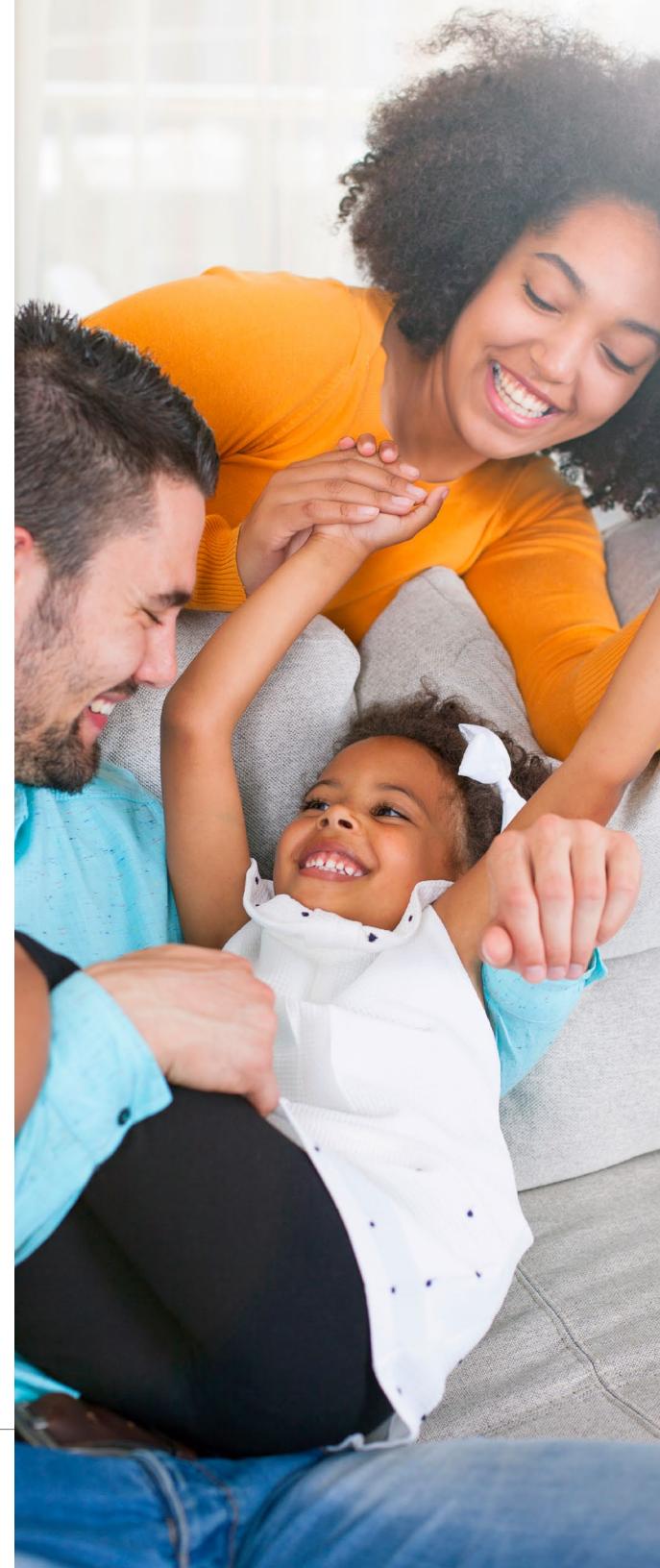
HSA eligibility requires enrollment in an HSA-qualified health plan, often called a “consumer choice” or “high-deductible” health plan. If you’re not enrolled in one of these health plans, you can’t make HSA contributions and take advantage of the associated tax-saving benefits.<sup>2</sup>

The good news is that, in many cases (though not all cases), HSA-qualified health plans offer much lower premiums compared to traditional PPO health plans. Check your plan documents: You might find the savings on premiums alone can be thousands each year. That’s less money out of your paycheck and more money in your pocket.

Here’s an example for illustration.

Traditional Health Plan	HSA-Qualified Health Plan
\$250 Monthly premium	\$125 Monthly premium

**\$1,500**  
**Annual HSA-qualified health plan savings<sup>3</sup>**



<sup>2</sup>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.

<sup>3</sup>Example for illustration only. Actual savings will vary based on your health plan costs.



## 2 REDUCE YOUR ANNUAL TAX BILL

Contributions to your HSA are tax-deductible,<sup>4</sup> which means that every dollar you contribute can reduce your annual taxable income. If your employer offers an HSA, then typically you can sign up for pre-tax payroll contributions. But even contributions you make on your own are usually tax-deductible.

Let's say your effective federal tax rate<sup>5</sup> is 30 percent and you contribute \$7,300 for the year. Here's the math:

$$\$7,300 \times 30\% = \$2,190$$

(Contributions) x (effective tax rate) =

**Annual tax savings**

You won't pay federal income taxes, nor will you pay FICA payroll taxes. Depending on where you live and your unique tax situation, that can translate into substantial tax savings on those HSA contributions.

<sup>4</sup>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.

<sup>5</sup>That is, the actual tax rate you pay when you average marginal rates and payroll taxes.

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## GRAB YOUR EMPLOYER HSA CONTRIBUTION

Many organizations offer complimentary HSA contributions for choosing HSA-qualified health plans. In other words, companies will often make a contribution directly into your account at the start of each plan year. Some even offer an HSA contribution match, just like with a 401(k).

The total contribution could equal thousands of dollars each year. Be sure to review your plan documents to see if an employer HSA contribution is available.

Keep in mind that employer contributions count toward annual IRS contribution limits.

\$1,000+

Amount many organizations offer employees for choosing an HSA-qualified health plan. Carefully review your plan documents for eligibility details.



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

4

## STRETCH YOUR DOLLARS FURTHER

Because HSA contributions are tax deductible, you get to keep 100 percent of every dollar you contribute. That means when you use your HSA to pay for qualified medical expenses, every dollar in your HSA stretches further than, say, the post-tax dollars in your checking account. In other words, your HSA gives you an instant boost on money to pay for qualified medical expenses.

Here's an illustration



### Health Savings Account

\$10 earned

\$10 contribution (no taxes)

**\$10 available to spend**



### Checking Account

\$10 earned

30% income taxes

**\$7 available to spend**



See the full list at [HealthEquity.com/qme](http://HealthEquity.com/qme)

## 5 CREATE A HEALTHCARE EMERGENCY SAFETY NET

Middle of the night visit to the emergency room. Random lump that requires a battery of tests. New medications. These things always happen when you least expect. But your HSA can help you be ready for the unexpected.

One of the biggest differences between a Flexible Spending Account (FSA) and an HSA is that unused FSA funds eventually expire and are forfeited back to your employer. By contrast, money in your HSA rolls over each year, every year—even if you change employers, health plans, or retire.

This enables you to save for unplanned, future medical expenses.

Think of your HSA as an extension of your emergency fund. The same way you keep extra savings for an unexpected home repair or car accident, your HSA lets you keep extra savings for a healthcare emergency.

Don't get caught by surprise.

61%



of Americans have been surprised  
by an unexpected medical bill<sup>6</sup>



<sup>6</sup> Value Penguin: "61% of Americans Have Been Surprised by an Unexpected Medical Bill — and 37% Pay Without Question" : [www.valuepenguin.com/unexpected-medical-bills](http://www.valuepenguin.com/unexpected-medical-bills)



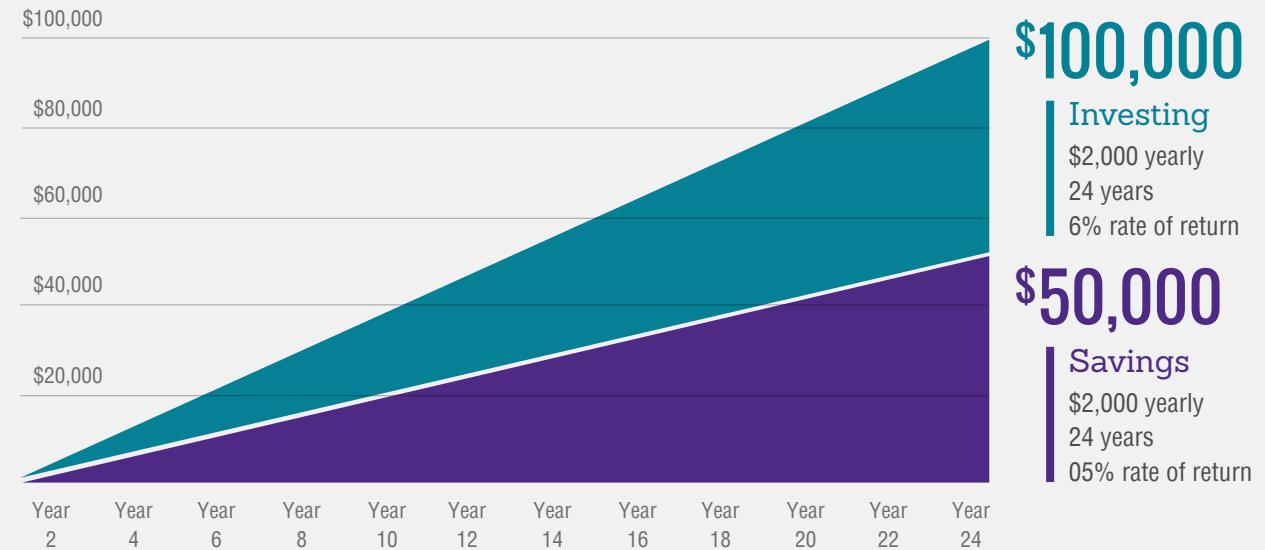
# 6

## INVEST YOUR HSA IN LOW-COST MUTUAL FUNDS

Some members have hundreds of thousands of dollars saved in their HSA. How do they do it? They invest<sup>7</sup> their HSA to capitalize on potential compounding returns and tax-free account growth.

HSA investing is one of the fastest ways to build long-term health savings. At HealthEquity, you can invest in a powerful lineup of low-cost mutual funds.

The chart below illustrates the power of HSA investing compared to a low-yield savings account. For the sake of illustration, let's assume \$2,000 annual contribution and a modest return of 6% each year. For context, the S&P 500 has on average returned 10% annually since its inception in 1926.<sup>8</sup>



As you can see, investing brings the potential to double your money compared to simple a savings account.

Scenarios, results and calculations are for illustrative purposes only. Individual results may vary.

<sup>7</sup> Investments 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. Investing may not be suitable for everyone and before making any investments, 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 fund sponsor's website. Please read the prospectus carefully before investing. Consult your advisor or the IRS with any questions regarding investments or on filing your tax return.

<sup>8</sup> Investopedia: [Investopedia.com/ask/answers/042415/what-average-annual-return-sp-500.asp](http://Investopedia.com/ask/answers/042415/what-average-annual-return-sp-500.asp)

# \$270k

Amount recent estimates show the average couple will need to cover out-of-pocket medical expenses in retirement.<sup>9</sup>

Your HSA can help you stay ready.



9 TOP 10 WAYS TO USE AN HSA

# 7

## SAVE FOR HEALTHCARE EXPENSES IN RETIREMENT

When it comes to retirement, everyone talks about the 401(k). But your HSA is one of the best retirement savings accounts available. Not only can you invest your HSA and potentially capitalize on tax-free growth, but your HSA also delivers powerful tax advantages you can't find anywhere else.

### Compare HSA to 401(k)

	HSA	401(k)
<b>Assets</b>	✓ Investable	✓ Investable
<b>Contributions</b>	✓ Not taxed	✗ FICA taxed
<b>Earnings</b>	✓ Not taxed	✓ Not taxed
<b>Distribution for qualified medical expenses</b>	✓ Not taxed	✗ Taxed (as ordinary income)
<b>Distribution for non-qualified medical expenses</b>	✗ Taxed (as ordinary income after age 65)	✗ Taxed (as ordinary income after age 59-1/2)
<b>Required minimum distribution</b>	✓ Never	✗ Yes (Age 72)

As you can see, your HSA brings all the tax efficiency of a 401(k) along with several extra bonuses. For example, 401(k) contributions are subject to 7.65% FICA payroll taxes, while HSA contributions are not. So, HSA contributions go further than 401(k) contributions and can help you save faster.

In addition, HSAs do not have required minimum

distributions. Plus, members age 65 and older can take taxable HSA distributions for any expense<sup>9</sup>—just like a 401(k). And, of course, distributions are always tax-free when used for qualified medical expenses.

Considering how much you're likely to spend on healthcare in retirement, those advantages can translate into huge savings.

<sup>9</sup>If you withdraw funds from your HSA in retirement for non-qualified medical expenses you must pay income tax, but there is no tax penalty after the age of 65.

# 8

## DELAY REIMBURSEMENT TO CAPITALIZE ON TAX-FREE ACCOUNT GROWTH

Step  
1

Pay for your healthcare out of pocket now

Step  
2

Save your receipt

Step  
3

Let the money in your HSA grow

Step  
4

Reimburse yourself whenever you want

When it comes to HSA reimbursement, the IRS does not stipulate a required reimbursement timeframe. This creates opportunity to effectively “bank” your receipts and save them to pay yourself back down the road.

Delayed reimbursement allows you to compound your potential investment and interest earnings. Then, you

can take money from your HSA whenever you need it—even if you wait 20 or 30 years from now. In essence, you get the best of both worlds: The tax advantages and growth potential of an HSA combined with the flexibility of a traditional savings account.



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## GIFT HEALTH SAVINGS TO YOUR HEIRS

When we say your HSA stays with you no matter what, we mean it! You can roll over your HSA for the rest of your life and gift the money in the account to your heirs.

In fact, right now you can log into your HealthEquity account and designate a beneficiary. So, go ahead. Give the gift of health savings.





## IMPRESS FRIENDS AND FAMILY WITH YOUR PERSONAL FINANCE SAVVY

HSAs are popular, no doubt about it. But there are still too many Americans unfamiliar with HSAs and their power to build tax-free health savings.

Tell your friends and family about your HSA and its triple-tax advantage. They'll value your perspective. Plus, they'll be impressed with how much you know about personal finance.

You've taken the step toward connecting health and wealth.

Now, let's encourage others to join the movement.

Questions? We're here for you 24/7  
**866.408.5482 | [my.HealthEquity.com](http://my.HealthEquity.com)**