

Health Savings Account (HSA)

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What is HSA?

- Only account with Triple Tax Advantage
 - Funds going in - tax deductible (or pre-tax)
 - Funds in HSA - can grow tax free
 - Funds coming out - tax-free for qualified expenses
- Funds can be invested in equities or CDs
- HSA account is portable across employers

Eligibility

- No income restrictions
- Must have High Deductible Health Plan (HDHP)
- You must **not** be enrolled in Medicare
- You **can't** be claimed as dependent



Contributions

- There are limits (for 2020)
 - \$3,550 for single
 - \$7,100 for family plan

Contribution limits ***include*** employer contributions



Contributions (Contd)

- Can come from you, your employer or someone else
- Contribute via payroll & save on FICA



OR

- Contribute after-tax and deduct it from gross income

Using HSA Funds



Use now

- Custodian acts as bank and provides debit card
- Pay for medical expenses using the debit card



Use Later

- Pay out of pocket
- Invest HSA funds for medical expenses in retirement

Most custodians require you to keep ~\$1,000 in cash and let you invest rest of the funds



Questions?

Things to be aware of

- Contribution limits are pro-rated by number of months you are eligible for HSA
- Contribution limits could change based self-only or family coverage



Things to be aware of (Contd)

- Need HSA funds for non-qualified expenses?
 - Age < 65: Pay income tax + 20% penalty
 - Age >= 65: HSA is like traditional IRA, pay only tax
- Keep records, if you plan to use funds later
 - e.g. during or before retirement



Tax Considerations

- Contributions made with pre-tax dollars are exempt from FICA
- No federal tax
- Distribution depends on who inherits HSA e.g. spouse or someone else



Tax Considerations (Contd)

- HSA administrators are not required to send you tax forms
- Some states tax *contributions and earnings*, e.g. California, New Jersey



Transfers & Rollovers

- Moving from one custodian (e.g. HealthEquity) to other (Fidelity) is allowed
- Once a year move is beneficial...
 - Take advantage of payroll deduction
 - Reduce fees charged by custodian



Transfers & Rollovers (Contd)

- Check the new providers e.g. Fidelity
 - Better investment options & no fees
- Most custodians charge fees & don't support in-kind transfer
 - It could complicate taxes for folks in states like CA





Q&A

Reference Links

- IRS Publication 969
- HSA: Advantages and Disadvantages
- Tax Considerations for HSA