



What is a Health Savings Account?

A Health Savings Account, or HSA, is a tax-advantaged savings account that can be used to pay for qualified medical expenses such as medical bills, dental needs, and vision expenses. An HSA is called a "tax-advantaged" account as it is not taxed in three separate ways; when you contribute, when the HSA earns interest or investment returns, and when HSA withdrawals are used for qualified medical expenses.

In order to contribute to a HSA, you have to be covered by a High Deductible Health Insurance Plan (HDHP). HDHP's promote a reduced monthly premium, but require you to pay your medical expenses out of pocket until you meet your high deductible.

● Who are HSA + HSA Eligible Health Insurance Plans Best For:

HSA + HSA Eligible Health Insurance Plan are best for people with few medical expenses. The idea is that you pay a lower premium, so that you can invest the difference plus some into an HSA for later use when you really need it. In a lot of ways it can act as almost a second retirement plan.

● HSA Nuts & Bolts:

- You can deduct the amount you deposit in an HSA from your taxable income.
- Unspent HSA funds roll over from year to year, so that you can pay for medical care later.
- HSAs earn interest that is not taxed.
- You own your HSA account, not your employer.
- Often employers will make contributions into your HSA account.



The Best Kept Secret:

If you make HSA contributions through your payroll at work you do not pay Social Security and Medicare on the contributions, which is a 7.5% savings out the gate.

● What should I consider when opening an HSA?

1. Make sure you are eligible to open an HSA.
 - a. You must have an HSA eligible health plan.
 - b. You cannot be enrolled in Medicare.
 - c. You cannot be claimed as a dependent on someone else's tax return.
2. Do you expect high medical expenses? Remember from above that you are responsible to pay all medical expenses out of pocket until you meet your deductible. The math has to work here. HSA's are a beautiful tool, but are not for everyone. If you expect high medical expenses, a traditional health insurance policy with copays may be better.
3. Pick an HSA provider.
 - a. While all health savings accounts are similar in their advantages, every provider has different fees and advantages depending on how you plan to use your contributions.
4. Invest your HSA!
 - a. Depending on what HSA provider you chose, you will have access to different opportunities for growth to follow through on your primary HSA goals.