



EVERYTHING
YOU EVER WANTED
TO KNOW ABOUT

HSAs



What is an HSA?

A **Health Savings Account (HSA)** is a special, tax-exempt savings account that lets you set aside pre-tax money from your paychecks to be used for qualified healthcare expenses. The money put into HSAs grows tax-free, too.

HSAs differ from health FSAs (Flexible Spending Accounts) in that once they're opened, they are owned by the employee for life. HSAs may be available as part of a benefits package through an employer, but they're only available for those with a qualified high-deductible health plan (HDHP). If you're not enrolled in such a plan, you can't open a new HSA or make contributions to an existing HSA.

What is a high-deductible health plan (HDHP)?

A high-deductible health plan (HDHP) is a health insurance plan with a higher deductible than a traditional plan. The monthly premium is usually lower, but you pay more in healthcare costs yourself before the insurance company starts to pay its share (your deductible).

For 2023, the IRS defines a high deductible health plan as any plan with a deductible of at least \$1,500 for an individual, or \$3,000 for a family.



DID YOU KNOW?

As long as you have an HSA-eligible health plan, there's no limit on how many HSAs you can have. The only limit is how much money you can contribute to your HSAs each year. You can contribute it all to one HSA, or spread it out across two or more accounts.



What are the tax benefits of an HSA?

HSAs have a unique **triple-tax benefit**:



Contributions made to the account are **tax-free**



Any investment growth in the account is **tax-free**



Withdrawals made for qualified medical expenses are **tax-free**

A person is shown from the waist down, sitting in a lotus position on a blue mat. They are wearing a black tank top and grey leggings. Their hands are in a mudra position, with fingers interlaced. The background is a plain, light-colored wall. The overall scene is calm and focused.

FUN FACT /

An HSA can grow from year to year – you don't have to spend any of your money until you're ready.

And you can invest it in mutual funds tax-free, too.



What if my employer doesn't offer an HSA?

If your employer doesn't offer an HSA but you're enrolled in a qualified high-deductible health plan, you can open your own HSA through most financial institutions.

Do HSA funds expire?

Unlike FSAs, HSA funds do not expire at the end of the year — they roll over from one year to the next.

DID YOU KNOW?

You can use your HSA funds to pay for qualified medical expenses for your spouse or dependent children. This is true even if your spouse has their own individual-only coverage under a different medical plan.

Who is eligible for an HSA?

To be eligible to open or contribute to an HSA, you must be covered by a high-deductible health plan (HDHP). You cannot be covered by any other health insurance plan — including a spouse's plan — that is not an HDHP.

Other legal requirements include:

- must be 18 years or older
- must not be enrolled in Medicare
- may not be claimed as a dependent on another person's tax return



Is there an annual contribution limit?

Yes. The annual HSA contribution limit for 2023 is \$3,850 for individuals and \$7,750 for families. An employer can also make contributions to the HSA, but the combined contributions from employee and employer cannot exceed this maximum.

An account holder can contribute for a full year to the HSA, even if they join mid-year, as long as they continue to be enrolled in HDHP coverage for a full 12 months. If you don't maintain health coverage under an HDHP you become ineligible to make contributions.

Your contributions are flexible: You can start, stop, increase, or decrease contributions whenever you want.



DID YOU KNOW?

HSA eligible expenses include: copays, prescription & over-the-counter meds, sunscreen, allergy & pain relief, menstrual care, and more.



Do HSAs have a use-it-or-lose-it deadline?

Unlike FSAs, HSA funds do not expire at the end of the year, so there is no deadline to use the funds.

HSA accounts are owned by the employee, so the account remains theirs even if they change jobs. The funds in an HSA have no expiration date and can be withdrawn to pay for eligible medical expenses, saved for future use, or even invested.



How can I use my HSA to plan for retirement?

Your HSA is a great way to save for future healthcare needs — think of it as a health and retirement nest egg. Since HSA contributions are not subject to 7.56% FICA taxes when made through payroll deduction, dollar-for-dollar they amount to more than your 401(k) contributions (which are subject to payroll taxes). In addition, unlike a 401(k) or IRA, you are not required to withdraw money from your HSA at a certain age. All of that means your HSA funds can help you save even faster.

Can I invest my HSA funds?

Yes, you can! Investing your money through an HSA is a great way to help it to grow faster than by saving alone.

Some HSAs offer specific investment tools that may help guide you. If your HSA is offered through an employer, contact your HR representative to learn about your investment options.

DID YOU KNOW?

You'll need to keep receipts for all of your HSA purchases for tax purposes. The IRS-approved ways include:

- Explanation of Benefit (EOB) statement
- Provider statement of services
- Detailed store receipt
- Prescription receipt



A close-up photograph of a middle-aged man with short, light-colored hair, wearing a black wetsuit. He is leaning forward, riding a surfboard on a wave. The water is splashing around him, and the background is a clear blue sky. The overall tone is active and energetic.

FUN FACT /

People who are 55 and older
can contribute an

**EXTRA
\$1,000**

to their HSA per year.

Can you have an HSA and an FSA at the same time?

You cannot contribute dollars to an HSA while being enrolled in a general healthcare FSA.

However, a Limited Purpose FSA, or LPFSA that covers only eligible vision and dental expenses is pairable with an HSA.



DID YOU KNOW?

You may designate a beneficiary to receive your HSA assets in the event of your death, so you can rest assured that your assets will be distributed according to your wishes.



Can you have an HSA and an HRA (health reimbursement arrangement) at the same time?

You can have an HSA and HRA at the same time, under specific circumstances. Check with your HR department to find out if your employer offers an HRA that's compatible with an HSA.



Who can contribute to an HSA?

According to the IRS, anyone can contribute to your HSA — you, your spouse, your employer, your family members. For example, if you enrolled in an HSA through your employer, both you, as the employee, and your employer may make contributions.

Family members or any other person may also make contributions on behalf of an eligible individual. However, contributions to an HSA must be made in cash. Contributions of stock or property aren't allowed.

What is a catch-up contribution?

If you're 55 or older, you can contribute an extra \$1,000 to your HSA each year. This is called a "catch-up" contribution. If your spouse is also 55 or older, they can make a catch-up contribution to their own account, if eligible, but not to yours.

If you are age 65 or over and enrolled in Medicare Part A or B, your HSA may remain open, but no additional contributions can be made to the account.

DID YOU KNOW?

An HSA can cover more than medical expenses: Dental and vision costs are reimbursable, too.



What happens to an HSA if the owner changes health plans or changes jobs?

The funds in a health savings account are always the account holder's to keep, regardless of their employment status or insurance coverage. This means if an individual changes jobs or health plans, they can keep their HSA and spend the funds on qualified medical expenses as usual.

They can only continue to contribute to the account while they are enrolled in an HSA-qualified high-deductible health plan (HDHP).



DID YOU KNOW?

You cannot contribute dollars to an HSA while being enrolled in a general healthcare FSA.



Am I required to submit claims?

You do not need to submit claims — your purchases are simply paid for with your account funds. However, all HSA purchases must be substantiated for tax purposes, meaning you must supply proof or evidence that the purchase was an eligible medical expense.

HSA account holders are advised to hold on to all receipts related to their HSA purchases.



Is there a penalty for misuse of HSA funds?

Yes. Prior to age 65, if you use your HSA funds for non-qualified expenses, the IRS imposes a HSA withdrawal penalty of 20 percent on the amount withdrawn. For example, if you spend \$500 on non-qualified expenses, your penalty will be \$100.

In addition to the 20 percent penalty, the IRS will also consider any HSA funds spent on non-qualified expenses as taxable income. This means they must be included as part of your total income when filing your taxes, which could increase the amount you owe or reduce any refund to which you may be entitled.

After you turn 65, the money in your HSA can be used for anything you want, though it'll still be taxed at the normal income tax rate if it isn't used for qualified healthcare expenses.

For more on HSAs, visit the [HSA Store Learning Center](#).