

# NEWS & VIEWS

October 2019

## SAVING FOR THE FUTURE: HSAs AND RETIREMENT

People have many misconceptions about Health Savings Accounts (HSAs) that prevent them from realizing the full benefits associated with HSAs. Some even avoid choosing an HSA-qualified health plan in the first place due to not fully understanding it. By dispelling the common myths about HSAs, employers have an opportunity to help their employees not only with saving for short-term health expenses, but also for their health expenses in retirement.

### COMMON HSA MYTHS

1. **Myth:** If I don't use my funds, I lose them

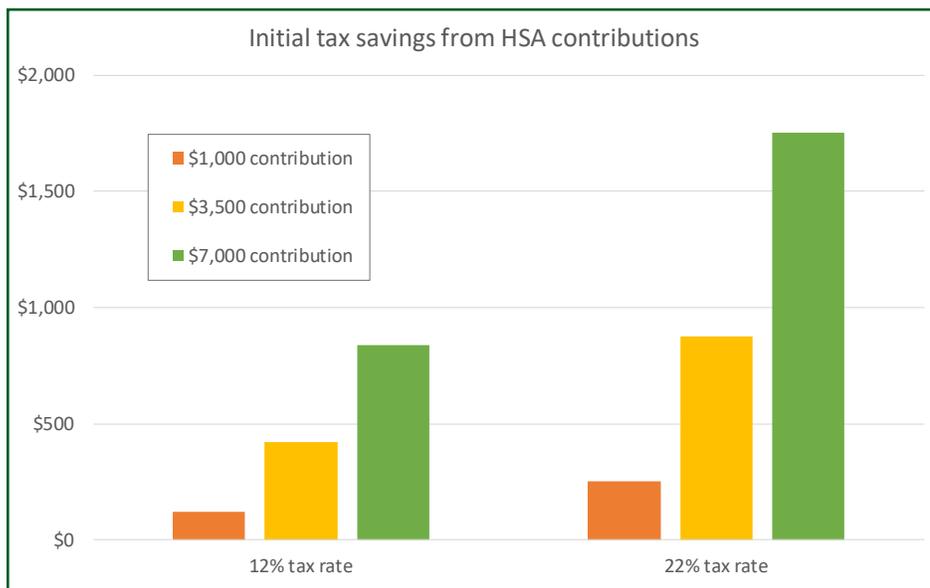
**Fact:** Unlike a Flexible Spending Account (FSA), your HSA funds are yours forever and do not expire at the end of the year, if you leave your job, or when you retire.

2. **Myth:** I have to meet my deductible for all health care

**Fact:** Most HSA-eligible health plans include preventive care at no cost, even before you meet your deductible. This includes your annual wellness check-up, recommended cancer screenings and immunizations, and possibly even maintenance prescriptions for chronic conditions. Check your health plan to see what is covered under preventive care.

3. **Myth:** There isn't much benefit to having an HSA

**Fact:** HSAs are triple-tax advantaged. This means that your contributions into your HSA are pre-tax, your interest earnings are not taxed, and your withdrawals are not taxed. Depending on your tax bracket, you can save 20% or more by using your HSA for eligible health expenses. See the chart below for some tax savings examples.



Source: <https://healthequity.com/calculator/future-balance>

## HSA SAVINGS AND RETIREMENT

As people get older, they generally have greater health care needs. HSA-qualified health plans typically appeal the most to younger, healthier people who have lower health expenses and value the lower premiums that accompany these plans. However, HSAs are an excellent long-term savings vehicle for the significant health costs faced in retirement. Those with higher incomes benefit the most from HSAs because the tax advantages of HSAs are based on one's tax bracket. In addition, those age 55 and older can contribute an extra \$1,000 to their HSA every year to further grow their retirement nest egg.

In years past, HSAs were often coordinated through banks and operated as health care checking accounts. Currently there's an evolution toward combining HSA and retirement savings underneath the same vendor to help employees with their long-term investment savings. Considering the significant health care costs likely in retirement, this is an appropriate alignment.

### HOW FOSTER & FOSTER CAN HELP

In addition to evaluating whether to add or expand HSA-eligible options to your health plan, Foster & Foster can assist with the vendor coordination, communications, and compliance aspects of HSAs and retirement savings.

#### Vendor Coordination

- Evaluate RFPs and assess the best fit between vendor capabilities and client needs
- Request data to evaluate utilization and plan performance

#### Communications

- Create employee engagement strategies
- Produce digital, video, and printed communications
- Coordinate and update social media accounts and benefits websites

#### Compliance

- Assess plan design and operations for regulatory compliance
- Provide guidance on unique populations and needs (approaching Medicare age, overseas employees, etc.)

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### SOME CONSIDERATIONS WHEN ADDING OR EXPANDING HSA-ELIGIBLE HEALTH PLANS

- What does your organization want to achieve with the HSA-eligible plan?
- How do the plan premiums and out-of-pocket costs compare with other plan options?
- What are your employee and dependent demographics?
- How does your organization help employees plan and save for retirement?
- How might the HSA-eligible plan and your retirement savings plan fit together?

Foster & Foster can help you assess these and other considerations to help you achieve your benefits and organizational goals.

### FOSTER & FOSTER IS HERE FOR YOU

Foster & Foster works closely with employers throughout the U.S. to design, implement, communicate, and manage successful employee benefit cost control strategies. Contact us at [info@foster-foster.com](mailto:info@foster-foster.com) to find out how we can help you.