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# HSA vs FSA

2027

## HSA vs FSA comparison: Which account is right for me?

During open enrollment, choosing between a Health Savings Account (HSA) and a healthcare Flexible Spending Account (FSA) comes down to health plan eligibility, fund expiration rules, and investment options. Both employer benefits help boost your spending power by letting you make pre-tax payroll contributions to spend tax-free money on qualified medical expenses. Each account has its pros and cons, and the better option generally depends on your unique situation.

Here are three questions to consider as you decide to enroll in the right account for your needs.

### What kind of health plan do I need for an HSA vs FSA?

Health Savings Account (HSA) eligibility requires enrollment in a high-deductible health plan (HDHP), while a Flexible Spending Account (FSA) is compatible with virtually any health plan offered by your employer.

If you want to enroll in and contribute to an HSA, you will need to enroll in an HSA-qualified health plan. Review HSA eligibility guidelines to confirm you meet the criteria. By contrast, an FSA is compatible with any health plan.

In general, high-deductible health plans carry higher deductibles but much lower premiums. Traditional health plans are usually the opposite, featuring higher premiums and lower deductibles.

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## When do I need the money, and do HSA or FSA funds expire?

FSA funds are fully available on day one but expire at the end of the plan year, whereas HSA funds never expire and remain yours forever.

One of the biggest perks of getting started with a Flexible Spending Account is immediate access. If you elect to contribute $1,500 during open enrollment, the entire $1,500 is available on day one, acting like a cash advance from your employer for eligible medical expenses. However, FSAs are use-it-or-lose-it accounts. Unused account dollars eventually return to your employer at the end of the year, though some organizations offer grace periods.

Conversely, when getting started with a Health Savings Account, funds never expire. You keep the money even if you change employers, health plans, or retire. Because the HSA is a member-owned account, it allows you to build long-term health savings well into the future. You can always view the latest IRS contribution limits in the Benefits Guide.

You can use these long-term savings down the road to pay for thousands of qualified medical expenses.

## Can I invest my money in an HSA or FSA?

You can invest the funds in a Health Savings Account (HSA) for potential tax-free growth, but you cannot invest funds held in a Flexible Spending Account (FSA).

HSAs offer an incredible opportunity to invest your account funds.1 Because FSAs do not allow investing, the money you contribute is exactly the money you get. With an HSA, any potential growth accrues on a tax-free basis.2

This makes the HSA a powerful complementing retirement strategy to your 401(k). Just like a 401(k), you make pre-tax contributions and enjoy tax-free earnings. However, an HSA brings an extra advantage: you can take tax-free distributions at any time to pay for qualified medical expenses. Distributions from a 401(k), on the other hand, are always taxed as ordinary income and are subject to age requirements.

Many members choose an HSA over an FSA during open enrollment specifically for the opportunity to invest their HSA.

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## Frequently Asked Questions

**Can I have both a Health Savings Account and a Flexible Spending Account at the same time?**

Generally, you cannot contribute to an HSA and a healthcare FSA simultaneously. However, you may be able to pair an HSA with a Limited Purpose FSA (LPFSA), which restricts funds to eligible dental and vision expenses.

**Can I change my HSA or FSA contribution amounts during the year?**

You can typically change your HSA payroll contribution amounts at any time during the year, up to the IRS limits. FSA contributions are locked in during open enrollment and can only be altered if you experience a qualifying life event, such as a marriage or the birth of a child.

**What happens to my HSA or FSA if I leave my employer?**

Your Health Savings Account is member-owned, meaning the account and all its funds stay with you even if you change jobs or retire. Flexible Spending Account funds are tied to your employer, and any unused funds are typically forfeited when your employment ends.