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Why to consider: A health savings account

What is it?

A health savings account (HSA) is a personal savings account used to pay for qualified medical expenses. Funds build over time, and you can use them now or save them for later. HSAs offer a triple-tax advantage, meaning that contributions, earnings, and qualified withdrawals are all tax-free.

What can I spend funds on?

A HSA covers a wide range of qualified medical expenses for you, your spouse, and your tax-files dependents. This including co-pays, coinsurance, health plan deductibles, dental/vision expenses, and over-the-counter drugs/medicines. You can use the funds any time after the account is opened, even years later. Keep your receipts so you can reimburse yourself for eligible past purchases. HSA funds can also serve as a retirement savings tool, though taxes may apply to non-medical withdrawals after age 65.

How does it work?

To contribute to an HSA, you must be enrolled in an HSA-compatible (high-deductible) health plan. You elect a contribution amount during open enrollment, and funds are typically deducted from your paycheck before taxes. Your employer may also contribute on your behalf. HSA funds belong to you and roll over from year to year, and remain with you even if you change employers. After your balance reaches a certain threshold, you may have the option to invest your funds for potential growth.

What could I save?

Here is an illustration* of potential tax savings and growth from a HSA based on a hypothetical scenario:

	Without HSA	With HSA
Annual HSA contribution	$0	$3,000
Est. tax savings (25% rate)	$0	$750
Earnings (5% annually, year 1)	$0	$150
Total first-year benefit	**$0**	**$900**

Can I change my election?

You can change your HSA contribution amount at any time during the plan year, as long as you remain eligible to contribute and don't exceed IRS limits. This flexibility allows you to increase or decrease contributions based on your financial needs.

*This calculation assumes an annual HSA contribution of $3,000, a combined federal and state marginal tax rate of 25%, and a hypothetical first-year investment return of 5%. Investment returns are not guaranteed. It is only an estimate and your individual tax savings will depend on your election amount, income, and tax rate amongst other factors.

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