



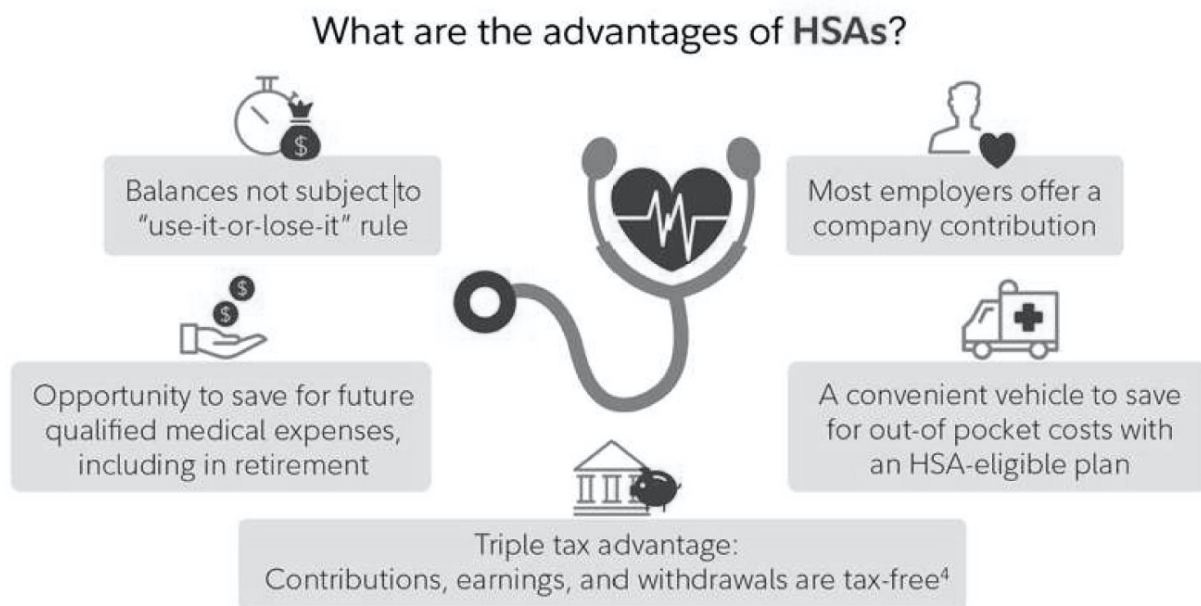
# IMPLEMENTING AN **HSA PLAN**

## Health savings accounts (HSAs) offer a number of benefits: not only spending for the short term, but also saving for longer-term qualified medical expenses, including those in retirement.

Unlike health flexible spending accounts (FSAs), HSAs are not subject to the “use-it-or-lose-it” rule. Any unused funds may be used to pay for future qualified medical expenses.

You can also use your HSA to pay for COBRA and certain Medicare premiums, as well as qualified long-term care premiums, which are subject to annual IRS limits.

More and more employers are offering HSA-eligible health plans to their employees. These plans are also known as high-deductible health plans (HDHPs) and are paired with HSAs. If your company offers this option and you are not taking advantage of it, you may be missing an opportunity, as HSAs can play a valuable role in your financial wellness.



The 2022 IRS contribution limits for health savings accounts (HSAs) are \$3,650 for individual coverage and \$7,300 for family coverage. For 2023, the IRS contribution limits for HSAs are \$3,850 for individual coverage and \$7,750 for family coverage. If you're 55 or older during the tax year, you may be able to make a catch-up contribution, up to \$1,000 per year. Your spouse, if age 55 or older, could also make a catch-up contribution, but will need to open their own HSA.

You can use your HSA to pay for some or all of your qualified medical expenses each year and let the rest of the money in your HSA potentially grow for use in the future, including in retirement. Or, if you have the cash to pay your medical costs out of pocket, you can let your entire HSA grow tax-free for future qualified medical expenses.

# 4 ways to use your HSA in retirement

You can always use your HSA to pay for qualified medical expenses like vision and dental care, hearing aids and nursing services. Once you retire, there are additional ways you can use the money:

If you retired prior to age 65, you may still need health care coverage to help you bridge the gap to Medicare eligibility at 65. Generally, HSAs cannot be used to pay private health insurance premiums, but there are 2 exceptions: paying for health care coverage purchased through an employer-sponsored plan under COBRA, and paying premiums while receiving unemployment compensation. This is true at any age, but may be helpful if you lose your job or decide to stop working before turning 65.



## Help bridge to Medicare

## Cover Medicare premiums



You can use your HSA to pay certain Medicare expenses, including premiums for Part Band Part D prescription-drug coverage, but not supplemental (Medigap) policy premiums. For retirees over age 65 who have employer-sponsored health coverage, an HSA can be used to pay your share of those costs as well.

## Pay everyday expenses



After age 65, there is no penalty if you use HSA money for anything other than health care. But you will have to pay income tax, similar to pre-tax withdrawals from your 401 (k).

Your HSA can be used to cover part of the cost for a “tax-qualified” long-term care insurance policy. You can do this at any age, but the amount you can use increases as you get older.



## Long-term care expenses

# Steps to Open Your Health Savings Account (If You Employ Others)

1. Determine the desired type(s) of HRA to offer.
2. Determine how and when amounts will be credited to participants' HRA
3. Decide how and when participants can access amounts credited to their HRAs.
4. Determine whether to Include a carryover feature.
5. Coordination with high-deductible health plan options.
6. Determine order of priority for individuals covered by HRA and health flexible spending arrangements (health FSA).
7. Determine applicability of ACA group market reform provisions to HRA.
8. Consider development of opt-in/opt-out and/or waiver procedure.

# Steps to Open Your Health Savings Account (Sole Employees or Family Business)

1. Enroll in a high deductible health insurance plan. Plans must be designated as HSA qualifying plans.
2. Find an HSA financial institution - An HSA can be opened with any provider, and you can opt for coverage for yourself or your family. You can set up an HSA with many types of financial institutions, including banks, credit unions, brokers, and insurance companies.
3. Determine how much to contribute to your account each year and deposit it to your health savings account.
4. Keep your receipts on file for health care expenses.
5. Consider whether to receive a reimbursement for qualified health care expenses or defer reimbursement to a future year.
6. Report your withdrawals on your annual individual tax return.