

HOW TO INCORPORATE YOUR HSA INTO YOUR RETIREMENT PLAN



Unlock the Potential of Your Health Savings Account (HSA)

One of the most beneficial parts of your employee benefits package may also be the most overlooked. The health savings account (HSA) is a type of savings account that lets you set aside money on a pre-tax basis to pay for qualified medical expenses. HSAs also offer a host of other unique benefits, making them a powerful instrument in your retirement planning arsenal. Let's learn how your HSA can complement your retirement plan.

✓ Understanding HSAs: A Triple Advantage

HSAs offer a blend of tax benefits akin to Traditional and Roth IRAs. Contributions to your HSA are made pre-tax, which directly reduces your taxable income. These funds can then grow tax-free and, when used for qualified medical expenses, are not taxed upon withdrawal, providing a triple tax advantage.



To contribute to an HSA, you must be enrolled in a high-deductible health plan (HDHP) and not be claimed as a dependent on someone else's tax return. Contributions are capped annually, with the opportunity for catch-up contributions for individuals aged 55 and older until they enroll in Medicare. Note that if distributions aren't used for qualified medical expenses, they incur a 10% penalty.




Have Questions?
Contact a financial advisor today.

✓ Key Benefits of the HSA

- **Pre-tax contributions.** Each contribution lowers your taxable income.
- **Tax-free growth.** Your HSA balance grows tax-free, amplifying your savings over time. Unlike a flexible spending account (FSA), the money you save in an HSA can accumulate from year-to-year.
- **Tax-free withdrawals.** Funds used for qualified medical expenses are not taxed.
- **You own your HSA, not your employer.** The money in your HSA is yours to keep for life.

✓ Strategic HSA Use for Retirement

While HSAs are designed for healthcare expenses, their true potential shines when they're used as a retirement savings tool. Here's how:

	Leverage compounding growth. By paying current medical expenses out-of-pocket and allowing your HSA funds to compound, you can significantly increase your retirement savings.
	Prepare for rising health care costs. Retirement health care costs can be daunting—an estimated \$157,500 per person during retirement ¹ —and they're still on the rise. An HSA provides a dedicated fund to defray these eventual expenses.
	Flexibility in retirement. After you turn 65, the 10% penalty for non-qualified expenses is waived, although income tax will apply. Thus, your HSA can serve as a safety net for a variety of retirement expenses.

✓ Optimizing Your HSA for Retirement

Turbocharge your HSA with the following tactics:

- **Contribute regularly.** Make investing in your HSA a habit to maximize tax deductions and compound growth. The annual contribution limits for 2024 are \$4,150 for an individual, \$8,300 for a family, and anyone 55 and older can contribute an additional \$1,000 per year as a catch-up contribution.
- **Invest wisely.** Consider investment vehicles for your HSA funds that match your risk profile and retirement goals.
- **Save receipts.** Record your medical expenses, then you can reimburse yourself from your HSA for these costs, tax-free.

✓ How We Can Help

Incorporating an HSA into your retirement strategy requires careful planning. Everyone's financial situation is different. Wealth Enhancement Group is here to guide you through this process, ensuring your HSA serves as a robust pillar in your retirement plan. Together, we can unlock the full potential of your HSA.

Contact a financial advisor today.
1-800-492-1222 | info@wealthenhancement.com

¹ "How to plan for rising health care costs," Fidelity, 2023, <https://www.fidelity.com/viewpoints/personal-finance/plan-for-rising-health-care-costs>.