

**Abstract:** Health Savings Accounts (HSAs) are designed as tax-advantaged savings vehicles for funding uninsured health care expenses. But if you're in relatively good health, an HSA also can serve as an attractive retirement savings vehicle. Here's how an HSA allows an eligible individual to pay health expenses, cut his or her federal income tax bill, and save for retirement.

## **HSAs can be powerful retirement saving tools**

Health Savings Accounts (HSAs) are designed as tax-advantaged savings vehicles for funding uninsured health care expenses. But for those in relatively good health, they also may serve as attractive retirement savings vehicles.

Using an HSA, an eligible individual can cut his or her federal income tax bill. HSAs are available to people covered by high-deductible health plans. (In 2024, a high-deductible plan is defined as one with a deductible of at least \$1,600 or more for individual coverage or \$3,200 or more for family coverage.) Contributions are tax-deductible and withdrawals used to pay for qualified unreimbursed medical expenses are tax-free. You can make tax-deductible contributions to an HSA and take tax-free withdrawals to pay for uninsured medical expenses.

This year, you can contribute up to \$4,150 to an HSA — \$8,300 if you have family coverage — plus an additional \$1,000 if you'll be 55 or older by the end of the year. If you're fortunate enough not to need all the funds in the account for medical expenses, they'll continue to grow on a tax-deferred basis, providing a valuable supplement to your other retirement accounts in several ways. For instance, you can use HSA funds to pay the premiums for a long-term care policy if you have one.

If you retire (or lose your job) before you qualify for Medicare, you may need to bridge the gap until you reach Medicare eligibility at age 65. During that time, there is an exception that allows HSA funds to be used for private health insurance premiums in addition to the expenses that are generally allowed, such as deductibles and your share of other costs. Once Medicare kicks in, your HSA can be used to pay Medicare premiums. In general, once you reach age 65, you can use your HSA funds to pay for anything. However, if your purchases are not qualified medical expenses, those amounts will be subject to state and federal taxes.

Contact our office with questions about adding an HSA to your plans for retirement.