

# A Look at HSAs

*Health Savings Accounts may provide you with remarkable tax advantages.*

Provided by Charles D. Vercellone, ChFC

**Why do higher-income households inquire about Health Savings Accounts?** They have heard about what an HSA can potentially offer them: a pool of tax-exempt dollars for health care, a path to tax savings, even a possible source of retirement income after age 65. You may want to look at this option yourself.

**About 26 million Americans now have HSAs.** You must enroll in a high-deductible health plan (HDHP) to have one, a health insurance option that is not ideal for everybody. In 2018, this deductible must be \$1,350 or higher for individuals or \$2,650 or higher for a family. In exchange for accepting the high deductible, you may pay relatively low premiums for the coverage.<sup>1,2</sup>

**You fund an HSA with tax-free contributions.** This year, an individual can direct as much as \$3,450 into an HSA, while a family can contribute up to \$6,900. (These contribution caps are \$1,000 higher if you are 55 or older in 2018.) Some employers will even provide a matching contribution on your behalf.<sup>1,2</sup>

**HSAs offer you three potential opportunities for tax savings.** Your account contributions are tax free (that is, tax deductible), the earnings in your account grow tax free, and you can withdraw funds from your HSA, tax free, so long as they are used to pay for qualified health care expenses, such as deductibles, co-payments, and hospitalization costs. (HSA funds may not be used to pay health insurance premiums.)<sup>1,3</sup>

**At age 65, you can even turn to your HSA for retirement income.** Currently, federal tax law allows an HSA owner 65 or older to withdraw HSA funds for any purpose, tax free. Yes, any purpose. You can use the money to pad your retirement income; you can use it to pay Medicare premiums or long-term care insurance premiums. No Required Minimum Distributions (RMDs) are ever required of HSA owners. (Prior to age 65, an HSA withdrawal not used for qualified medical expenses is assessed a 20% I.R.S. penalty.)<sup>3</sup>

**Why is an HSA less attractive for some people?** Well, the first thing to mention is the related high-deductible health plan. When you enroll in one of these plans, you agree to pay all (or nearly all) of the cost of medicines, hospital stays, and doctor and dentist visits out of your pocket until that high insurance deductible is reached.<sup>1</sup>

The other hurdle is just saving the money. If you pay for your own health insurance, just meeting the monthly premiums can be a challenge, especially if your household contends with other significant financial pressures. There may not be enough money left over to fund an HSA. Also, if you are a senior (or a younger adult) with a chronic condition or illnesses, you may end up spending all of your annual HSA contribution and reducing your HSA balance to zero year

after year. That works against one of the objectives of the HSA – the goal of accumulation, of growing a tax-advantaged health care fund over time.

If you would like to explore opening an HSA, your first step is to consult an insurance professional to see if you can enroll in a qualified HDHP, unless your employer already sponsors such a plan. Finding an HSA provider is next.

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. This information has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment.

**Citations.**

- 1 - [tinyurl.com/y9lbk7s7](https://tinyurl.com/y9lbk7s7) [2/2/17]
- 2 - [trustetc.com/resources/investor-awareness/contribution-limits](https://trustetc.com/resources/investor-awareness/contribution-limits) [1/3/18]
- 3 - [thebalance.com/hsa-vs-ira-you-might-be-surprised-2388481](https://thebalance.com/hsa-vs-ira-you-might-be-surprised-2388481) [8/13/17]

Charles D. Vercellone, ChFC  
Wealth Strategies Group, LLC  
200 E Big Beaver, Troy MI 48083  
248-680-4622  
[chuck@wsgllc.net](mailto:chuck@wsgllc.net)  
[www.wsgllc.net](http://www.wsgllc.net)

Fee Based Advisory Services through Sigma Planning Corporation, A Registered Investment Advisor  
Securities Products and Services through Sigma Financial Corporation, Member FINRA/SIPC  
Wealth Strategies Group, LLC is not affiliated with Sigma Planning Corp or Sigma Financial Corp