CENTERSTAGE

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Is a Health Savings Account Worth Your Time? The Best Advice from an Experienced Group Benefits Consultant.

This month's CenterStage features Kelley Bell, a Group Benefits Consultant at Saxon. With over 25 years of experience in the financial industry, Kelley knows a thing or two on HSAs or Health Savings Accounts – **what they are, who is eligible, how they're funded, and when they can be used.**

Kelley enjoys partnering with business owners and human resources managers to be their Healthcare Consultant. She understands that each business is unique and is dedicated, accessible and proactive in serving the needs of each client.

So, is an HSA a right fit for you? Let's find out!

The Break-Down

Very similar to personal savings accounts, money in a Health Savings Account (HSA) is used to pay for eligible healthcare expenses (medical, dental and vision). You, not your employer or insurance company, own and control the money in your HSA. To be eligible for an HSA, you must have a special type of health insurance called **a high-deductible health plan (HDHP).**

> *With an HSA you can make tax-deductible contributions each year to pay for current and future healthcare costs. What you don't use in any given year will stay invested and continue to grow tax-free, assuming you eventually pull it out to use for medical costs. -CNN Money*

Saxon offers HDHP group plans from one person on up that can be paired with the HSA. Here are some different highlights you should know if you are considering this type of Health Savings Account:

- **HSA's aren't ideal for everyone.** If having a high deductible seems too risky to you – or if you anticipate having significant healthcare expenses – a plan with a lower deductible and lower co-pays might make more sense.
- **There are tax advantages**, because deductibles on the HDHP are higher, premiums are generally lower.
- **There is a maximum contribution limit per calendar year of $3,400 for individuals and $6,850 for families for 2018.** Sometimes, these maximums do not reach your deductible. A personal tip: *"Try to add a small amount via pre-tax payroll. You can change the amount anytime and if you have a significant procedure, try adding the funds to the account before the payment is due*
- **If you're over the age of 55, you can make an additional "catch-up" contribution of $1,000 to that account.**
- It is your account. You make the decisions about the contributions and its use. If the funds are not used, the money rolls over to the next year and continues to grow over time.

- **If your employer switches to a different plan, your HSA is still your HSA.** The money within your HSA is yours and can continue to be used for eligible medical expenses until it runs out.
- **Most banks provide you with access to your HSA through a checkbook and debit card.** You can use these to pay your doctor, as well as for prescriptions at the pharmacy.

Whether an HSA is a good fit for you is determined through each of these highlights, but it comes down to personal preference and your overall health. There's a lot of freedom with HSAs – which is why it's important to take your time considering every perk and downfall.

Contributions, Withdrawals, Earnings, & Roll Over
The money you deposit into the account is not taxed. The idea is people will spend their healthcare dollars more wisely if they're using their own money.

However, others can contribute to your HSA. Contributions can come from various sources, including you, your employer, a relative and anyone else who wants to add to your HSA. However, if you exceed the maximum contribution limit, you could be penalized by the IRS.

- **Pre-tax contributions.** Contributions made through payroll deposits (through your employer) are typically made with pre-tax dollars, which means they are not subject to federal income taxes. In most states, contributions are not subject to state income taxes either. Your employer can also make contributions on your behalf, and the contribution is not included in your gross income.
- **Tax-deductible contributions.** Contributions made with after-tax dollars can be deducted from your gross income on your tax return, which means you may owe less tax at the end of the year.

It's also key to understand withdrawals, earnings, and roll over with HSAs:

- **Tax-free withdrawals.** Withdrawals from your HSA are not subject to federal (or in most cases, state) income taxes if they are used for qualified medical expenses.
- **Earnings are tax-fee.** Any interest or other earnings on the assets in the account are tax free.
- **Funds roll over.** If you have money left in your HSA at the end of the year, it rolls over to the next year.
- **Investment tool.** Many people use it as an investment tool, not just for current or future medical expenses, but for long-term retirement planning.

Keep your receipts in the event that you are audited by the IRS to show that you used the funds in your HSA for eligible medical expenses.

Conclusion
A Health Savings Account can be a great choice for people who wish to limit their upfront healthcare costs while saving for future expenses. HSAs go together with HDHPs. In addition, favorable tax treatment means you may owe less in taxes on your income tax return. What's more, an HSA may allow you to pay in pre-tax dollars for items your employer's other insurance options don't cover, such as eyeglasses.

HSAs have the potential to become "more compelling than a 401(k)" due to tax-deductible and tax-deferred incentives. Does it sound like you're a perfect match for a Health Savings Account? Still not sure if a HSA a good fit for you? **Contact Kelley at 513-774-5493 for more information on taking this step towards a better health plan.**