

HEALTH SAVINGS ACCOUNTS

BUSINESS ADVISORY ACTIONABLE PRINCIPLES



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HEALTH SAVINGS ACCOUNTS – DEFINED

HSAs allow you to use PRE-TAX dollars to pay for qualified medical expenses

- » Only qualified medical expenses
- » You cannot treat health insurance premiums as qualified medical expenses
- » Reduce the true cost of your medical expense by using HSA funds
- » Unused funds roll over to the next year. ***Not a use it or lose it account***

Who can use an HSA?

- » Your insurance plan will need to allow for HSA plans (High deductible health plans)
 - If you are unsure, check with your insurance provider
- » Taxpayers that are eligible at end of the year are considered eligible all year

How to fund your HSA?

- » Generally – your HSA will be funded using your PERSONAL bank account
- » This account is a PERSONAL account – not a business account
 - An exception to this would be if you are funding your HSA through a payroll deduction



HSA FUNDING

2022 – HSA Limits

Individual Plan

- » \$3,650 max contribution - \$7,050 max out of pocket
- » Age 55+ contribution limit increased by \$1,000

Family Plan

- » \$7,300 max contribution - \$14,100 max out of pocket
- » Age 55+ contribution limit increased by \$1,000

2023 – HSA Limits

Individual Plan

- » \$3,850 max contribution - \$7,500 max out of pocket
- » Age 55+ contribution limit increased by \$1,000

Family Plan

- » \$7,750 max contribution - \$15,000 max out of pocket
- » Age 55+ contribution limit increased by \$1,000

Funding Health Savings Accounts (HSAs)

- » Actionable Principle – Max fund your HSA each year if possible
 - Funding takes priority over any additional retirement account contributions like IRA or 401(k)
 - Reimbursements for qualified medical expenses are tax free
 - Distributions for non-medical expenses are taxable and if you are under age 65 there is a 20% penalty

No other benefit allows tax-free contributions and tax-free withdrawals!



HEALTH SAVING ACCOUNTS - BENEFITS



Tax Benefits

- » Pay for medical expenses with pre-tax dollars
- » Employer contributions on your behalf are not taxable and not subject to payroll taxes
- » Earnings within the account are not taxable
- » Distributions used for qualified medical expenses are not taxed

Other benefits

- » HSA accounts typically earn interest
- » Taxpayer can make a one-time transfer from an IRA to an HSA without penalty
- » No time limit on when the reimbursement from HSA account can be made
 - Can allow investment to grow in HSA account before reimbursement



USING YOUR HSA PLAN

Distributions

- » Considered as non-taxable if you use the qualified medical expenses.
 - Long-term care premiums qualify
 - Health insurance premiums do not qualify
- » You can also reimburse expenses paid personally.
- » Will not be taxable after the date you are disabled, reach age 65 or die
- » Keep documents or HSA receipts up to 7 years.
- » There is no restriction on when to take distribution to pay qualified medical expense,
 - can take a distribution in the current year to reimburse for a medical expense incurred in any previous years



HSA ACTION PLAN

How do I get started?



Step #1

Verify your insurance plan allows for an HSA



Step #2

Open an HSA account

- This can be with your local bank or most financial institutions
- You will get something like a normal "checkbook"



Step #3

Pay for Qualified Medical Expenses with this account

- Expenses can be paid directly with a debit card from this account
- Reimburse yourself if you paid a medical expense from personal funds



FAQS

» How are HSA contributions and distributions taxed?

- » HSA contributions are made with pre-tax dollars, so the contributions themselves are not subject to taxation. Distributions from an HSA are also not taxed if they are used to pay for qualified medical expenses. However, distributions that are not used for qualified medical expenses are taxable and may be subject to an additional 20% tax.

» Are there limits on how much I can contribute to an HSA?

- » Yes, there are limits on how much an individual or family can contribute to an HSA. To find the current limits go to busadvisory.com/1040reference/20XX

» Can a taxpayer and spouse open a joint HSA account?

- » Joint HSA account between Taxpayer and spouse doesn't exist legally. If Taxpayer and Spouse both qualifies for HSA, they must set up an Individual accounts.

» Can both spouses contribute an extra \$1000 to HSA?

- » Yes, if both spouses are above age 55 and below 65, they both can contribute an extra \$1000 each and they will get deduction of the whole amount.

» Is there a deadline for funding an HSA?

- » At this time, there is no deadline for funding an HSA. Deposits can be made anytime throughout the year. Keep in mind that there are annual contribution limits for an HSA.

» Can you spend HSA money on anything?

- » You can't use HSA money to pay non-qualified medical expenses until you turn to 65, after 65 you can use HSA money to pay non-qualified medical expenses.

» Does HSA money expire?

- » The money you put in your HSA has no expiration date and will stay in your account forever. This means that unspent money in an HSA rolls over at the end of the year and remains available for future health expenses.

» Who is considered as family for HSA?

- » Spouse and dependents even if they are not on your medical plan.

» Can I claim HSA deduction if anyone claim me as a dependent?

- » No, you can't claim HSA deduction if anyone claim you as dependent.

» Can I contribute to an HSA if I am on Medicare?

- » You can't open a new HSA if you or on Medicare, but you can keep your old HSA after you turn 65 and enroll in Medicare. You cannot make tax-deductible contributions to the account after age 65 if you are on Medicare.

