

CAN YOUR HEALTH SAVINGS ACCOUNT (HSA) DOUBLE AS A RETIREMENT PLAN?

Health Savings Accounts Offer Account Holders Tax Benefits 401(k)s Cannot

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When people begin to think about building their nest eggs for retirement, many do not think of their health plan as the first place to look. According to a survey of middle-class American's conducted in 2014, second to paying for monthly bills and expenses, their top two concerns are paying off medical expenses and saving for retirement. However, 34% of Americans don't contribute to a traditional retirement savings plan at all – a trend that is leading to many Americans not properly preparing for retirement.

The average available retirement funds for households with people 65-74 years old is \$148,000, which is shocking considering that a 65-year-old couple retiring in 2015 are estimated to need nearly \$245,000 to cover medical bills alone. This evidence supports that people are trying their best to save for these costs, yet are falling short of their goals when only contributing to a 401(k), which begs the question, are their other alternative to your average retirement savings vehicle?

For many the answer to that question is a health savings account (HSA). A dollar placed in a health savings account to be used for eligible medical expenses goes much further than one placed in a 401(k), due to the triple tax benefit of an HSA. Money goes into an HSA free of federal, state and FICA taxes and accrues tax-free interest. However, unlike a 401(k), account

holders can use and withdraw HSA funds tax-free as well, as long as the funds are used for eligible medical expenses.

Unlike the use-it-or-lose-it nature of a Flexible Spending Account, HSA funds roll over year after year. This allows account holders to accumulate interest and invest their HSA funds to grow their balances tax-free, benefiting from the advantage of dividends from competitive interest rates and mutual fund options. On top of this, an HSA comes with far fewer distribution restrictions than a 401(k).

MAKING YOUR HSA DOLLARS WORK FOR YOU

The main advantage of an HSA is that it offers people the flexibility to follow a strategy that can help save a substantial amount of money. Although an HSA must be paired with a high-deductible health plan, which some people may say is a drawback and not a feature, this actually provides people with more savings opportunities than traditional plans.

When operating under an HDHP, health insurance premiums are drastically lower than other health insurance options, while the deductible is high, studies show that the average out-of-pocket cost for an individual is \$810 a year, proving that most people don't ever reach their out-of-pocket maximum.

When you are hands on with your health savings strategy, you can begin to experience some very real savings

on health care expenses, which you can then contribute tax-free up to the maximum contribution limit every year to your HSA, to grow inside of your account and connected investment account. Depending on rate of return, someone saving the maximum for 20 years with an HSA with no withdrawals could expect to accumulate between \$118,000 and \$193,000.

When it comes to preparing for the future, an HSA allows people the flexibility that many other retirement vehicles do not, making an HSA an integral part of any person's retirement strategy. ★

Morgan Anthony is well versed in all aspects of the HSA, Morgan has toured the country speaking publicly on the benefits of Consumer Directed Health Plans (CDHP). A NAHU ACA Healthcare Reform Certified Professional, CDHP Specialist and carrier of a life and health license, Morgan has spent the past 8 years managing a successful sales team and client base in the industry throughout Southern California, Arizona and sections of the North East. This included but was not limited to large group sales, mid-market, GA business, municipalities, small group, direct sales and a variety of manufacturing firms.

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