



# HSAs

## One of the Best Ways to Save for Retirement

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Health Savings Accounts are perhaps one of the most underutilized retirement planning tools available. HSAs are arguably one of the most tax friendly ways to save for retirement since they offer a "triple tax benefit". You are allowed to tax deduct your contributions, it's allowed to grow tax free, and you can take tax free withdrawals for all qualified medical expenses including premiums for a long term care policy (which is meant to help pay for long term care costs such as a nursing home, in-home care, etc.). Also, there are no required minimum distributions (RMDs) for HSAs.

Contribution limits for 2019 will be \$3,500 for individuals and \$7,000 for families, with a \$1,000 catch-up provision for people age 55 and older.\* Most HSAs even offer investment options such as index funds or target date funds. Healthcare is considered to typically be one of the largest expenses people will face in retirement. According to Fidelity Retiree Health Care Cost Estimate, a 65 year old retired couple would spend about \$280,000 on health care costs.\*\*

Before the age of 65, there is a 20% penalty for non-qualified withdrawals. After age 65, you can use those funds for any purpose without penalty, you'll just be responsible for the income tax amount on the withdrawal just like you would on a traditional IRA or any other pre-tax account. However, keep in mind that withdrawals for any qualified healthcare expense will be tax free.

Here's the catch, to be able to contribute to an HSA you must have an HSA-eligible healthcare plan. That means that your 2019 deductible needs to be at least \$1,350 for individuals and \$2,700 for families and the out-of-pocket maximum can be no more than \$6,750 for individuals and \$13,500 for families.\*\*\*

Meet with your Financial Advisor and CPA to see if an HSA would be a good fit for your retirement plan.



\*[https://www.irs.gov/pub/irs-drop/rp-18-30.pdf?](https://www.irs.gov/pub/irs-drop/rp-18-30.pdf)

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\*\* <https://www.fidelity.com/viewpoints/personal-finance/plan-for-rising-health-care-costs>

\*\*\*[https://www.irs.gov/pub/irs-drop/rp-18-30.pdf?](https://www.irs.gov/pub/irs-drop/rp-18-30.pdf)

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