

# 10 things you might not know about your Health Savings Account (HSA)

One of the key advantages of an HSA is its flexibility. For the short term, you can use it to pay for immediate medical expenses. But, if you don't need to spend on medical expenses in any given year or choose to pay for those expenses from a different source, your account can grow... significantly. Over the long term, there is no better tax-deferred wealth accumulation vehicle.

Not everyone understands the ins and outs of these types of accounts, so listed below are 10 things you might not know about your HSA.

## 1 Not everyone is eligible to contribute to an HSA

HSA accounts are only available for individuals and families covered by a high-deductible health plan ("HDHP"). Since HDHPs have higher out of pocket deductibles than traditional coverage, individuals and families must be comfortable with paying "first dollar" expenses out of pocket up to the maximum deductible.

## 2 In 2025, you can contribute \$4,300 (individual) and \$8,500 (family) to your HSA

This is an increase from \$4,150 (individual) and \$8,300 (family) in 2024.

## 3 HSAs can be used to accumulate wealth

If you do not need to use your HSA to pay for current medical expenses, you can accumulate and invest those assets, taking advantage of their triple tax benefit:

- Annual contributions are made with pre-tax dollars
- Tax-deferred growth

- Tax-free withdrawals for health care expenses

## **4 You can reimburse yourself for qualified medical expenses from your HSA at any time**

Many people are under the misconception that they can only use HSA assets to pay for current medical expenses, but the reality is that you can reimburse yourself for qualified medical expenses at any time, as long as:

- The expense was incurred after your HSA was established
- The expense was not reimbursed in any other way

A good rule of thumb is to keep detailed records of all medical expenses so that over time, if you choose to reimburse yourself, you will have clean records.

## **5 Your HSA can be used to pay for your family's qualified medical expenses**

As long as you use the funds to pay for qualified medical expenses, you can pay for any family member who is a tax dependent on your tax return. You may also use the funds for medical expenses incurred by your child who is claimed as a tax dependent by their other parent.

## **6 Your HSA does not need to be with your employer**

Most people think that they need to use their employer HSA plan, but you can have an HSA with any provider you choose. However, please note that your employer might not support payroll contributions and/or pay their match to a different HSA account. But, just like your retirement plan assets, your HSA belongs to you and is portable when you change employers.

## 7 Your HSA transfers to your spouse tax free upon death

If there is still money in the account upon the death of your spouse, the assets are taxable to the heirs.

## 8 Medicare impacts your HSA contributions

Once you turn 65, you will face decisions about enrolling in Medicare parts A and B. Your Wealth Advisor can provide guidance on how this will impact your HSA contributions.

### 9 Your HSA can be invested in financial markets

Your Wealth Advisor can help you invest your HSA assets into a diversified portfolio as part of your overall financial plan, making them an effective long-term saving vehicle to help cover health care expenses in retirement.

### 10 HSAs can create peace of mind

Health care costs are often one of the largest expenses in retirement, and they continue to rise unpredictably. If accumulating and investing your HSA assets has been part of your financial plan over your working lifetime, you may be more confident that you will have "enough" for health care expenses, without having to spend your retirement assets.

### Summary

An HSA offers a unique blend of tax advantages and flexibility. It's more than just a medical savings account; it's a powerful tool for long-term financial growth. By understanding its nuances, you can maximize its potential and secure your future healthcare costs. From tax-free contributions and growth to flexible withdrawal options, an HSA can be a game-changer in your financial planning. Talk to your Mesirow wealth advisor about how you can harness the power of an HSA, a hidden gem for financial wellness.

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