FLEXFACTS
a company of grant benefit solutions

HSA Myth: HSAs are for short-term medical expenses only

Many people don't think about an HSA as a long-term savings account. Instead, they think of it as an account used to set aside money, tax-free, to pay for immediate healthcare expenses – more along the lines of a flexible spending account (FSA). However, an HSA also makes an exceptional savings and investment vehicle, much like a 401(k).

Three things consumers can do with their HSA funds:

1. Pay for immediate eligible out-of-pocket healthcare expenses
2. Save to pay for future healthcare expenses or retirement
3. Invest for growth (once their funds reach an amount set by their HSA custodian)

The power of HSA tax benefits

HSA tax benefits far exceed what most people realize. In fact, HSAs offer the greatest tax advantages of any benefit or retirement account, including 401(k)s.

HSAs deliver the power of triple-tax savings:

- Tax-deductible contributions, which reduce the federal income taxes consumers owe
- Tax-free growth of funds
- Tax-free withdrawal, as long as funds are used on qualified out-of-pocket medical expenses

HSAs and future healthcare expenses

The funds that consumers, or their employers, contribute to an HSA belong to the consumer indefinitely, unlike the use-it-or-lose-it rule of FSAs. This allows consumers to save and grow funds over time for future expected or unexpected medical expenses. For example, money saved in an HSA this year could be used to pay for a surgery 10 years from now. There is no penalty for removing funds, as long as they are spent on qualified medical expenses.

> A 65-year old couple leaving the workforce today can expect to need $300,000 to cover medical expenses during retirement*.

HSAs and retirement expenses

Healthcare costs continue to rise and have become one of the biggest concerns when it comes to retirement planning. Consumers can help ensure they're prepared for these rising costs by directing savings to an HSA and maxing out their annual contributions. And if they're fortunate enough to have good health and little need for healthcare-specific savings later in life, they can still access their HSA funds but must pay ordinary income tax on the distribution and wait until age 65 to avoid penalties for withdrawal.

**Fidelity*

Contact us today to learn how an HSA can benefit your organization

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