Optum Financial®

HSA fact or myth?

A health savings account (HSA) lets you pay for your qualified medical expenses while saving on taxes. While there are many benefits to an HSA, there are also many misconceptions. Let's clear those up now.

General HSA knowledge

"I don't need an HSA if I'm healthy." *Myth*

HSAs are for everyone. Pre-tax dollars can be used to pay for ordinary expenses like certain approved over-the-counter medication, sunscreen and dental or vision appointments.

"An HSA requires a qualifying High Deductible Health Plan (HDHP)." *Fact*

To open an HSA, you must have a qualifying HDHP and meet other IRS eligibility requirements, unless an exception applies.

"My HSA funds disappear if I don't use them by the end of my plan year." *Myth*

Your HSA money is yours to keep. You own it and control the available funds. Even if you change jobs or health plan coverage or retire, you take your HSA with you. Any money you don't use has the potential to grow over time to provide for your future.

"HSA contributions are not taxed."* *Fact*

It can be hard to balance your budget, but HSAs can actually help you stretch it. You may receive company contributions to your account, which is like getting additional money. Plus, typically your personal contributions are deducted pre-tax. For example, if you contribute $25 per biweekly pay period, with a 30% tax rate, your paycheck is only reduced by $17.50. At this rate, you would be able to put an extra $6,500 in your HSA over 10 years, and that's not even counting employer contributions to your account, or interest and potential investment earnings. An extra $6,500 for health, dental and vision expenses can really help stretch a budget.

Using your HSA

"I can't use my HSA to cover medical costs for my spouse or dependents." *Myth*

Funds can be used to cover qualified medical expenses for you (the account owner), as well as your legal spouse and eligible tax dependents.

* As long as you are HSA eligible and do not over contribute.

"I can only use my HSA for medical expenses."	*Myth*

You can withdraw money from your HSA at any time for any purpose – with the understanding you may pay taxes and penalties for nonqualified expenses. Income taxes are generally applied to the amount used and, for individuals who are not disabled or over age 65, a 20% tax penalty. If you are 65 older, you may withdraw money from your HSA for any purpose without penalty, with income taxes generally applying.

HSA contributions

"I can contribute to my 401(k) and HSA."	*Fact*

By combining their benefits, a 401(k) and HSA allow you to make one of the best financial decisions for health and retirement.

"I don't need an HSA as I get closer to age 65 or Medicare eligibility."	*Myth*

It's never too late to open an HSA and save for the future. Let's look at the HSA potential for a 55-year-old individual who is 10 years away from Medicare eligibility. Assuming this account holder contributes $3,000 a year to an HSA, uses $1,500 a year in medical expenses, earns 7% a year in interest and investments, and reinvests all earnings. This HSA balance could grow to approximately $22,176 by the age of 65. This estimate does not include potential company contributions, which could add even more funds to the HSA balance. Further, account holders 55 and older can take advantage of "catch-up" contributions – the IRS allows an extra $1,000 contribution per year.

"Once I select how much to contribute, I can't change the amount until the next enrollment period."	*Myth*

You can change your HSA contribution amount through your employer, including starting or stopping your contributions, at least once per month. You can also make ad hoc contributions to your HSA directly within the allowable limits.

Ready to enroll?

Enrolling in an HSA is quick and easy because it's built into your employer's benefit options. Review your materials today so you don't miss your chance to sign up.

Scan the QR code, or go to **optum.com/HSAIntro**, to see how you can save.

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