What's an HSA and is it Right for You?

Health savings accounts (HSAs) have grown tremendously in popularity over the past few years.[1] You've probably heard of them or maybe your employer offers one. This memo will uncover answers to common questions you may have about HSAs.

What's an HSA?

A type of savings account that allows you to set aside money on a pre-tax basis to pay for qualified medical expenses.

Can anyone get an HSA?

In order to open an HSA, an individual must first enroll in a qualified high deductible health plan (HDHP).

I've heard HSAs have triple-tax advantages, what are they?

1. Contributions are tax-deferred and eventually even possibly tax free (see #3).
2. Contributions can be invested and potentially grow tax free (see #3).
3. Withdrawals aren't taxed, if used for qualified medical expenses.

If I change employers, what happens to my HSA?

HSAs are completely portable for employees, meaning you may take it with you if you change employers.

Do I lose my HSA funds at the end of the year?

No. The balance can grow and carry from year to year and can also be invested.

What can I pay for with my HSA?

Generally, HSA funds can be used to pay for anything that your insurance plan considers a "covered charge," including charges not paid by your health insurance because they were subject to a co-pay, deductible or coinsurance.

[1] https://www.kff.org/report-section/ehbs-2020-summary-of-findings/

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