Should you be in good health to enroll in the HSA (Health Savings Account) or HSA Eligible Health Plan or HDHP?

By Karin Rettger
https://myfinancialadvisor.org
MY FINANCIAL ADVISOR
A Division of Principal Resource Group

Many people believe that in order to enroll in a Health Savings Account (HSA) you have to be of relatively good health. This means that you have few reasons to make trips to the doctor and a limited chance of hospitalization. **Not sure how an HSA works? Check out this video.**

Why is this thought so prevalent? People believe this is due to the fact that in order to enroll in an HSA, you need to be enrolled in a High Deductible Health Plan (HDHP). Right off the bat, that sounds super scary. Today all medical plans have high deductibles so don't let that term alone deter you from enrolling in an HSA. We prefer to clarify the terminology by calling the health plan that pairs with the HSA as the HSA Eligible Health Plan (HSA HP). Sounds a lot better, right?

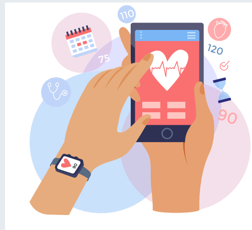
At your annual open enrollment for medical coverage, which is typically in the fall, you should ask yourself, are you paying more than you need for medical coverage? Why ask this? Let's review the things you should consider when reviewing your options as many people don't realize that HSA-eligible health plans have the potential to be the more affordable option.

- First of all, the traditional PPO's with a Low Deductible Health Plan (LDHP), typically will cost you more out of your paycheck—because the premiums are usually higher than the premiums with an HSA HP.
- Besides cost, it is possible that some HSA-eligible plans may offer better coverage, or a wider network of providers than your current plan. Obviously, every insurance plan is different but it's important to look at the benefits and run the numbers before making any decisions.
- You may also be overlooking some important dollars from your employer. When you choose the HSA HP, your employer may also provide you with more help by making a contribution to your HSA. As you incur medical costs, you can use that employer contribution to help reduce your future out-of-pocket cost. So, when you look at the total net cost of the HSA HP, you also want to consider the contribution your employer makes to your HSA. Currently, more than 80% of employers make contributions towards an employee's HSA1.

Picture this, you enroll in the HSA HP which costs $50 less per paycheck than the other medical plan options. That saves you $1,300 per year. If your employer also contributes $1,000 per year to your HSA, you have already saved $2,300. On top of that, you can also add your own pre-tax savings to your HSA and let it grow over time by setting up contributions through your paycheck. Check out this video to learn more about making the HSA grow. The main benefit of the HSA is that you can use it at retirement or to pay for medical expenses instead of taking it from your 401(k). **See video.**

If you're not currently enrolled in an HSA or HSA Eligible Health Plan, that probably means that you are enrolled in a Flexible Spending Account (FSA). In comparison to an FSA, HSAs allow you to make larger contributions, opening you up to higher tax savings.

- With an FSA, you are limited to contributing $2,750 for single coverage whereas an HSA allows for up to $3,550 for single coverage and $7,100 for family coverage.
- With an HSA, you can add an extra $1,000 if you are over age 55, commonly known as a "catch-up" provision.
- Unlike an FSA, there is no time limit to use the funds, and the HSA funds are also allowed to fully rollover at year-end to the next year and grow in the account while not being used.



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- A powerful component of HSAs is to invest the remaining balance in an investment fund (similar to what your 401(k) may offer). This allows the potential for greater growth than leaving the monies in case. As with any investment, there are market changes which can mean that your investment could go down in value, but is not likely over the long-term.
- Also, unlike an FSA, your HSA is your own account and you can transfer it to your own HSA. This makes it much more portable!

This open enrollment, consider the HSA HP choices that your employer offers. It may not be the right choice for you, but with lower premiums, employer contributions, the power of growing your own savings in an HSA, it has the potential to be the better long-term choice for you.

Learn more about HSAs by watching our informational (and fun!) videos. [**https://www.myfinancialadvisor.org/hsa-learning**]. If you have questions about HSAs, please contact us at **karin@myfinancialadvisor.org**.

800 Roosevelt Road, Building B, Suite 413, Glen Ellyn, Illinois 60137
630.858.5430 | krettger@prgresource.com | myfinancialadvisor.org