

retirement. Many people mistakenly think that Medicare is free. It often comes as a surprise to learn that there are monthly premium costs associated with the various Medicare plans that are based off of yearly income. This premium can be paid for tax free out of an HSA. In addition, under Medicare Parts A and B, medical expenses regarding dental, hearing, and optical items are not covered. Therefore, you can use the money in your HSA to cover these expenses. Funds in your HSA can also be used to cover any prescription drug costs that are not covered by Medicare.



“At any time during the year the contributions to an HSA can be adjusted based on how much you want to contribute at that time.”

The benefit to paying for these expenses out of an HSA instead of an account like a 401(k) or IRA is the fact that withdrawals from an HSA are tax free. If you were to use funds in your 401(k) or IRA to cover your Medicare expenses, the funds would be taxed at your income rate. [Learn more with this video.](#)

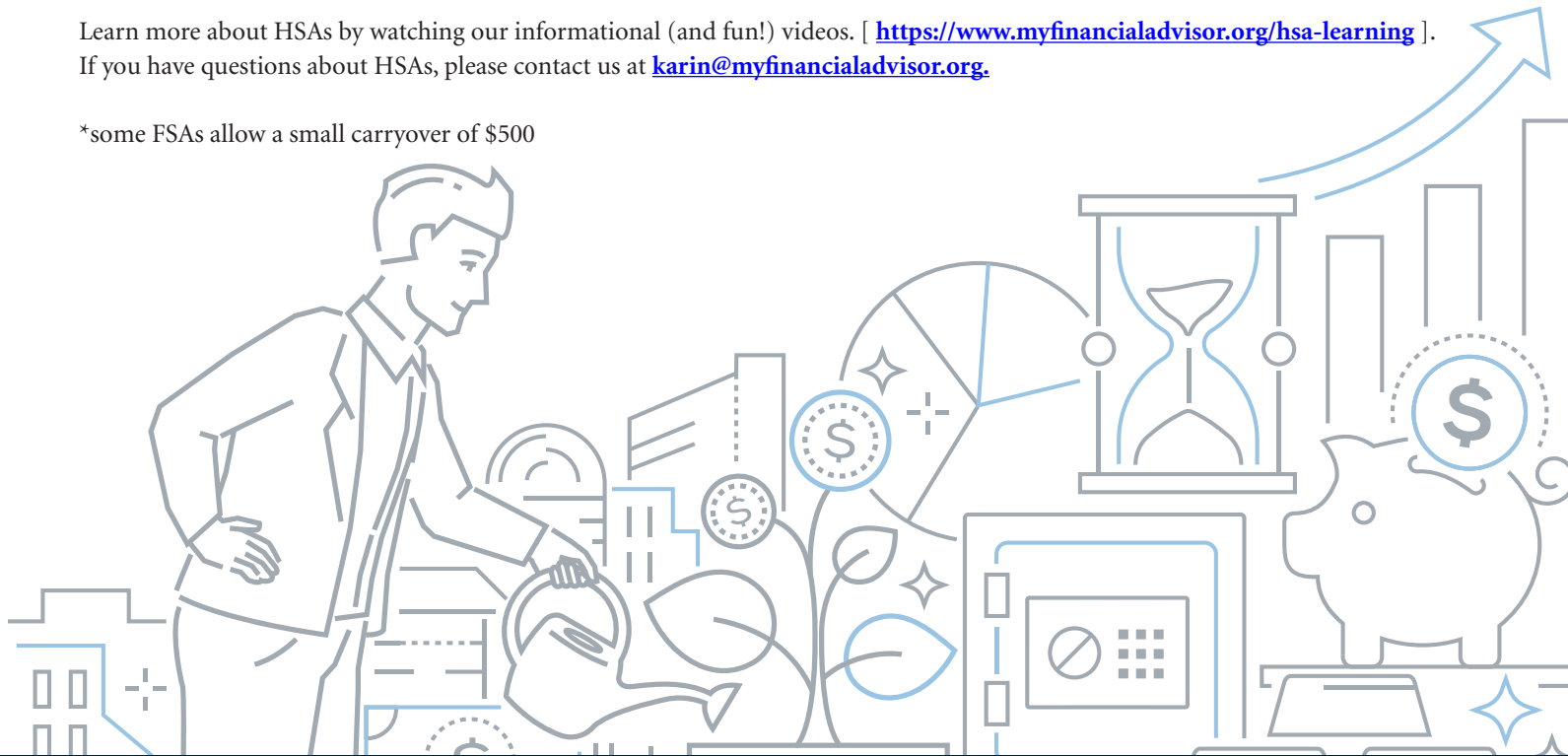
Consider this! If you start at age 30 contributing to an HSA at \$1,600 per year (This will only cost you \$1,000 a year because of the tax savings on an HSA), you will accumulate \$183,989 by age 65 if you were able to earn a hypothetical return of 6% on your balance. This is money you can use to supplement your 401(k) and boost your retirement income.

#3: HSAs have more flexibility in claim reimbursement

One of the major perks of an HSA is its flexibility. An aspect that contributes to this flexibility is the ability to get reimbursed at any time. An HSA does not require you to submit the expense for reimbursement during the year that the expense is incurred. For example, if you pay for a medical expense out of your own pocket in 2020 and save the receipt, you can choose to receive the reimbursement in, say, 2026. The benefit of this is that the money that is in the HSA stays put and continues to grow until you need the funds in the account. By handling some expenses out of pocket and waiting for reimbursement until retirement (if possible), the extra money left in the HSA can boost your retirement income. [Learn more with this video.](#)

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.

*some FSAs allow a small carryover of \$500



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