Health Savings Account

Fact Sheet 2024

STIFEL

A Health Savings Account (HSA) is a tax-exempt custodial account set up with a qualified trustee to pay or reimburse certain medical expenses.

Benefits

- Your contributions are tax-deductible up to pre-set limits.
- Employer contributions may be excluded from your taxable income.
- Assets in your account grow tax-deferred.
- Distributions are tax-free when used for qualifying medical expenses.
- The money is yours for as long as you live, and funds left over at the end of the year roll over automatically.

Contributions

Coverage Type	Contribution Limits	Minimum Deductible	Out-of-Pocket Maximum
Single	$4,150/year *additional $1,000 if over 55	$1,600	$8,050
Family	$8,300/year *additional $1,000 if over 55	$3,200	$16,100

Employer contributions count toward your annual contribution limit. Excess contributions and earnings must be withdrawn by the tax deadline for the year in which the excess contributions were made in order to avoid income taxes and a 6% excise tax. Contributions are allowed until the tax deadline for the year in which the contribution is intended. You cannot make contributions to your HSA if you are enrolled in Medicare, although the balance in your account can still be used.

Contributions to an HSA must be made in cash. Anyone can contribute to your HSA, and you still get the tax deduction. One rollover contribution is allowed per year, and rollovers do not need to be in cash. You must roll over the amount within 60 days of receipt. Direct HSA-to-HSA transfers are unlimited and do not need to be in cash.

Once deposited, funds can be invested in a variety of investment vehicles, such as stocks, bonds, CDs, and mutual funds.

Qualifications

To qualify for an HSA, you must be covered under a high-deductible health plan (HDHP), have no other “first dollar” health coverage except what is permitted (vision, dental, accident, etc.), must not be enrolled in Medicare, and cannot be claimed as a dependent on someone else’s tax return.

Qualified Expenses

In addition to a long list (see IRS Pub. 502), qualified medical expenses include, but are not limited to, long-term care insurance premiums, COBRA coverage, and Medicare premiums. Note, premiums for Medicare supplement insurance policies are not considered a qualified medical expense.

IMPORTANT NOTES

- Record keeping is important to show that distributions were used to pay for or reimburse qualified medical expenses that were not otherwise reimbursed or taken as a previous itemized deduction. You can go back to your HSA account inception to reimburse yourself for qualifying expenses.
- You are allowed a one-time rollover from an IRA to an HSA limited to your maximum allowable contribution. You cannot borrow from an HSA.
- Once you turn age 65, you can make withdrawals from your HSA account penalty-free. However, amounts used for non-medical purposes will be subject to income tax.
- Your account passes to your designated beneficiary at your death. If your surviving spouse is the beneficiary, the HSA can become his or her HSA. For non-spouse beneficiaries, the account is no longer an HSA and the balance at your death is taxable to the beneficiary. This taxable amount can be reduced by any qualified medical expenses for the decedent that are paid by the beneficiary within one year following the date of death.