



Embrace a Healthy Habit By Saving Through an HSA

According to the 2022 Fidelity Retiree Health Care Cost Estimate, an average retired couple age 65 may need approximately \$315,000 saved (after tax) to cover health care expenses in retirement. There are a number of factors behind this escalating cost challenge. In general, people are living longer and health care inflation continues to outpace the rate of general inflation.

Of course, the amount you'll personally need will depend on when you retire, how healthy you are, and how long you live. If you have access to a Health Savings Account (HSA) through work, it offers an excellent opportunity to save for future healthcare costs.

Forward-thinking Features and Benefits

An HSA is a unique, tax-advantaged account that can be used to pay for current or future healthcare expenses. When combined with a high-deductible health plan, it offers savings and tax advantages that a traditional health plan can't match. With an HSA, individuals have:

- **A tax-advantaged savings account.** They can use the money to pay for eligible medical expenses as well as deductibles, co-insurance, prescriptions, vision expenses, and dental care.
- **Unused funds that will roll over year to year.** There's no "use it or lose it" penalty like there is with Flexible Spending Accounts (FSAs).
- **The potential to build more savings through investing.** Individuals can typically choose from a variety of self-directed investment options with no minimum balance required.
- **Additional retirement savings.** After age 65, funds can be withdrawn for any purpose without penalty, but may be subject to income tax if not used for IRS-qualified medical expenses.



The Triple Tax-free Advantage

There are three key tax benefits to HSA. Money goes into and comes out of an HSA tax-free (as long as funds are used to pay for qualified medical expenses). No other employee benefit has this significant tax benefit:

1. Contributions to HSAs are not subject to federal income taxes.¹
2. Earnings to an HSA from interest and investments are tax-free.
3. Distributions from an HSA to pay for qualified medical expenses are tax-free.

In addition, there are no Required Minimum Distributions (RMDs) at age 72.

2022 IRS Limits

The IRS sets limits each year for maximum contributions to each type of account-based benefit.

Contribution	Single Plan	Family Plan
Maximum Contribution Limit*	\$3,650	\$7,300
Catch-up Contribution (55+)	\$1,000	\$1,000

* Employer plus employee

Similar to IRAs, contributions can be made up to April 15 of the following year, provided the account was open and qualified in the previous year.

¹ Federal tax savings are available regardless of your state. State tax savings may not be available in every state.

Source: [irs.gov](https://www.irs.gov)

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