HSAs: Strengthening Retirement Savings

Safeguarding Health & Wealth

When it comes to healthcare expenses in retirement, Health Savings Accounts (HSAs) are an effective tool for maximizing savings. That's because HSAs offer individuals and families the only triple-tax advantaged account available:*

1 | Contributions made to an HSA are tax deductible or pretax if made through a payroll deduction.

2 | Account growth, including interest earned and investment gains, is tax free.

3 | Withdrawals are tax free when used for IRS-qualified medical expenses.

While HSAs offer a significant advantage over traditional retirement options, findings from an HSA Bank survey indicate that consumers are not aware of how much they should be saving, and are not leveraging these accounts to their full potential.

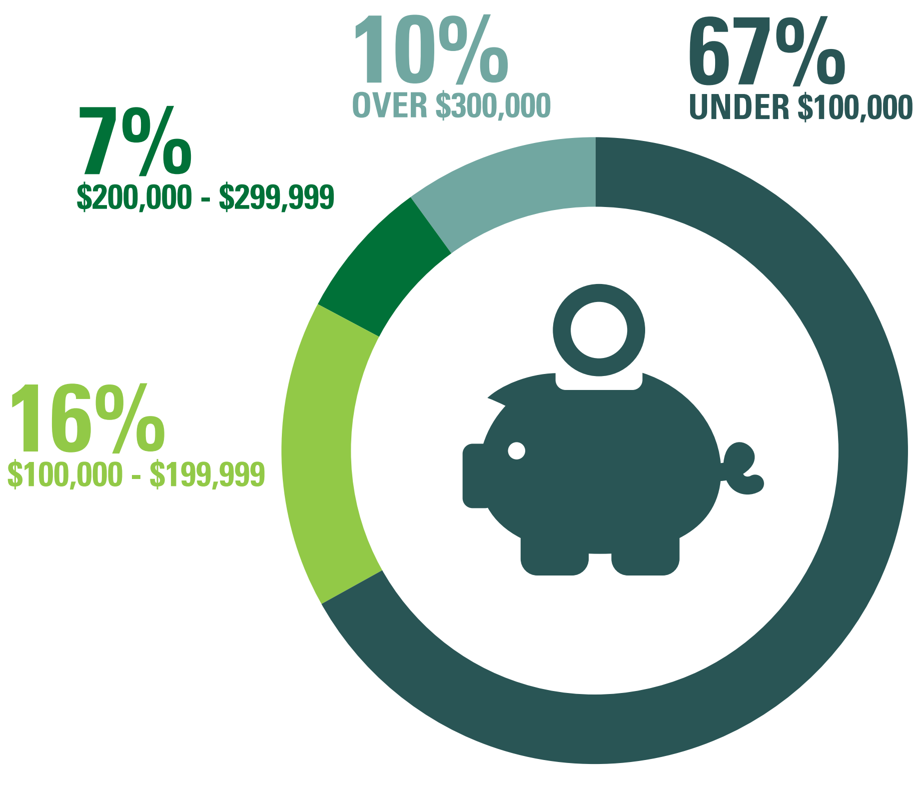
Consumers underestimate how much money they will need for healthcare expenses in retirement.

Two-thirds (67 percent) of consumers believe they will need less than $100,000 for healthcare expenses in retirement. In reality, studies have shown that consumers could need almost double this amount.

METHODOLOGY

The survey of 1,200 individuals across the U.S. was commissioned by HSA Bank and executed by a third-party organization in September 2017. The margin of error for this sample size is +/-3.09 percent at the 95 percent confidence level.

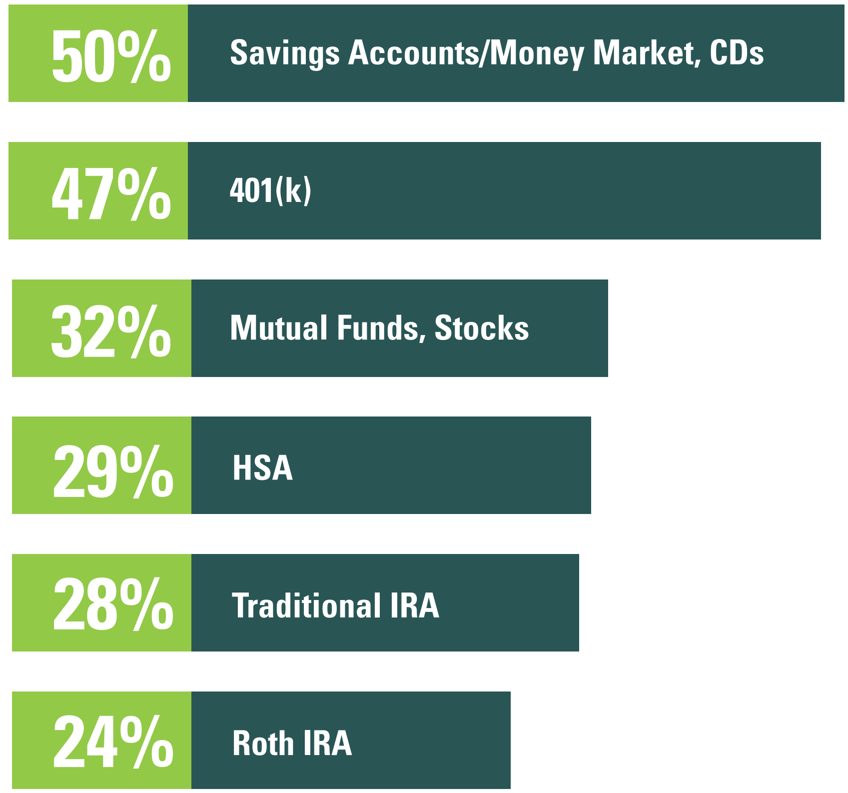
AMOUNT CONSUMERS BELIEVE THEY WILL NEED FOR HEALTHCARE EXPENSES



HSAs are a cost-effective way to pay for healthcare expenses, yet not widely used.

Our data shows that today's consumers are more likely to save for retirement healthcare expenses using savings accounts, 401(k)s and investments before an HSA. Influenced by both the familiarity of more traditional savings vehicles and inexperience with the HSA model, this approach does not enable consumers to maximize their savings since these savings vehicles are all subject to income tax. With an HSA, consumers won't pay income tax on these funds if used for IRS-qualified medical expenses. This includes any interest, dividends, or capital gains from investments.*

ACCOUNTS USED TO SAVE FOR HEALTHCARE EXPENSES IN RETIREMENT



Consumers are unclear about the primary benefits of an HSA.

While some consumers simply don't have an HSA, many consumers aren't using them to save for healthcare expenses in retirement because they just don't understand how they work.

46%

are not aware of the tax benefits of an HSA.

HSAs are the only triple tax-advantaged account available. Additionally HSA payroll contributions are not subject to FICA taxes.

42%

are not sure they can invest HSA funds.

HSA funds can be invested in mutual funds, stocks, and other linked investment options as part of a long-term retirement strategy, similar to traditional retirement accounts.

42%

are not sure what healthcare expenses an HSA covers.

HSA funds can be used for a wide range of healthcare expenses. For a list of IRS-qualified medical expenses, visit hsabank.com/QME.

41%

are not sure if HSA funds expire each year.

An HSA is an individually owned bank account. The funds never expire and are yours to keep even if you switch health plans or employers.

While HSAs are a cost-effective way to pay for IRS-qualified medical expenses due to the triple tax advantage and investment capabilities, they are only one component of a healthy retirement benefits strategy. By combining HSA savings with savings from traditional retirement vehicles, consumers will be better prepared for the significant expenses they will incur during their retirement years.

Want to learn more about HSAs for retirement?
hsabank.com/HSAand401k

Start the conversation
salessupport@hsabank.com

*State taxes may apply. Consult your tax professional.