

# Discover the Tax Advantages of Health Savings Accounts

A tax-advantaged health savings account (HSA) allows you to pay for eligible medical expenses while working and after you retire. The benefits go a step further—after age 65, you can use the funds on anything you like. Keep in mind if funds aren't used for medical expenses, those withdrawals will be taxed.

## Is a High Deductible Plan Right for You?

While you're still working, you could enroll in a high-deductible health insurance plan (HDHP), which is connected to an HSA, but of course these plans aren't for everyone. The IRS defines an HDHP in 2021 as any plan with a deductible of at least \$1,400 for an individual and \$2,800 for a family. An HDHP's total yearly out-of-pocket expenses (including deductibles, copayments and coinsurance) can't be more than \$7,000 for an individual (\$7,050 in 2022) and \$14,000 for a family (\$14,100 in 2022).<sup>1</sup> This limit doesn't apply to out-of-network services.

Individuals who might benefit most from an HDHP include those who are healthy with minimal health care expenses or those who typically exceed their deductible. Seek advice from your employer and wealth advisor to calculate your typical annual health care expenses to determine whether this type of health insurance makes sense for you.

## Contributing to an HSA

While it's optional, employers usually provide some funding of an HSA account, but it's up to you to add to that account. You can contribute to an HSA pre-tax via payroll deductions.

You can also contribute to an HSA using after-tax dollars and take a federal tax deduction on your personal tax return. Contributions to an HSA for 2021 are capped at \$3,600 for individuals (\$7,200 for families). For 2022, they max out at \$3,650 for individuals (\$7,300 for families).<sup>2</sup>

To be eligible to contribute to an HSA, you must be enrolled in a qualified HDHP, not be covered under a secondary health insurance plan, not enrolled in Medicare, and you can't be claimed as a dependent on someone else's tax return.

## Tax-Free Withdrawals

Contributions can be withdrawn tax free when used for eligible medical expenses, such as vision, medical and dental. In retirement, you can also make tax-free withdrawals for eligible medical expenses such as Medicare premiums.



You can withdraw the money for any reason without penalty after age 65 but are subject to applicable income taxes. That said, this account can become a good alternative income source in retirement, especially as contributions continue to grow tax deferred over time.

## Portability and Growth

As an added benefit, HSA funds that you don't spend roll over from year to year, allowing you to build tax-free savings to pay for medical care later.

And the IRS does not consider interest earned on an HSA to be taxable income when the funds are used for eligible medical expenses. Plus, HSAs are portable and move with you if you change employment.



## Flexible Investment Choices

Once your HSA cash account balance reaches the minimum amount required by the custodian, you can transfer funds to an HSA investment account. After that, you can choose to invest the funds in a variety of stocks, bonds and mutual funds.

## Review Your Accounts

As you work toward retirement and after you retire, it doesn't hurt to check in with your wealth team to review all of your IRA and savings accounts, including an HSA if you have one. At Mariner Wealth Advisors, we take a 360° view of all of your assets. We'll work with you on a financial plan designed to cover health care and other expenses throughout your life, with a goal of preserving your wealth and helping you take strategic distributions.

For more information visit: [marinerwealthadvisors.com](https://marinerwealthadvisors.com)

<sup>1</sup> ["High Deductible Health Plan \(HDHP\)"](#)

<sup>2</sup> ["Minor Increases to Certain HSA Limits for 2022"](#)

<sup>3</sup> ["HSA Frequently Asked Questions"](#)

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Because the administration of an HSA is a taxpayer responsibility, you are strongly encouraged to consult your tax advisor before opening an HSA. You are also encouraged to review information available from the Internal Revenue Service (IRS) for taxpayers, which can be found on the IRS website at [IRS.gov](https://www.irs.gov).

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