

# HSAs: A Tax Trifecta Investment Opportunity

## HSA as an Investment Tool

When it comes to fiscally frugal health insurance options, health savings accounts (HSAs) aren't exactly new to the game. They've been around since 2003 and have only increased in popularity among employers, politicians and certain types of employees. In recent years, the popularity of HSAs can be attributed to how they can be used as an investment tool.

## Cost of Health Care in Retirement

It's time to look beyond the traditional approach(es) to planning for the financial future — and look instead toward HSAs as a saving grace for the \$369,000<sup>1</sup> in health care expenses individuals are estimated to experience in retirement.

## HSAs Grow in Popularity

HSAs were designed to help people in high-deductible health plans (HDHPs) manage their out-of-pocket expenses. Their use has been growing steadily since they were introduced to the marketplace.

In recent years, as employers are seeking more cost-effective alternatives that enable employees to do more with their health care dollars, HSAs have become a prominent feature of today's employee benefits landscape.

## Enrollment Growth

- Enrollment in HSA-eligible plans nearly doubled, growing from 10 million to 26 million enrollees from 2013 to 2019.<sup>2</sup>
- The percentage of employees enrolled in an HDHP packaged with a health reimbursement account (HRA) or HSA — between 2005 and 2021 — grew from 4% to 22%.<sup>3</sup>

Any plan to repeal and replace the Affordable Care Act has included major changes that should greatly expand HSA usefulness. In short, HSAs aren't going anywhere and should only become more useful and convenient.

## Triple Tax Benefit

HSAs offer a triple tax benefit (available to anyone with [qualifying HDHP coverage](#)<sup>4</sup> who doesn't have [impermissible coverage](#)<sup>5</sup>):

- Contributions are tax free
- Contributions can be invested and grow tax free
- Withdrawals aren't taxed if used for qualified medical expenses

## Advantages for Employers and Employees

From the employer's perspective, a robust and effective health and wellness offering that includes an HSA helps to simultaneously attract and retain top talent and keep employees engaged in their work. While many employers offer an HDHP because it's less expensive than traditional insurance, the addition of an HSA also provides tax savings for an employer.

Neither employee nor employer has to pay payroll taxes on HSA contributions deducted via payroll (as long as they establish a valid Section 125 plan). An employer may also take a federal income tax deduction for any contributions it makes into their employees' HSA accounts.<sup>1</sup>

## An Additional Investment Vehicle

HSAs also have the potential to be just as advantageous as 401(k) accounts or Roth IRAs for investments, in general, thanks to their tax trifecta efficiency. The HSA is owned solely by the employee, can accept both employer and employee contributions, and is transferrable to any custodian the employee chooses regardless of employment status.

## Use of an HSA for Health Care Costs in Retirement

The balance can grow and carry from year to year and can also be invested. In fact, if implemented early in an employee's career and, especially if contributed to by an employer, an appropriately invested HSA can potentially build a healthy nest egg that can help with health care costs in retirement.

While HSAs certainly aren't a replacement for qualified, employer-sponsored retirement plans like 401(k)s and 403(b)s, they can act as a force multiplier for retirement planning purposes when properly combined with a qualified retirement plan.

HSAs also offer employees flexibility with long-term care (LTC) insurance, as their funds may be used to pay a portion of an employee's LTC insurance premiums.

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

### Sources:

<sup>1</sup> ["Rising Cost of Healthcare is Hurting HSAs"](#)

<sup>2</sup> [2019 Midyear HSA Market Statistics & Trends Executive Summary](#)

<sup>3</sup> [2021 Employer Health Benefits Annual Survey](#)

<sup>4</sup> ["High Deductible Health Plan"](#)

<sup>5</sup> ["IRS: Section 223 Health Savings Accounts"](#)

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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