

HSA Overview

The following is a copy of the Securities and Exchange Commission's Investor Bulletin on Health Savings Accounts issued 5/18/2018:

A health savings account (HSA) is a tax-advantaged savings account that you can use to pay for eligible medical expenses. Eligible medical expenses include, for example, co-payments, deductibles, or coinsurance. By law, you can only contribute money to an HSA if you participate in a qualified high-deductible health insurance plan (HDHP). However, you can always hold and spend money you have already contributed to your HSA. This applies even if you no longer participate in a HDHP.

HSAs offer accountholders the chance to save (put money aside). Some HSAs also offer accountholders the chance to invest (try to make money grow), including in securities like mutual funds or ETFs. You can use this money to pay for both current and future medical expenses.

An HSA may offer several advantages over using a traditional checking or savings account to pay for medical expenses:

- Tax-deductible contributions
- Tax-deferred growth
- Tax-free withdrawals for eligible medical expenses
- Unused balance carried over year after year (no “use it or lose it”)

HSA dollars are subject to income taxes and a tax penalty if used on any non-medical expenses before age 65. After you turn 65 you can use the money in your HSA for anything without paying the penalty. However, you will still have to pay income taxes on the money if you don't use it for eligible medical expenses.

As an HSA accountholder, you can contribute pre-tax dollars to your HSA. In some cases, your employer may also contribute to an HSA on your behalf. Total annual contributions are limited to specified amounts set by the IRS. These limits include any employer contributions.

Don't be afraid to shop around

HSAs are often offered as part of employer-sponsored HDHPs; however, you can take your HSA with you if you change employers. Eligible individuals can also open an HSA with the financial institution of their choice. Some restrictions apply, so you should consult IRS guidelines to determine whether you are eligible to open and contribute to an HSA.

Some employers may only offer employer contributions and direct payroll deductions into an HSA offered by a certain provider. However, other HSA options may be available to you. It may be worthwhile to shop around for the features that suit you best. Be sure you understand any restrictions and fees that apply, including if you decide to move your money. This will help you make the most of your HSA.

Consider when you intend to use the money in your HSA—and choose your features accordingly

You can use HSA dollars to pay both current medical bills and future healthcare costs. There is no deadline to use the money. If you plan to use the money in your HSA soon, you may want to consider different account features than if you plan to invest the money for the future.

If you plan to use your HSA primarily as a *spending vehicle for current medical bills*, you might want to consider features like:

- **Ease of access:** Some HSAs allow you to pay for qualifying expenses directly using a linked debit card or online bill payment system. Others may require you to pay for eligible expenses out of your own pocket and request reimbursement from your HSA.

- **Account maintenance fees:** Some HSAs charge a monthly account maintenance fee. Other HSAs may have no account maintenance fee, or may waive the fee if your account has a sufficiently high balance.
- **Interest:** Some HSAs pay interest on money you don't spend immediately or invest.

On the other hand, if you plan to use your HSA as an *investment vehicle for future healthcare costs*, you might want to consider features like:

- **Opportunity to invest:** Some, but not all, HSAs allow you to invest some or all of your HSA balance. For example, you might be able to invest in mutual funds or ETFs. In some cases, a minimum account balance may apply before you are eligible to make investments.
 - **Investment choices:** The investment options offered by HSAs may vary widely. Some HSAs offer a large number of varied investment products. Others may offer only a few options.
 - **Fees:** If you invest your money, fees typically include underlying fund fees and transaction fees in addition to account maintenance fees. Other fees may apply as well. Over time, fees can impact the performance of your investment portfolio. Be sure you understand the total cost of your HSA and any investments you choose to make.
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