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Ten things you should know about Health Savings Accounts

Here are 10 things you should know about Health Savings Accounts (HSAs) that can help you plan for healthcare expenses now and in retirement.

1 | Tax efficiency

HSAs are the first triple tax-free retirement investment vehicle. That means contributions are pre-tax or tax-deductible, no tax on earnings or interest, and withdrawals for qualified medical expenses are tax-free.[1]

2 | Contributions before taxes

While your 401(k) payroll contributions are subject to Social Security and Medicare taxes (FICA), contributions to your HSA are not.[1]

3 | Family coverage

If needed, HSAs can be used to pay for qualified medical expenses of a spouse or child even if they are covered under another medical plan.

4 | Keep it rolling

The money you don't use can roll over year after year. It is a common misconception for HSAs have the same rules as Flexible Spending Account (FSA) plans.

5 | Required Minimum Distributions (RMD)

The SECURE 2.0 Act increased the RMD age to 73 starting in 2023 and will increase to 75 in 2033 for traditional retirement accounts like 401(k)s and IRAs. However, HSAs are not subject to RMDs during the account owner's lifetime.[2]

6 | Keep a paper trail

You can use your HSA to repay yourself for any past qualified medical expenses with after-tax money as long as you keep your receipts.

7 | Employer contributions

Employers can offer a contribution, within the annual limit, to help offset higher deductibles.

8 | Start saving faster

Some providers offer immediate investing capabilities on the first dollar to seek to accumulate health savings faster.

9 | Penalties

Distributions before age 65 that are used for non-qualified medical expenses are subject to income tax and additional 20% penalty tax. After age 65, you can take distributions for non-qualified medical expenses penalty-free, but they will be taxed as income.

10 | No income limits

There aren't any income limit restrictions, minimums, or phase-outs like the ones associated with a Roth IRA.

Not FDIC Insured | No Bank Guarantee | May Lose Value

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FAQs

What is an HSA?	A savings account used in conjunction with a high deductible health plan (HDHP) that allows users to save money tax-free to pay for qualified healthcare expenses.
What is an HDHP?[2]	A health insurance plan with a high minimum deductible that the insurance holder must pay for medical expenses before insurance coverage kicks in. Minimum annual HDHP deductibles for 2026 are $1,700 for an individual and $3,400 for a family.
How much can I contribute to my HSA?[3]	Annual contributions for 2026 top out at a high deductible of $4,400 for an individual and $8,750 for a family. Individuals over 55 may contribute an additional $1,000 each year.
When can money be taken out of an HSA?	HSA holders can make a withdrawal tax-free any time as long as it is being used to cover qualified medical expenses.
What is considered a "qualified medical expense"?	Doctor visits, diagnostic tests and lab fees, prescription medication, eye and dental exams, psychiatric care and many others.[4]
Can I use an HSA for non-qualified medical expenses?	Yes, however non-medical withdrawals from your HSA are subject to income tax and penalized with an additional 20% tax. At 65, withdrawals are taxed as ordinary income but are not penalized.

1. Tax benefits are conditioned on meeting certain requirements. Tax benefits and treatment of contributions and withdrawals may vary by state. Consult a tax professional concerning the tax laws for your state.
2. Source: IRS Revenue Procedure 2025-19. Please visit the IRS website at IRS.gov for the most current information. Consult your tax advisor about your Required Minimum Distributions (RMD) if you turned 73 in 2025.
3. Source: IRS Publication 969. https://www.irs.gov/pub/irs-pdf/p969.pdf.
4. For information about qualified medical expenses, see IRS Publication 502 (2024), Medical and Dental Expenses. https://www.irs.gov/pub/irs-pdf/p502.pdf

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