You've had 16 years to figure HSAs out. What have you learned?

Debunking 6 Health Saving Account myths.

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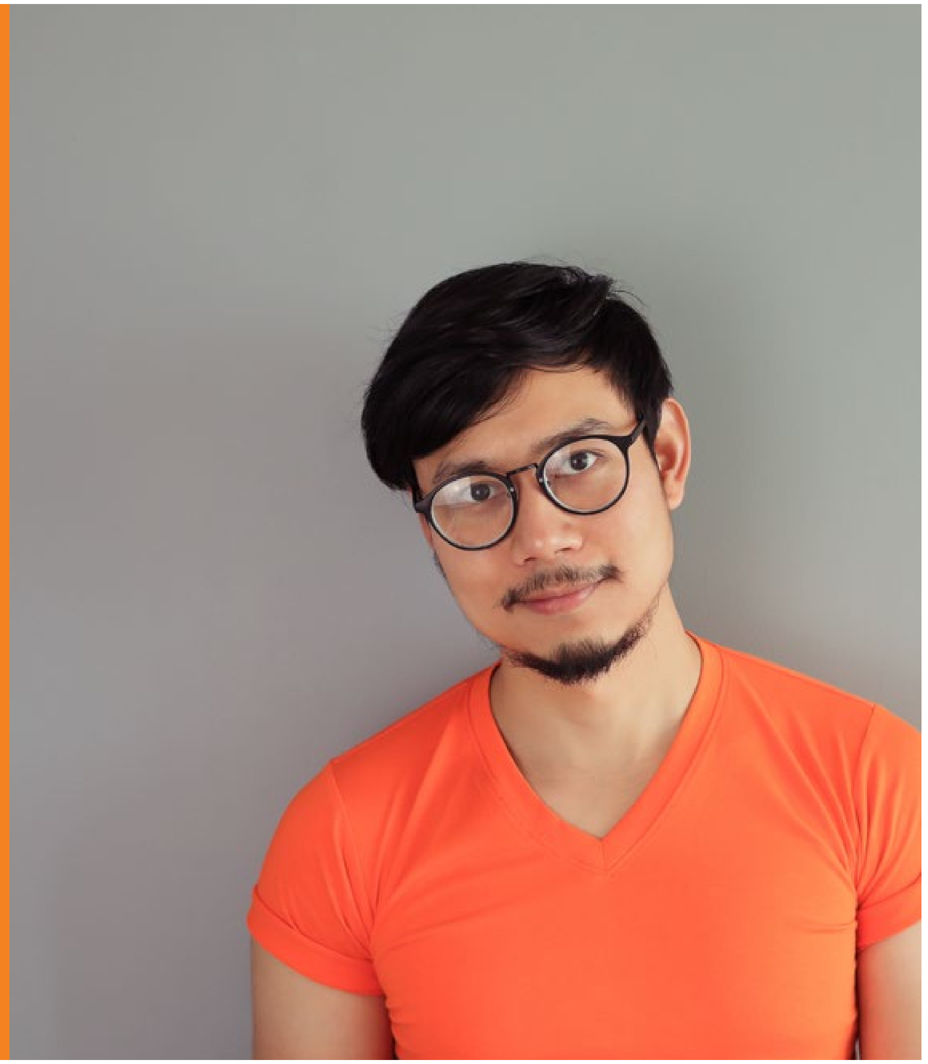
Since HSAs were introduced in 2003 as part of the Medicare Modernization Act, there's been much discussion—and even more confusion—about how these pretax healthcare accounts actually benefit you and your employees.

Examining these six myths will help clear the air and eliminate the roadblocks between your people and the best possible plan.



Myth #1:

HSAs are complicated.

Despite what you may have heard, Health Savings Accounts are a tremendously simple way for employees to reduce their taxable income (saving themselves money) and cover qualified healthcare expenses (by saving pretax monies).

Yes, anything having to do with healthcare can be complex and downright confusing. But with a little extra attention at the beginning—when estimating how much to invest each year—these pretax savings accounts are the easiest way for employees to put more in their pockets and protect their future.

Myth #2:

HSAs are one-dimensional.

An HSA is a Health Savings Account that can be used for saving and spending, tackling both sides of the medical-expense issue for your employees. And for such a simple program, it does a lot of heavy lifting.

- It works like a savings account with a debit card—employees put money in and use the card to pay for healthcare expenses
- There's no use-it-or-lose-it rule, so employees can build up a reserve year over year and spend that money on medical bills whenever they'd like
- It's a smarter way to save on taxes
  - HSA contributions are collected before taxes, lowering the investor's federal gross income
  - Investment growth is tax-deferred
  - Withdrawals are tax-free when used for qualified medical expenses

Myth #3:

HSAs and 401(k) plans don't really work together.

It's true that they don't have to work together, but employees who have both an HSA and a 401(k) are going to be much better prepared for retirement income and expenses. **Here's why:**

401(k)

$19K

The most a person can invest in a **401(k)**—and reduce their taxable income—is **$19,000 a year.***

** 2019 Figures*

HSA

+$7K

With an **HSA,** a family with high-deductible health plan coverage can save an **additional $7,000 a year** and cut that much more from their taxes.

-$26K *taxes*

+$26K *investments*

That's **$26,000** a year that they don't have to pay taxes on—**$26,000** more in investments.

HSA

$

When they need to **pay for qualified medical expenses** in retirement, they can **use HSA monies—again, tax-free**—without drawing down their 401(k) funds or paying tax on those withdrawals.

An HSA is an essential complement to a 401(k)— not a replacement—and when a 65-year-old couple retiring today can expect $350,000 in out-of-pocket healthcare expenses in retirement, the more tax-free dollars saved, the better.

Myth #4:

HSAs are only for rich people (and wealthy companies).

Let's just start with the facts:

The median income for households with an HSA is $57,860. That's roughly $2,000 less the median household income in the U.S. The average American can afford an HSA, in other words, and with up to $7,000 in annual pretax savings per household, the average American can't afford not to.

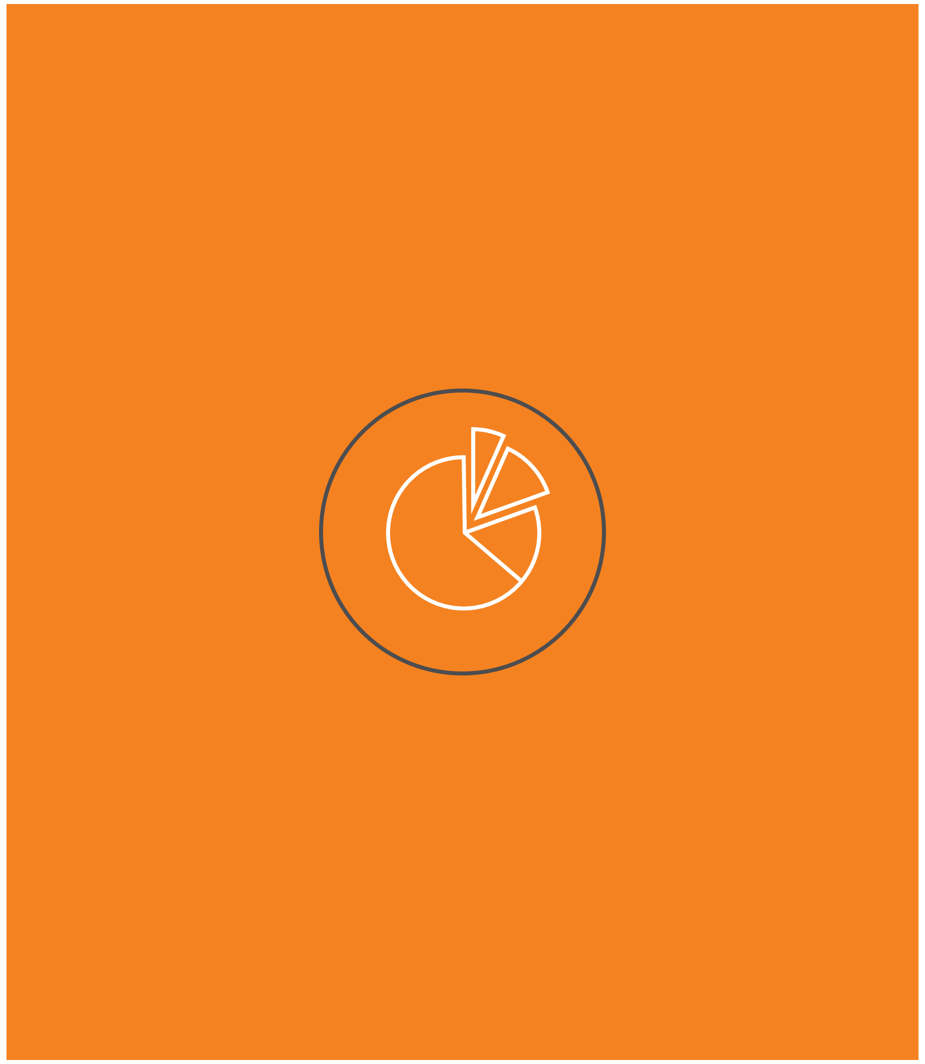
Everyone has medical expenses, and HSAs work for everyday workers—from the rank-and-file to upper management. It gives them an affordable way to cover medical bills and gives you an affordable way to help.

Myth #5:

HSAs are designed for Baby Boomers.

Again, the facts prove otherwise. Nearly 77% of contributing HSA participants were born after 1964—and almost half of all participants are Millennials.

Only 17% of HSA contributors are Baby Boomers, demonstrating once more that Health Savings Accounts aren't for your older, wealthier employees—they're for every employee who wants to save on taxes while saving for healthcare expenses.



Myth #6:

HSAs are nothing but a tax shelter for the wealthy.

With all the focus on pretax benefits—which are very real and truly beneficial—this myth might appear to be valid. But in reality, there's a misperception that these savings accounts are used simply for tax breaks.

If that were the case, it stands to reason that employees would be "maxing out" their contributions when, in fact, they're not using these tax-free benefits to their full advantage.

The average annual contribution in 2017 was $1,538—well below the annual limits, which range from $2,900 to near $7,000, depending on whether the contributor has single or family coverage. HSAs aren't merely tax relief, they're a sound and sure way to save.

Pretax savings. Zero-tax withdrawals for healthcare expenses. And extra assurance in retirement. How much more do you need to know?

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