A Health Savings Account, or HSA, is just that – a savings account.

But it's a special type of savings account. An HSA is a tax-qualified savings account that allows you to set aside money on a tax-sheltered basis to cover the cost of qualified medical expenses for yourself and other qualifying family members – either to pay the expenses at the time they are incurred or, if you choose, to reimburse yourself at some time in the future.

Learn more today.

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A HEALTH SAVINGS ACCOUNT OVERVIEW

Health Savings Accounts

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Contributing to an HSA

To contribute to an HSA, you must be covered by an HSA-eligible high deductible health plan (HDHP)[1]. A HDHP is a type of health plan that requires you to meet your deductible (i.e., pay a certain amount of your medical expenses out-of-pocket) before your insurance coverage begins[2]. When compared to traditional insurance plans, the out-of-pocket expenses incurred prior to satisfying a deductible is typically greater for HDHPs, while the cost of premiums paid up-front for HDHPs are oftentimes lower.

[1] In addition to being covered under an HSA-eligible HDHP, to be eligible to contribute to an HSA, you may not be covered under an insurance plan that is not an HDHP (with certain exceptions) or enrolled in Medicare, and cannot be eligible to be claimed as a dependent on someone else's tax return.
[2] Exceptions exist for certain expenses to be paid prior to the deductible being met including, but not limited to, expenses for preventative care, vision care, and dental care.

What's more, your HSA savings are also available for tax-free withdrawal to pay for unreimbursed qualified medical expenses including those expenses incurred prior to your deductible being satisfied.

With all of these features, an HSA paired with a HDHP offers a compelling alternative to a traditional health insurance plan.

A TRIFECTA OF TAX BENEFITS

As compared to other popular tax-favored savings vehicles such as IRAs, HSAs offer the most preferential tax treatment under the United States tax code with three separate tax advantages.

Tax-Deductible Contributions
HSA contributions you make to your HSA are deductible on your federal tax return, regardless of whether you itemize deductions. Similarly, if your employer makes contributions to your HSA, those contribution amounts are not included in your taxable income for the year.

Tax-Deferred Growth
The growth that occurs within your HSA (e.g., interest or appreciation on investments) is not taxed while your savings accumulate.

Tax-Free Distributions
HSA distributions that are used to pay qualified medical expenses for you, your spouse or your dependents are tax free, regardless of whether your spouse or dependents are covered by your HDHP.

NO "USE-IT-OR-LOSE-IT" RULE

Some types of tax-favored medical accounts include a "use it-or-lose it" rule that can result in amounts remaining in the account at year's end being forfeited. Not so with HSAs. Your HSA savings are not subject to risk of forfeiture. You can maintain the account indefinitely-even after you are no longer eligible to contribute.

A FLEXIBLE, TAX-ADVANTAGED WAY TO SAVE

HSAs provide savers with tremendous tax benefits as well as unparalleled flexibility. As your HSA savings begin to grow, it's up to you when you wish to use them: next month, next year, or sometime in the distant future. Remember, you may withdraw amounts tax-free from your HSA at any time to pay for qualified medical expenses incurred by you, your spouse or your dependents. With all these advantages, it's become clear to millions of taxpayers and tax advisors nationwide that HSAs provide households with an extremely compelling, tax-efficient way to set aside savings for medical expenses.