Health Savings Accounts
Benefits and Drawbacks

MyHealthMath®

Wondering if an HSA is right for you? Find out with this handy cheat sheet.
Advice shared by HSA Bank Senior Vice President Ann Brisk.

HSA Benefits

HSAs are paired with lower premium plans
To open an HSA, you must have a type of health insurance called a high-deductible health plan. As the name suggests, these plans come with a higher deductible before your insurance kicks in; but the flip side is that they also come with lower premiums. The majority of employees pay for more coverage than they need, missing out on up to $1,700 annually, according to the TIAA Institute. When you overpay on premiums, you never see that money again. But with a high deductible plan, you can pay less in premiums and then contribute that money to a health savings account where it grows tax free.

HSAs are always yours
HSAs are a personal savings account that you can use forever. Everything you contribute rolls over every year, whether you spend it or not, and you can take it with you if you change jobs or health plans. And if you withdraw money for a qualifying medical expense, it is completely tax-free.

HSAs are a safety net that never goes to waste
If you regularly contribute even a small amount to your HSA, it will start to add up. You'll likely have years when you don't use it, and that money will just continue to grow year over year, tax free. Then, when the inevitable expensive year (or years) happen, you'll have a safety net of funds set aside to pay for medical expenses—and you won't pay any taxes on the money you withdraw.

They're good for every stage of life
Whether you're new to the workforce or closer to retirement, HSAs can support your health and financial security. Consider these three examples:

1. **First job:** when you're early in your career, you often have fewer health risks. This is an ideal time to take a lower premium plan and start contributing small amounts to your HSA and gain whatever money your employer matches. You likely won't need to dip into your account, so that money will grow quickly during these early years.
2. **Mid-career**: Your health needs may increase, especially if you've started a family. This is when the HSA is your security cushion—continue to contribute to it, especially during good years, and tap into it when you have a tough year.
3. **Pre-retirement**: Along with time to relax, retirement also means increased health costs. You'll save a lot of money by paying with tax-free HSA withdrawals, so contribute to your HSA as much as possible in the years leading up to retirement.

Potential drawbacks

Getting started can be overwhelming
Just like with 401K contributions, early HSA contributions can feel a little futile. You might be tempted to put your money toward something that feels more immediate, like that fun vacation you've been dreaming about. Remember though, even small contributions can add up over time and when you inevitably need to pay for bigger healthcare expenses, you'll be glad to have a safety net.

Aversion to a high deductible
Opening an HSA requires opting into a high deductible plan. Along with lower monthly payments, there's also the potential of facing higher medical bills before your deductible kicks in. That's why it's always important to consider your specific health needs when choosing your health plan.

But while high deductible plans aren't the right fit for everyone, avoiding them without careful consideration often means overbuying health insurance. When considering a high deductible plan, ask yourself the follow questions:

- Given my health needs, how long will it take me to hit my deductible? Is it that different than my other plan offerings?
- How much money will I save annually on premiums?
- How much money will I earn through employer HSA contributions? (Remember, you can use that money to cover unexpected costs.)

> "More often than not, these plans can help people save, but people need help doing the math to find that out," says Brisk. "With a school district client, our decision support partner, MyHealthMath, saved employees over $2,000 a year just by crunching the numbers and helping them realize when an HSA-eligible plan was the right fit. Instead of throwing money away on premiums, capture those savings and then put them in your HSA—something you can take with you wherever you go."

