

KNOW YOUR BENEFITS.

From Seminole County Public Schools

HSAs and Retirement

Health care costs are rising for everyone, but as an older adult, you may face more challenges than the general population. For those worried about their financial future and ability to retire, the prospect of future medical care is an additional concern. For instance, aging adults tend to face more chronic conditions and medical problems, leading to higher medical and prescription costs.

HSAs are a growing trend and are often promoted as a valuable money-saving option. You may be wondering if an HSA is a smart option for you based on your unique medical circumstances, especially since once you become eligible for Medicare, you are no longer eligible to contribute to an HSA. Regardless of this, the benefits of an HSA can be substantial for adults nearing retirement age.

An HSA is paired with a high deductible health plan (HDHP). This may concern some older adults with chronic medical conditions, as this involves more out-of-pocket costs than a traditional health plan with a lower deductible. It is

important to remember, however, that the HSA provides a valuable savings component that can either be used to pay for out-of-pocket costs tax-free or to save money for the future. Here are some advantages of an HSA:

- **Lower premiums**—This means there is more cash to invest in the HSA and to eventually put toward the deductible (as opposed to higher monthly premiums associated with traditional health plans).
- **Portability**—If your employment situation changes, you keep the HSA and have the benefit of past investments.
- **Employer contributions**—Seminole County Public Schools also contributes to your HSA each year, boosting your ability to save.
- **Tax-free savings with tax-free interest**—HSAs provide tax-free funds to pay medical bills, and funds also accumulate tax-free to save for the future. The best part is, once you turn 65 and are eligible for Medicare, you can use those funds for anything without a penalty, making it a valuable retirement savings tool. In fact, HSAs offer more favorable terms than IRAs in terms of saving for retirement health needs.
- **The catch-up contribution**—In addition to the annual limit for HSA contributions, people ages 55 to 65 can contribute an extra \$1,000 per year.

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It is also important to be aware of potential drawbacks. If you have many out-of-pocket medical expenses, you may struggle to use your HSA for retirement savings since you will be using the funds for your current bills. In addition, the desire to take advantage of the HSA as a savings tool may lead some individuals to forgo medical care or prescription drugs that they need.

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This is never a good idea, as it can lead to more expensive and serious medical complications down the road.

If you are considering an HSA, examine the benefits and potential risks and be sure to discuss with your family. Contact HR if you have more questions about our HSA offering.



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HSA