



Memorandum

Date: December 2, 2019

To: Joseph Rinaldi

From: Jaime Salazar, Research Associate (IIIP)

Re: How to Use the HSA, for Medical or Retirement Savings

Health Savings Accounts (HSAs) allow individuals to set money in tax-advantaged account to pay for medical expenses tax-free. If approached correctly, HSA can be a very powerful savings tool and can be a complementary savings to 401(k) plans.

Health Savings Accounts offer a unique triple tax advantage. Here is how you may save money in the short and long term by:

- Deducting 100% of your HSA contributions from your taxable income (federal and state¹).
- Having the money in your HSA accrue interest and/or gains on a tax-free basis.
- Paying no penalties or taxes when you use your HSA to pay for qualified medical expenses, which you cannot be done with a 401(k) or an individual retirement account.
- Having a high-deductible HSA-compatible health insurance plan, which typically has a lower premium than a plan with a lower deductible.

Anyone is eligible for an HSA as long as you meet the following requirements:

- You are not enrolled in Medicare.
- You cannot be claimed as a dependent on someone else's 2018 tax return.
- You are covered under a high deductible health plan (HDHP) on the first day of the month.
- You have no other health coverage except (Accidents, disability, dental care, vision care and long-term care).

The HSA contribution limits for 2020 are \$3,550 for an individual with a high deductible health plan and \$7,100 for an individual with family coverage. The catch-up contribution amount for those 55 years old or above is an additional \$1,000. The amount contributed to an HSA does not affect the contribution limits for 401(k) plans or IRAs, which are \$19,500 and \$6,000 respectively for 2020. Further explained in chart.

Footnotes

1. You cannot deduct taxes in California, New Jersey, Tennessee and New Hampshire

Reference - IRS Publication 969 Health Savings Accounts and Other Tax-Favored Health Plans www.irs.gov/pub969

HSA 2020 IRS Limits

	Single Plan ¹	Family Plan ²
Maximum Contribution Limit	\$3,550	\$7,100
Minimum Deductible	\$1,400	\$2,800
Max Out of Pocket	\$6,900	\$13,800
Catch-up Contributions	\$1,000	\$1,000

1. Single Plan – is HDHP coverage for an eligible individual

2. Family Plan – is HDHP coverage for an eligible individual and at least one other individual (whether or not that individual is an eligible individual).

To make most of tax-savings you should research if your employer offers HSA matches in addition to your 401(k). The approach to the HSA is to consider paying for current medical expenses out-of-pocket after establishing the HSA; you can then file for reimbursement in retirement. You can also utilize your HSA as a “rainy day” medical fund that works in tandem with your 401(k) to help offset the cost out-of-network care, over-the-counter medicines or other things your insurance may not cover. Even if you are healthy now you will probably be spending a lot more on medical expenses once you reach your retirement age.

A medicine or drug will be a qualified medical expense for HSA purposes only if the medicine or drug:

- Requires a prescription.
- Is available without a prescription (an over-the-counter medicine or drug) and you get a prescription for it.
- Insulin.

Qualified medical expenses are those incurred by the following persons:

- You and your spouse.
- All dependents you claim on your tax return.
- Any person you could have claimed as a dependent on your return except that:
 - a. The person filed a joint return.
 - b. The person had gross income of \$4,150 or more.
 - c. You or your spouse if filing jointly could be claimed as a dependent on someone else’s 2018 return.

Disclosures

This report does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of the person who received it. The securities discussed in this report may not be suitable for all investors. QFA recommends that investors independently evaluate particular investments and strategies, and encourages investors to consult with their QFA investment advisor. The appropriateness of a particular investment strategy will depend on an investor’s individual circumstances and objectives. This report is not an offer to buy or sell any security or to participate in any trading strategy. QFA or its partner or clients may have existing positions in any security discussed in this report. In addition, QFA makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. QFA has no obligation to inform you when opinions on strategies, sectors, investments, and companies change. QFA on an annual basis will offer its updated ADV Part II and disclose what the company and its partner owns. This information shall be accessible to QFA clients only under the client tab of QFAInc.com. QFA does not receive compensation for any broadcasts or written research that are offered to clients. The firm charges an asset management fee, per hour fee and / or a financial planning fee for services rendered. This report or any portion hereof may not be reprinted, sold, or redistributed without the written consent of QFA. All broadcasts are disseminated both electronically and in printed form.