

# Closing the HSA knowledge gap

*“My HSA? I thought that was just for covering copays and prescriptions.”*

Schwab Retirement Plan Services is dedicated to helping participants pursue their retirement savings goals. Educating participants on all their financial options is a vital part of that effort. For participants with high-deductible health plans, health savings accounts (HSAs) provide a powerful savings strategy to help prepare for current and future health care costs. HSA money not used in a given year can go toward building a nest egg and can help cover out-of-pocket health care expenses in retirement. If the option is available through their plans, participants can invest any extra money in a range of mutual funds and ETFs. Educating participants about how to get the most out of their HSAs can lead to more plan engagement and better outcomes for their overall financial health.

## Some people may not fully grasp the potential an HSA can offer

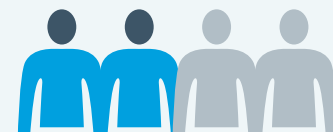
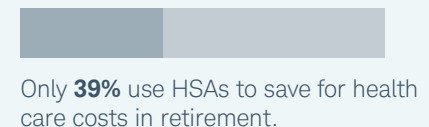
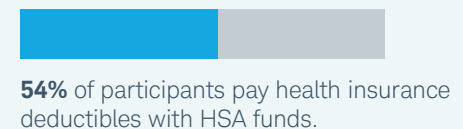
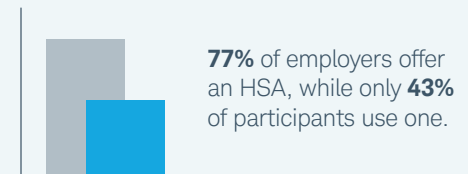
While an HSA isn't a replacement for a 401(k), it can be a valuable extension of a participant's retirement strategy. It's likely that a lot of participants who are eligible for an HSA continue to put money exclusively into a 401(k) because they're most familiar with that type of savings strategy. And this often means that participants with high-deductible health plans are missing out on the tax-advantaged savings and potential investment opportunities that may be available to them in an HSA.

### Unique benefits of an HSA

- Triple tax benefit at the federal level (state taxation varies):
  - No federal income taxes on contributions
  - No federal income taxes on investment earnings
  - No taxes on withdrawals for qualified medical expenses
- Portability—When you move jobs, you may be able to take your HSA with you. Funds are transferable and not subject to forfeit.
- No vesting process—You have access to your money whenever you need it.
- Investment capability—After reaching your plan's cash threshold, some plans may also offer the option to invest any additional funds.
- No penalties for using funds for non-health-care expenses after age 65.

### HSA usage—by the numbers

Participants are using HSAs in a variety of ways, but many aren't taking full advantage of all the possible features, resulting in lost potential long-term savings.<sup>1</sup>



Almost half of participants spent most or all of their HSA money in 2018, instead of saving it for the long term.

## Why raising awareness matters

To take full advantage of the various tax benefits, participants need help understanding how HSAs can fit into their personal financial situations. The HSA was originally designed to provide a tax-advantaged way for participants with high-deductible health plans to pay medical expenses, but the investment capabilities offer potential financial benefits to participants who understand all their options. Raising awareness about the possible advantages of saving with an HSA could help make it more of a household name with participants and empower them to make better-informed financial decisions.

### HSA vs. FSA

HSAs and flexible spending accounts (FSAs) are often mistaken as being interchangeable. Although both offer pre-tax contribution benefits, there are some key differences:

	FSA	HSA
<b>2020 IRS contribution limits</b>	\$2,750	\$3,550 for an individual and \$7,100 for a family
<b>Contribution carry-over</b>	May lose funds at year's end	Funds can carry over year after year—and potentially grow over time
<b>Special eligibility requirements</b>	None	Must be enrolled in a high-deductible health plan
<b>Transferable with job change</b>	May have to forfeit unused funds	Funds are transferable and not subject to forfeit

Since each individual's situation is different, participants should take the time to consider all the facts and consult their tax advisor.

## Bridging the gap with the right resources

Schwab Retirement Plan Services provides resources to increase financial literacy as well as participant understanding of the benefits and flexibility of HSAs. These resources include:



Access to digital tools



On-site workshops



On-demand webinars



Financial coaching conversations

- Access to My Retirement Progress™, where participants can enter fund information from HSAs and other assets to see how they fit into their larger savings strategy
- Account integration and single sign-on with an industry-leading HSA provider\* that allows participants to see a combined total value of their savings and investment accounts, including non-Schwab accounts, in one place
- Personalized support through financial coaching conversations and third-party retirement plan advice†
- A deep dive into how HSAs work, through our in-depth online presentation “Making Sense of Health Savings Accounts”
- Details on health care payment options in retirement from our video “How Will You Pay for Health Care in Retirement?”
- On-demand web content that participants can access when and where they need it

HSA approach and timeline are subject to change.

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Find out how Schwab Retirement Plan Services can help you and your participants today.

 [schwab.com/RetirementPlanServices](https://schwab.com/RetirementPlanServices)

 800-790-5561

†At the direction of the Plan Sponsor, or Plan Administrator, Participants may have access to advice services that can provide Participants with a retirement savings and investment strategy for their Plan account, furnished by an independent registered investment advisor (“Advisor”). The Advisor is not affiliated with or an agent of Schwab Retirement Plan Services, Inc. (SRPS); Charles Schwab & Co., Inc. (CS&Co.), a federally registered investment advisor; or their affiliates. Neither SRPS, CS&Co., nor their affiliates supervise, make recommendations with respect to, or take responsibility for monitoring the advice services provided to the Participants by the Advisor.

1. 2019 401(k) Participant Survey, conducted by Logica Research for Schwab Retirement Plan Services, Inc., April 2019.

The My Retirement Progress™ percentage is calculated by Schwab Retirement Plan Services, Inc. **Projections and other information regarding the likelihood of various retirement income and/or investment outcomes are hypothetical in nature, do not reflect actual results, and are not guarantees of future results.**

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