Understanding HSAs

What is an HSA?

An HSA is a savings account that you can use to help cover qualified health care expenses. You must be enrolled in a high-deductible health plan to participate. Unlike an FSA, there is no "use it or lose it" rule and it comes with triple-tax benefits:

- Deposits are income tax-free
- Savings grow tax-free
- Withdrawals made for qualified expenses are also income tax-free

For 2025, you can contribute $4,300 through payroll deduction if you have individual coverage or $8,550 if you have family coverage. The IRS also allows catch-up contributions of $1,000 if you are age 55 or older.

The new HSA provider for 2025 is HealthEquity. You can learn more about HSAs at **healthequity.com**.

To be eligible to contribute to an HSA, you must:

- Be enrolled in a high-deductible health plan
- Not have health coverage except for a high-deductible health plan
- Not be claimed as a dependent on someone's tax return
- Not be enrolled in Medicare
- Not have received Veteran's Affairs benefits in past 3 months

HSA tax benefits

HSAs are the only benefit to offer triple-tax savings:

Tax-free contributions - You don't pay taxes on the money you put into the account.

Tax-free account growth - Invest your HSA and any growth is tax-free—just like with retirement accounts.

Tax-free spending - Use HSA funds for HSA-qualified expenses, and you never pay taxes on that money.

HSA-qualified expenses

There are thousands of qualified medical expenses and services you can pay for with an HSA. Here are a few:

- Doctor visits
- Prescription medications
- Dental care
- Vision care
- Over-the-counter medications

See a list of qualified medical expenses at **healthequity.com**.

HSA investing

You can invest the money in your HSA and any account growth is tax-free.

This helps you save for retirement, which makes the HSA an important part of your overall retirement savings strategy.

After age 65, you can use the money in your HSA for any expense, you'll simply need to pay ordinary income taxes on the withdrawals.

You can also sell your mutual funds to pay for qualified medical expenses at any time.

Contributions from your employer

If you enroll in the HDP during annual enrollment, your employer will make a one-time cash deposit to your HSA in January. For new employees, these "seed money" contributions are available as soon as possible once your HDP becomes effective.

If you are not eligible for HSA contributions — for example, if you are enrolled in Medicare — the seed money contribution will go to an LP-FSA. Seed money is not offered to those who add coverage in the high-deductible plan as a result of a mid-year qualifying event.

PLEASE NOTE: Some other restrictions apply, especially if you receive services at a VA facility or clinic. Contact your tax or financial advisor if you have questions. If you switch to a health plan that makes you ineligible to continue depositing money in an HSA, you can continue to use the money in your account for qualified medical expenses, but you can no longer make deposits.

If you enroll in the HDP with an HSA, be sure to save receipts.

You are responsible for verifying your HSA was used for eligible medical expenses under the IRS tax code. Contact HealthEquity for details.

HealthEquity Visa

The HealthEquity Visa card works with multiple accounts including HSA, FSA and LP-FSA as a convenient way to pay for eligible expenses.

This new card will automatically draw from the account appropriate for the eligible expense. For example, if you have an HSA and LP-FSA, then it will draw first from the LP-FSA for dental and vision expenses. Once those funds are depleted, it will access funds from your HSA.