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IMPROVING FINANCIAL SECURITY

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HEALTH SAVINGS ACCOUNTS

How They Work, Rules and Limits

OVERVIEW

A **Health Savings Account ("HSA")** is a tax-advantaged savings account that allows individuals and families enrolled in a **High-Deductible Health Plan ("HDHP")** to set aside money for qualified medical expenses. HSAs are one of the most powerful tools in personal finance because they offer **triple tax benefits**:

- **Tax-deductible contributions**
- **Tax-free growth** on invested balances
- **Tax-free withdrawals** for qualified medical expenses

Because unused funds roll over every year and remain with you—not your employer—HSAs can be used to pay for today's medical bills **or** invested and allowed to grow as part of a long-term healthcare or retirement strategy. After age 65, funds can be withdrawn for **any purpose** (ordinary income tax applies if not used for medical expenses).

An HSA provides clients with flexibility, tax efficiency, and control over healthcare spending both now and in retirement.

ELIGIBILITY REQUIREMENTS

Below is a simple guide to help you determine whether you can contribute.

1. You Must Be Covered by an HSA-Eligible High-Deductible Health Plan (HDHP)

Your medical plan must be labeled "HSA-eligible". For 2025, an HDHP means:

	Minimum Deductible
Individual	$1,650
Family	$3,300

	Maximum Out-of-Pocket Limit
Individual	$8,700
Family	$17,400

If your plan has copays before the deductible—or is not explicitly labeled HSA-eligible—you cannot contribute.

2. You Cannot Have Disqualifying Additional Coverage

To stay eligible, you cannot be covered by any non-HDHP plan, including:

- A traditional PPO or HMO
- Your spouse's non-HDHP plan (even if you don't use it)
- A general medical FSA (yours or your spouse's)
- Any plan that pays medical expenses before the deductible

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Coverage That *Is* Allowed

These do not affect eligibility:

- Dental or Vision Plans
- Disability or accident insurance
- Hospital indemnity or critical illness policies
- Workers' compensation
- Limited-purpose or post-deductible FSAs
- Telehealth benefits allowed through 2026

3. You Cannot Be Enrolled in Medicare

Enrollment in any Medicare part (A, B, or D) disqualifies you, even if:

- You don't use the benefits
- You are automatically enrolled when you claim Social Security
- The enrollment is retroactive (common with Part A)

4. You Cannot Be Claimed as Someone Else's Tax Dependent

5. You Must Be a U.S. Taxpayer

HSA CONTRIBUTION LIMITS

	2025	2026
Individual	$4,350	$4,400
Family	$8,700	$8,750
Catch-Up (age 55+)	+$1,100	No Change

KEY TAKEAWAYS

HSA Plans are a very good way to save and invest for future medical expenses. If you have questions about whether an HSA may be appropriate for your situation, you may wish to consult with your financial, tax, or benefits advisor.

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