



siekmannco
— Retirement and Employee Benefits —
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 **OPTUM** Financial™

Tap into the Power of Health Savings Accounts

December 14, 2021

Presenters



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Announcement



- **Nothing in this presentation is represented as legal, accounting or insurance coverage advice. Everyone's situation is different; therefore, it is incumbent upon everyone to seek the advice of their attorney, accountant and or insurance professional when making decisions regarding insurance coverages, investments and/or tax decisions. Nothing contained presented here is advice.**

Who is Eligible for an HSA?



- Any individual or employee can open and make contributions to an HSA, if they meet all of the following requirements:
 - ✓ Covered by a qualified **HDHP**
 - ✓ **Not covered** by other health insurance
 - ✓ Not enrolled in **Medicare**
 - ✓ As of January 1, 2016, in the past 3 months, did not receive **Veteran's Administration benefits** that were not connected to a service disability
 - ✓ Can't be claimed as a dependent on someone else's tax return
 - Children who are tax dependents cannot establish their own HSAs
 - Spouses can establish their own HSAs, if eligible
- No income limits on who may contribute to an HSA
- No requirement of having earned income or being employed

Contribution Limits

- Maximum Annual Contributions for 2021
 - Individual: \$3,600
 - Family: \$7,200
- Maximum Annual Contributions for 2022
 - Individual: \$3,650
 - Family: \$7,300
- For individuals age 55 and older, additional “Catch-up” contribution allowed
 - \$1,000

HSA Distributions

- Distributions allowed at any time without restriction
- Distribution is **tax-free** if taken for “qualified medical expenses” incurred by one of the following after HSA was established:
 - The account holder
 - Spouse of the account holder
 - Any dependent of the account holder
 - Even if not covered by the HDHP
- Qualified medical expense must be incurred on or after the date the HSA was established
 - If HDHP coverage effective on first day of month, HSA can be established as early as first day of same month
 - If HDHP coverage effective any day other than first day of month, HSA cannot be established until first day of following month

HSA Funds Never Expire!

- Your HSA is **yours forever!**

- If you have unused funds at the end of the plan year, they will automatically roll over to the next year and will still be accessible

(**Note:** Funds that roll over from the previous year are not considered as part of your contribution limits)

- Your HSA **goes with you!**

- Your HSA will follow you for life, even if you get a new employer, change health care coverage or retire

Examples of Qualified Medical Expenses

- Acupuncture
- Ambulance
- Artificial limb
- Birth control pills
- Blood pressure monitoring
- Breast pumps
- Chiropractic care
- COBRA premiums (post tax)
- Contact lenses
- Dental treatment
- Dentures
- Diagnostic services
- Drug addiction treatment
- Eye exam
- Eye glasses
- Family planning items
- Fertility treatment
- Feminine care products
- Flu shot
- Hearing aids
- Hospital services
- Immunization
- Insulin and diabetic supplies
- Laboratory fees
- Laser eye surgery
- Long-term care premiums or expenses (post tax)
- Medical testing devices
- Nursing services
- Orthodontia (not for cosmetic reasons)
- Over-the-counter (OTC) treatments
- Physical exam
- Physical therapy
- Prescription drugs
- Psychiatric care
- Retiree (post-65) medical insurance premiums (post tax)
- Surgery
- Sunscreen
- Wheelchair, walkers, crutches and canes
- Over the counter medicines (re added)
- Feminine Hygiene Products (added 2021)

Useful Links



- IRS Publication 502
 - https://www.irs.gov/publications/p502#en_US_2020_publink1000178851
- IRC 213 (d)
 - https://www.bcbst.com/docs/manage-my-plan/flexible_spending_accounts/fsa/IRS-213d.pdf

Why do HSAs Rock?

TRIPLE Tax Savings!

NOT TAXED



Contributions



Interest and
investment
earnings



Withdrawals
for eligible
expenses

Unlike 401(k)s and IRAs, HSAs are NEVER TAXED when used for eligible expenses. This makes HSAs the only account with TRIPLE tax savings.

HSAs are tax exempt for purposes of federal income tax filings. HSAs are also tax exempt for most state income tax filings. However, some states do tax HSA contributions and even potentially the earnings and capital gains. Please consult your tax advisor regarding your state's specific rules.

HSA

SPEND where you can!

SAVE where you can!

Health Savings Accounts

The Use Continuum

Spenders ←————→ **Savers**

Life with a Health Savings Accounts

Some Strategies for Life's Journey



Early Career

Get started!

- Understand how much an HSA \$ is worth.
- Overcome the “discount effect.”

1. Calculate and save for basic health needs

- Maximize any employer contributions

2. Second & subsequent years:

- Recalculate
- Replenish,
- Begin saving....

3. Achieve the “threshold” minimum investment.

4. Use your HSA when you can (save receipts when you can't)



Why Enroll? Savings...Savings...Savings!

How it works: Assume “Melissa” earns \$45,000 a year and contributes \$2,000 to her HSA.

	With HSA	No HSA
Annual Pay	\$45,000	\$45,000
Pre-tax HSA Contribution	-\$2,000	-\$0
Taxable Income	=\$43,000	=\$45,000
Federal income and Social Security Taxes	-\$12,750	-\$13,343
After-tax dollars spent on eligible expenses	-\$0	-\$2,000
Spendable income	=\$30,251	=\$29,658
Melissa's Tax Savings	\$593	\$0

*Sample tax savings for a single taxpayer with no dependents; actual savings will vary based on your individual tax situation. Consult a tax professional for more information. This HSA Savings calculator is illustrative of typical results of typical participants in similar type benefits programs. The accuracy of the results are predicated upon the input provided by the user, and as such, we disclaim the accuracy of any results shown. This calculator is intended merely as a planning tool and is not meant as tax or investment advice. Before taking any action based upon the results provided, please consult with a tax consultant or expert.

Savings Add Up Over Time

Let's say you contribute \$3,000 a year to your HSA each year until retirement. Assuming you use \$1,500 a year for medical expenses, earn 8% a year in interest and investments, and reinvest all earnings, your savings can really add up.*

Starting Age	HSA Value at age 65
25	\$419,680
35	\$183,523
45	\$74,137
55	\$23,469

HSA Growth Estimator Sample tax savings for a single taxpayer with no dependents; actual savings will vary based on your individual tax situation. Consult a tax professional for more information. This HSA Savings calculator is illustrative of typical results of typical participants in similar type benefits programs. The accuracy of the results are predicated upon the input provided by the user, and as such, we disclaim the accuracy of any results shown. This calculator is intended merely as a planning tool and is not meant as tax or investment advice.

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Starting A Family

- Calculations and limits will now change
 - Family HSA is defined as 2 or more covered
 - QHDHP may now be the more “affordable” options
- 2. Roll over/consolidate HSAs
- 3. Work with your family so everyone understands how and why the HSA is the family option.
- 4. Qualified medical expenses of a spouse can be paid from your HSA, regardless of whether the spouse is HSA eligible themselves.

Transitions/Economic Downturn

- Millennials are estimated to have 12 different jobs in their lifetime*
- HSAs & COBRA premiums
- HSAs and bankruptcy



* <https://www.zippia.com/advice/average-number-jobs-in-lifetime/>

Children and Empty Nesting

1. Non-tax covered children who are still covered under health insurance?
2. Who can contribute to an HSA?
3. The “HSA starter pack.”



Children and HSAs

- HDHPs allow coverage for children **up to age 26**.
- If your child can be claimed as a dependent on anyone's tax return s/he is not eligible to open or contribute to an HSA.
- If your child is eligible to have been claimed as a dependent on your tax return, you may cover **their qualified medical expenses** from your HSA.
- Your child is eligible to **open an HSA** if s/he has no other health coverage except for qualified HDHPs (with the exceptions previously noted) AND is not ELIGIBLE to be claimed as a dependent on anyone else's tax return.

Coordination Between Spouses

HSA's are **individual accounts**

- In general:
 - If both spouses meet the HSA eligibility requirements, both may open an individual HSA (optional).
 - If both spouses have self-only HDHP coverage, they can each establish an HSA and contribute up to the individual limit
 - If one or both spouses has family HDHP coverage, they can each open an HSA but can only contribute up to the family maximum, plus any applicable catch-up contribution (\$1,000 to each eligible HSA).

On the Path to Retirement

1. Pre-retirement planning & HSA "catch up" provisions
 - Account holder & Spouse
 - Calculating health expenses in retirement
2. Identifying your largest creditor(s) in retirement
3. Review available HSA investment portfolio(s).



Retirement Transition

1. Retirement in sight!

- Recalculate
- Maximize final pretax contributions
- Medicare is NOT a QHDHP
- Social Security/Medicare, the 6-month rule

2. Things not covered by Medicare?

3. Draining the “pool,” Use your HSA when you can (save receipts when you can't)



Retirement – The “Golden Years”

1. Non-Medical Expense, HSA distribution rules
2. HSAs and Parts B/D Medicare
3. Qualified medical expenses of a spouse can be paid from your HSA, regardless of whether the spouse is HSA eligible themselves.



Sunset



1. A spouse is the only designated beneficiary of your HSA
2. Beyond a spouse – HSAs proceeds move to the beneficiary spouse's estate

Questions?



Contact Information



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