

# Health Savings Account (HSA) vs. 401k

## Why you should max out your HSA contributions



Most people don't think about an HSA as a savings account. Instead, they think of it as an account used to set aside money, tax-free, to pay for healthcare expenses. But the reality is an HSA is much more than a bank account. It's a long-term savings vehicle.

HSAs offer the greatest tax benefits – more than any other retirement account, including a 401k. How is this possible? It's simple. With an HSA, you can tap into the power of triple-tax savings. This means contributions to your account are tax-free, earnings are tax-free, and withdrawals for eligible healthcare expenses are tax-free. The funds you place in the account are yours to keep and roll over year to year, allowing you to grow your account over time.

|                        | Tax-free contribution | Tax-free earnings | Tax-free distributions |
|------------------------|-----------------------|-------------------|------------------------|
| <b>HSA</b>             | X                     | X                 | X                      |
| <b>401k</b>            | X                     | X                 |                        |
| <b>403B</b>            | X                     | X                 |                        |
| <b>Traditional IRA</b> | X                     | X                 |                        |
| <b>Roth IRA</b>        |                       | X                 | X                      |
| <b>CD</b>              |                       |                   |                        |
| <b>Mutual Fund</b>     |                       |                   |                        |

### How do HSAs help with retirement planning?

There is no doubt about it. Healthcare costs are on the rise and one of the biggest concerns when it comes to retirement planning. Did you know a 65-year old couple leaving the workforce today can expect to need \$260,000 to cover medical expenses during retirement? And this does not even include long-term care, which most of us will need at some point in our life.

So, the question is, are you taking the necessary steps today to ensure you are prepared for the future?

Directing savings to an HSA and maxing out your annual contributions helps ensure when healthcare expenses arise, you're prepared. Not only will you have funds available, but they will be available on a tax-free basis. If you're fortunate enough to have good health and little need for healthcare-specific savings later in life, you can still access your HSA funds. You just have to pay ordinary income tax on the distribution and wait until age 65 to avoid penalties.

The bottom line is there is no downside to maxing out your HSA contribution. With healthcare costs continuing to grow, HSAs will become an even more important source of funds to pay for healthcare expenses. Make sure you're doing everything in your power to get the most value from your account and the triple-tax savings only an HSA can provide.