TANDEM WEALTH MANAGEMENT
MOVING FORWARD TOGETHER

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Health Savings Accounts (HSA)

These accounts have the potential to do more than simply allow investors to save and pay for health care expenses with tax-free dollars. They offer a potential way for individuals to bridge gaps in health insurance coverage that may occur during times of unemployment or in retirement.

Anyone younger than 65 can open an HSA after purchasing a qualified high-deductible health insurance plan. An individual can maintain an HSA and still be covered under other insurance policies such as dental, vision, disability and long-term care.

To be considered "qualified" for 2017, the insurance plan must have a deductible of at least $1,300 for individuals or $2,600 for families and have out-of-pocket expense limits of $6,550 for individuals and $13,100 for families. Choosing a policy that qualifies can involve insurance and tax issues that should be discussed with professionals in those fields.

The IRS maximum contribution caps for 2017 are $3,400 for individuals and $6,750 for families. Individuals 55 or older can make a $1,000 catch-up contribution in 2017.

Many employers still offer flexible spending accounts for medical expenses that allow employees to set aside pre-tax dollars for medical expenses not covered by the company's health insurance, including deductibles, copayments and coinsurance. Initially, contributions in flexible spending accounts could not be rolled over to the next year. In 2015, the U.S. Treasury Department issued new rules allowing employers to let employees carry $500 over, if they chose to do so.

HSA contributions and gains can be rolled from year to year - there's no "use it or lose it" requirement - and you retain ownership of the funds even if you terminate employment. Because you establish an HSA independent of your employer, the account can provide a health care expense "safety net" should you terminate employment (voluntarily or involuntarily).

These accounts also provide another investment vehicle that offers tax deductions for contributions, tax-free growth and tax-free withdrawals for medical expenses. Withdrawals for nonmedical expenses after age 65 are still taxable, and an additional 10 percent penalty applies for nonmedical withdrawals before age 65.

Rising health care costs also make an HSA an important option. Last summer, the U.S. Department of Health and Human Services predicted the per-person health care tab for 2016 would top $10,000 for the first time. In 2015, the Centers for Medicare & Medicaid Services projected health spending would grow at an average rate of 5.8 percent per year between 2015 and 2025.

Healthcare is an important piece of your Financial Plan. Please feel free to contact me with questions.

Kind regards,
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