Four Things to Know about a Health Savings Account (HSA)

Have you been hearing the buzz, but you're still not sure what an HSA is or how it works? An HSA pairs with an HSA-eligible health plan[1] to create a unique approach to health care—one that can play a valuable role in your overall health and financial wellness. Here are four key things to know about an HSA.

1 It's YOURS

An HSA is an individual account you own that can be used to pay for out-of-pocket qualified medical expenses that your health plan doesn't cover. You decide how much to contribute,[2] when to tap into your HSA, and how to invest your savings. You can use your HSA to pay for qualified medical expenses incurred by you, your spouse, and your dependents—including health plan deductibles and coinsurance, most medical care and your services, dental and vision care, and prescription drugs. The entire balance is yours to keep—even if you change jobs, change medical coverage, or retire.

2 It's EASY TO USE

You can save money in your HSA on a pretax basis through payroll deductions or by making after-tax contributions by transferring money online from an outside bank account. When you decide to use your HSA to pay for a qualified medical expense, you have a variety of options to access your funds, including using an HSA checkbook, an online bill paying service, or the direct debit capability, to name a few. You can also access an online portal, which provides an easy way to track, pay, and manage claims. HSAs have a convenient reimbursement feature, too. If you decide to pay out of pocket for a qualified medical expense, you can later reimburse yourself from your HSA at any time without penalty—weeks or even years in the future—provided you have receipts that total the appropriate amount.

3 It's FLEXIBLE

Spend your HSA today or save it for tomorrow—it's up to you. Because your balance automatically carries over from year to year, you don't have to worry about losing money that you haven't spent. If you're paying for current qualified medical expenses, you can save money in your HSA in cash for easy access. Any savings not needed for current qualified medical expenses can be invested in a wide variety of investment options—including mutual funds, stocks, bonds, and CDs—to potentially grow your balance for future qualified medical expenses, such as those in retirement. Once you reach age 65, you can use your HSA for any reason—just pay normal income taxes on any money used for a nonqualified medical expense.[3]

4 It's A SMART WAY TO SAVE MONEY

Because an HSA works together with an HSA-eligible health plan, you can potentially save money on health insurance premiums and reduce your taxable income at the same time. First, an HSA-eligible health plan generally has a much lower monthly premium than a traditional health care plan. Second, an HSA offers three-way tax savings you can't find elsewhere, which can help you save money. Pretax contributions made through payroll deduction lower your taxable income, and after-tax contributions are tax deductible. Also, you don't pay federal taxes[4] on any investment earnings or on the money you use to pay for qualified medical expenses. Over time, those tax savings could add up.

Want to know more about the Fidelity HSA®? Visit Fidelity.com/healthsavingsaccount or call 800-544-3716 or your plan's toll-free number.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

[1]An HSA-eligible health plan is a high-deductible health plan that meets certain IRS requirements with respect to deductibles and out-of-pocket expenses.

[2]Within contribution limits. The IRS contribution limits to an HSA for 2019 are $3,500 for individual coverage, and $7,000 for family coverage. If you are age 55 or older, you may be eligible to make a catch-up contribution up to an additional $1,000 each year. All contributions—whether from payroll, your employer or other third parties, personal check, bank transfer, or direct deposit—aggregate toward your maximum annual contribution limit. You are responsible for ensuring that all contributions in aggregate do not exceed your maximum annual contribution limit.

[3]Under age 65, distributions used to pay for nonqualified medical expenses are considered taxable income and are subject to a 20% penalty.

[4]State tax may apply. See your tax advisor for more information on the state tax implications of HSAs.

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