THE POWER OF HEALTH SAVINGS ACCOUNTS

You've probably heard about Health Savings Accounts more and more in recent years. If you're unsure how they work, pay attention to the following because you may be eligible to participate in one and save on taxes and insurance premiums. Here's what you need to know:

By Tyler Dove

First, to be eligible to participate, you must be covered by a "High Deductible Health Plan" (HDHP). You may be saying to yourself "My deductible is certainly high. I must be eligible for an HSA!" However, this term refers to a special designation that the plan receives rather than a specific deductible figure. Most likely if your plan is a HDHP it will include either the term High Deductible or HSA in the plan name.

So what does an HSA do? Simply put, it allows its owner to make tax-deductible contributions for the purposes of covering healthcare expenses. When used to pay for out-of-pocket health costs, the distributions from an HSA are tax-free. HSA holders can contribute \$3,500 for individuals and \$7,000 for families (plus an additional \$1,000 for folks over age 50) each year into their HSA. Contributions can be invested in a guaranteed interest bearing account or into mutual funds like a 401k plan.

You can use the funds to pay medical bills, prescription drugs, even dental and eye glass expenses. Once you reach Medicare age HSA funds can cover the premiums for original Medicare as well as Part D and any out-of-pocket expenses. In addition to the expenses associated with Medicare, HSA funds may be used tax-free to pay for costs associated with Long Term Care. Distributions for non-healthcare related expenses past age 65 are treated like IRA distributions.

Let's face it, the words "high deductible" don't strike the hearer as the best option. However, more often than not in the individual market, the lowest cost plans with high deductibles offer enough savings on the premium side to offset the additional exposure on the benefits side. This may also be the case if you have an employer group plan. During your upcoming open enrollment period, do the math and compare! Don't automatically cross off the HDHP option. And remember, every dollar you contribute to your HSA is tax deductible. So, when you pay out-of-pocket medical expenses with HSA dollars, you're always getting a discount on your payment.

If your group does not offer a HDHP, consider suggesting to the powers that be that they look into offering one. If you are a small business owner and these kinds of decisions are yours to make, consider adding one as an offering in your plan. There really aren't any downsides to making such a plan available to your employees. They gain access to a powerful tax saving tool and you stand to reduce the cost of the group health insurance plan overall.

And of course call us, we can help!!