

HSA AS A FINANCIAL PLANNING TOOL



THE GOOD LIFE

By Merra Lee Moffitt, AWMA, CMFC, CFP, Senior Partner, Wealth Strategist

A Health Savings Account (HSA) allows for tax deductible contributions into an account specifically for Health Care expenses. Typical out-of pocket medical expenses include paying for deductibles and copays. If you and your family are relatively healthy, an HSA can help build a substantial reserve for your older years where health care expenses are likely to be much greater.

According to Employee Benefits Research Institute published in the beginning of 2017 a 65 year old man would need to have \$72,000 in savings while a woman needs \$93,000 to cover health expenses include premiums for Medicare Parts B and D, premiums for Medigap Plan F, and out-of-pocket spending for outpatient prescription drugs.

To contribute to an HSA account, you must have an HSA compatible health plan. As a business owner (unlike our employee friends) we get to pick the medical plan that we choose for ourselves and employees. Many health insurance providers provide

Both HSA and non-HSA plans. Often the HSA plan is less expensive due to its higher deductibles.

An HSA account is owned by you. You can start an account through a bank or other financial institution. You can add to it in any year that you have an HSA compatible health insurance plan. You can use your HSA to pay eligible medical expenses, including most medical, dental and vision services and prescription drugs, even if those are not covered under your medical insurance plan.

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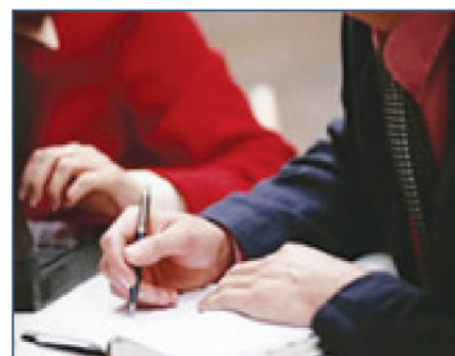
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Three "Interesting" Ways To Start Financial Planning:

- 1) Schedule a date night to discuss your plans.
- 2) See an advisor who is a financial planner.
- 3) Hint! Hint! Call Merra Lee.



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Growth is also tax free. That means that when you take money out of the account to pay your qualified medical expenses, no taxes are owed, including any growth.

In 2018, a single person may put away \$3450 into his/her HSA account, plus \$1000 if you are over 55. A family plan allows you to save \$6900 into your HSA and another \$1000 if the plan primary person is 55 or older. This contribution is tax deductible. Without an HSA, you can only deduct medical expenses that are above 10% of your Adjusted Gross Income. For example, if your AGI is \$100,000, you could only deduct medical expenses that are above \$10,000.

A smart strategy for small business owners is to (tax deduct-ably) contribute the maximum to your HSA. In the early years when you are fairly healthy you can build the amount in your HSA account so that it is available for future years when medical expenses may be high. With some institutions, you can invest the money in some of the same types of growth and income investments as your Roth or IRA. This strategy makes sense if your time horizon

for using the HSA is long term. To pursue building a long-term medical bucket (your HSA), you might want to pay your co-pays & deductibles out of pocket, if you can afford to do that to preserve more money in your older years when you might be retired and living within a budget.

When you are older and participating in Medicare, say 65 or so, you can no longer contribute to a Health Savings Account (HSA). You can use your HSA to pay Medicare premiums, but not Medicare supplement premiums. There are other IRS rules that apply so you may want to consult your tax person for those details.

This strategy of save now, spend later (using an HSA) is just one example of using all available financial tools to help you pursue a lifetime of financial wellbeing.

Merra Lee Moffitt, AWMA, CMFC, CFP, a small business wealth strategist for Good Life Financial Group, spends all day, every day, guiding business owners, capturing their financial dreams and goals from their small business profits. Okay, a shameless plug. I help busy small business owners to pursue results like these every day. We find the time; we get creative; we make profits happen. Call, click or contact me at 610.488.7353, www.MerraLee.net or merralee.moffitt@lpl.com.



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