HSA SAVINGS
EXAMPLES

This is Sally

Sally is a young, recently married career woman who carries health care coverage for only herself.

Her 2021 health care services include:

- PCP sick visit
- Routine physician exam visit
- Routine GYN exam visit
- Pap Smear
- Two generic 30-day supply medications

If you have manageable health care expenses, are able to budget for a higher deductible or want to save for retirement, the HSA-eligible plan might work for you!

Savings Example 1

Sally weighs her health plan options. Her employer offers the traditional PPO Plan and a high-deductible health plan that qualifies her to open and deposit money income tax free into a health savings account (HSA). To help her make a wise choice, Sally makes a list of her anticipated health care expenses and the tax savings benefits from both plans.

	HSA Plan	PPO Plan
Employee potential out-of-pocket cost for non-preventive services	$2,800 annual single deductible	$1,250 annual single deductible
Employee annual payroll cost	$433	$1,394
Employee HSA contribution	$600	-
Copay/out-of-pocket cost *(i.e. doctor visits and prescription drugs)*	-	$25
Total annual employee cost	$1,033	$1,419
Employee HSA contribution	$600	-
Employer HSA contribution	$900	-
Qualified expenses paid with HSA funds *(i.e. doctor visits and prescription drugs)*	($132)	-
HSA funds remaining for future use	$1,368	$0
$1,368 rolls over to 2021!		

After comparing the two plans, Sally prefers the benefits of the HSA-eligible plan. She likes the $900 contribution made by her employer to her HSA and the tax savings opportunity with the ability to accrue funds for future expenses.

- There are no co-pays for preventive care.
- There is a limit to how much she has to pay out-of-pocket.
- She gets triple tax savings. First, the money she puts in the HSA is tax-deductible, up to the 2021 IRS limit of $3,600 for single coverage. Second, her savings grows income tax free. Third, money she takes out of her HSA to pay for qualified medical expenses is income tax free.
- Sally owns her HSA. Even if she changes employers or health plans, her HSA belongs to her.
- She likes that she can start, stop or change her HSA contribution monthly if necessary.
- Additional tax-savings result from Sally's pre-tax contribution to HSA.

This is Joe

Joe covers his spouse and three children under the HSA Plan. The HSA plan allows him to save for future health care expenses.

Joe uses his HSA to save for the future.

- Every year Joe will earn tax-free interest on his HSA balance.
- Once the balance meets a certain amount, he can begin to invest some of his savings into mutual funds for greater potential long-term growth.

Savings Example 2

Joe enjoys tax advantages and builds a nest egg with a health savings account.

	HSA Plan	PPO Plan
Employee potential out-of-pocket cost for non-preventive services	$5,600 annual deductible	$2,500 annual deductible
Employee annual payroll cost	$5,080	$8,007
Employee HSA contribution	$1,200	-
Copay/out-of-pocket cost *(i.e. doctor visits and prescription drugs)*	-	$700
Total annual employee cost	$6,280	$8,707
Employee HSA contribution	$1,200	-
Employer HSA contribution	$1,800	-
Qualified expenses paid with HSA funds *(i.e. doctor visits and prescription drugs)*	($1,500)	-
HSA funds remaining for future use	$1,500	$0
$1,500 rolls over to 2021!		

Joe's HSA can grow quickly from the tax deductible contributions he makes and the contribution made by his employer.

His employer contributes $1,800 to Joe's HSA since Joe contributes $1,200 to his HSA.

	Monthly Amount	Annual Total
Employee HSA Contribution	$100	$1,200
Tax savings *25.0% federal, 3.9% state, 7.65% FICA*	$37	$439

Any money Joe withdraws from his HSA to pay for qualified expenses is tax-free.

- This year, Joe expects to withdraw $1,500 from his HSA to pay for qualified health care expenses for him and his family.
- Those include physician visits, prescription costs and dental costs not paid by the dental plan.

Joe's balance grows	In Year 1	In 5 Years	In 10 Years
Joe's HSA contribution	$1,200	$6,000	$12,000
Employer's contribution	$1,800	$9,000	$18,000
Qualified expenses paid with Joe's HSA	($1,500)	($7,500)	($15,000)
Money left in Joe's HSA	$1,500	$7,500	$15,000
Money Joe saves on taxes	$439	$2,193	$4,386

Joe saves money on taxes while his account balance grows. Tax savings shown in the chart above assume: 25% federal tax, 3.9% state tax and 7.65% FICA.

This is Michael

Michael covers himself and is approaching retirement. He is looking to contribute the maximum dollar amount into his health savings account so he can plan for future medical expenses when he is retires.

He can contribute an additional $1,000 per year into his Health Savings Account since he is over age 55.

Michael will be able to contribute the additional $1,000 per year as long as he is enrolled in the HDHP, and is not enrolled in any part of Medicare.

Savings Example 3

Michael enjoys tax advantages and builds up his health savings account for retirement.

	HSA Plan	PPO Plan
Employee potential out-of-pocket cost for non-preventive services	$2,800 annual deductible	$1,250 annual deductible

Employee annual payroll cost	$433	$1,394
Employee HSA contribution	$3,700	-
Copay/out-of-pocket cost *(i.e. doctor visits and prescription drugs)*	-	$700
Total annual employee cost	$4,133	$2,094

Employee HSA contribution	$3,700	-
Employer HSA contribution	$900	-
Qualified expenses paid with HSA funds *(i.e. doctor visits and prescription drugs)*	($225)	-
HSA funds remaining for future use	$4,375	$0
$4,375 rolls over to 2021!		

Michael's HSA can grow quickly from the tax deductible contribution he makes and the contribution made by his employer.

Michael receives an employer contribution of $900 to his HSA. He plans to contribute the maximum dollar amount allowed of $3,700, which includes the $1,000 catch up contribution to his HSA.

	Monthly Amount	Annual Total
Employee HSA Contribution	$308	$3,700
Tax savings *25.0% federal, 3.9% state, 7.65% FICA*	$113	$1,352

Any money Michael withdraws from his HSA to pay for qualified expenses is tax-free.

- This year, Michael expects to withdraw $225 from his HSA to pay for qualified health care expenses.
- Those include physician visits and prescription costs.

Michael's balance grows	In Year 1	In 5 Years	In 10 Years
Michael's HSA contribution	$3,700	$18,500	$37,000
Employer's contribution	$900	$4,500	$9,000
Qualified expenses paid with Michael's HSA	($225)	($1,125)	($2,250)
Money left in Michael's HSA	$4,375	$21,875	$43,750
Money Michael saves on taxes	$1,352	$6,762	$13,524

Michael saves money on taxes while his account balance grows. Tax savings shown in the chart above assume: 25% federal tax, 3.9% state tax and 7.65% FICA.