McGriff
A Marsh & McLennan Agency LLC Company

HSA Utilization Strategies: How to make HSAs the 401ks for Health Expenses in Retirement

2025 Monthly Webinar Series

Presented by:

Christine Pegram, ACFCi

Vice President, Specialty Program Manager-HSA

Christine.Pegram@McGriff.com

Agenda

- HSA Basics
- Common Myths
- HSA vs 401k
- Planning Strategies
- Life Cycle of HSA
- Retirement

HSA Basics

- Savings vehicle that helps offset healthcare expenses.
- Combined with a High-Deductible Health Plan.
  - Health plan must be HSA eligible: meet deductible & OOP limit requirements under IRS § 223.
  - Can be employer plan, spouse/parent's employer plan, or ACA plan.
- Two types of HSAs:
  - Employer Sponsored: offered by your employer, opened when your hired or become eligible.
  - Individually Owned (Retail): HSA is established through any financial institution that offers them.
- Total HSAs: Almost 40 million Americans are covered by an HSA [1]

[1] 2024 Year-End Devenir HSA Research Report

Common Myths

- HSA funds are forfeited at the end of the year.
  - Fact: HSA funds rollover year after year with no balance limit.
- I lose my HSA if I leave my job.
  - Fact: HSA is owned by the employee and goes with them. Payroll deductions cease.
- I can no longer **use** my HSA dollars after I turn 65.
  - Fact: You can keep your HSA open and use the funds for qualified expenses. Contributions cease if you enroll in Medicare.
- HSAs are only for wealthy/high income earners.
  - Fact: 64% of HSA account holders have an income below $100,000 [1]

[1] 2024 Year-End Devenir HSA Research Report

McGriff
A Marsh & McLennan Agency LLC Company

HSAs vs 401ks

Component	HSA	Traditional 401k/IRA
Contributions	Tax-deductible (pre & post-tax), payroll deductions not subject to FICA Taxes.	Tax-deferred, subject to FICA taxes.
Investment Growth	Tax-free	Tax-deferred
Qualified Withdrawals	Tax-free if for qualified expenses at any age.	Taxed as ordinary income in retirement.
Non-Qualified Withdrawals	Pre 65: Subject to taxes and penalties. 65+: Taxed as income.	Pre 65: Subject to taxes and penalties. 65+: Taxed as income.
Required Minimum Distributions (RMD's)	None	Yes (at age 73)

Tax deductible: Reduces taxable income
Tax deferred: Postpones tax payments until funds are withdrawn.

McGriff
A Marsh & McLennan Agency LLC Company

Planning Strategies for Expenses

1. Maximize contributions:
   - Contribute the maximum allowable/coverage level.
   - Take advantage of employer contributions.
   - IRA to HSA Transfer: Once in a lifetime.
   - 55+ Catch-up contribution: $1,000
2. Consider Investment Options:
   - Explore investment options provided by your HSA Administrator: mutual funds, stocks, bonds, self-directed brokerage accounts.
   - Invest based on your risk tolerance and time-table.
   - Can often mirror investments with 401K
3. Strategically pay for medical expenses to allow interest and investments earnings to grow:
   - Pay for small expenses out of pocket: Over the counter items, low-cost prescriptions.
   - Keep a cash cushion for expenses.
4. Consolidate HSAs
   - HSAs from former employers, or HSAs with limited investment options: institution to institution transfer to maximize interest earning and investment potential.

****Consult with a financial advisor or tax professional to determine strategies that fit your individual situation, comply with IRS guidelines, avoid potential tax consequence****

McGriff
A Marsh & McLennan Agency LLC Company

Life Cycle of an HSA

Young Single Adults (18-26)

- New Job, low income
- Still on parent's health plan
- Healthy
- Few expenses
- Contribute the max based on level
- Start investing: high risk tolerant.
- Let it grow: savers

Established Adulthood (26-50)

- Advancing Career; middle income
- Married
- Family planning
- Healthcare expenses increase.
- Spend some/save some: hybrid
- Add Limited FSA if available.
- Some may start here to save on medical premiums.
- May pause investing or move to more moderate risk.
- Balance grows.

Pre-Retirement (50-65)

- Empty nesters
- Top of career, higher income earners
- Fairly healthy, some minor age-related issues.
- May pay out of pocket more to maximize growth.
- 55+ catchup contribution.
- Often become savers again.
- Re-engage in investing, stay moderate
- Still experience growth.

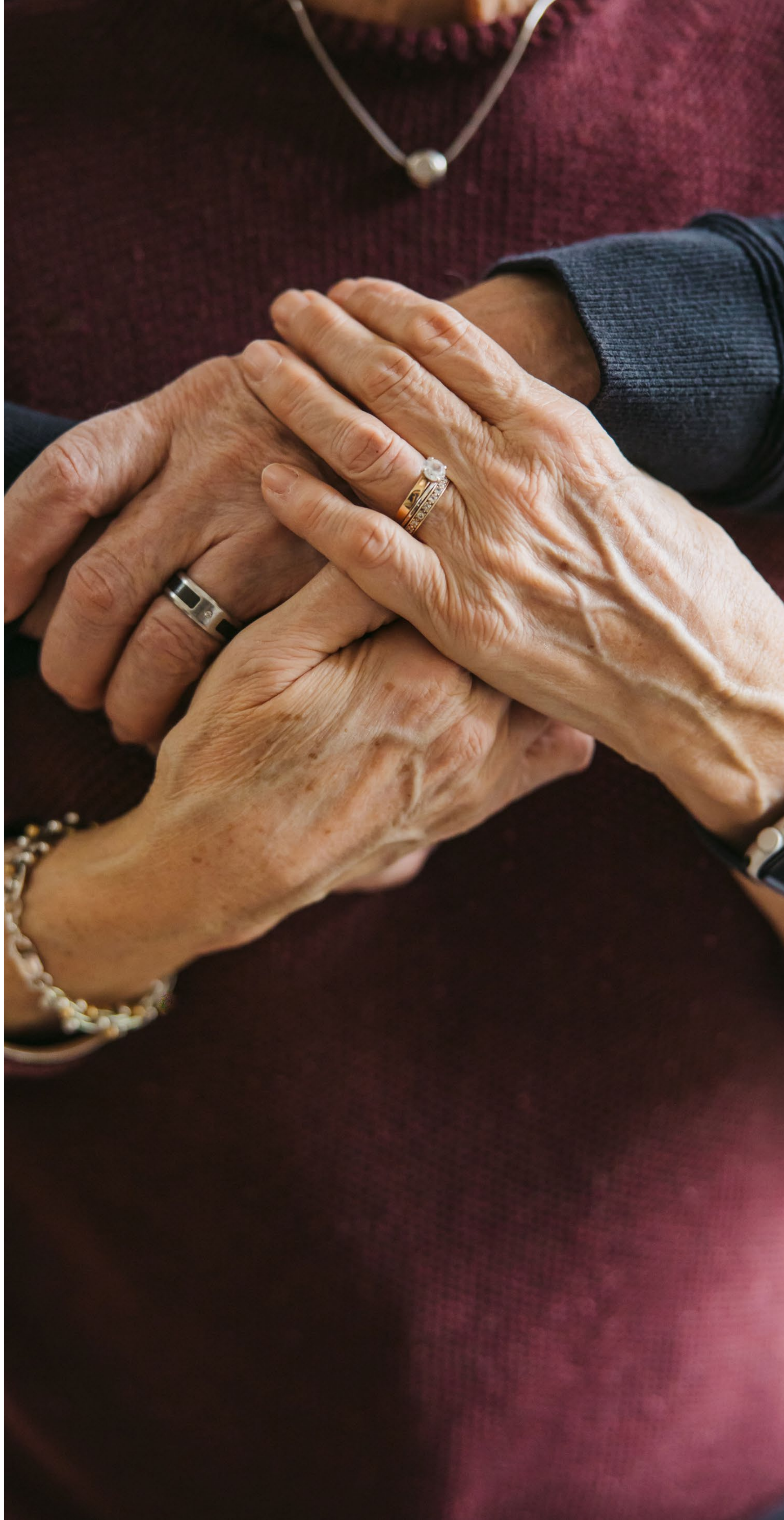
Retirement (65+)

- May or may not leave jobs.
- Health issues likely increased.
- Medicare enrollment disqualifies for contributions.
- Medicare considerations.
  - Defer: including Part A, can continue to contribute. *Consult Medicare professional.
- Move investments to cash as needed.
- Investments continue to grow.

McGriff
A Marsh & McLennan Agency LLC Company

Retirement Expenses

- Doctor visit co-pays.
- Approved OTC items.
- Prescriptions
- Deductibles
- Long term care services
- Dental/Vison expenses
- Medicare Premiums: Part A, B, D, and Medicare Advantage
  - Not Medigap (Supplement) Plans.
- Death benefit for any unused portion to your beneficiary.



McGriff
A Marsh & McLennan Agency LLC Company

QUESTIONS

47 Airpark Court
Greenville, SC 29607
(800)768-4873 | McGriff.com

Never settle for less.

Disclaimer

Information presented here is relevant with respect to current rules or regulations as of the date of this presentation. Future rules may include clarifications, technical corrections or guidance on complex issues. Moreover, these may change the content of the information presented or alter the answers to questions posed.

New guidance may have an impact as well on governing benefits legislation such as ERISA.

Our presentations are intended to provide general information. This does not constitute legal, tax or medical advice. To ensure compliance with IRS requirements, any discussion of U.S. tax matters contained herein is not intended and cannot be used to avoid IRS penalties. This material is therefore for informational purposes only.

Employee benefit, retirement plan, health care insurance and compliance decisions should be made only after thorough and careful consideration and in the case of clients, only after discussion with clients' own counsel, including tax counsel, or tax or other advisors.

Compliance decisions are the sole responsibility and obligation of the client.