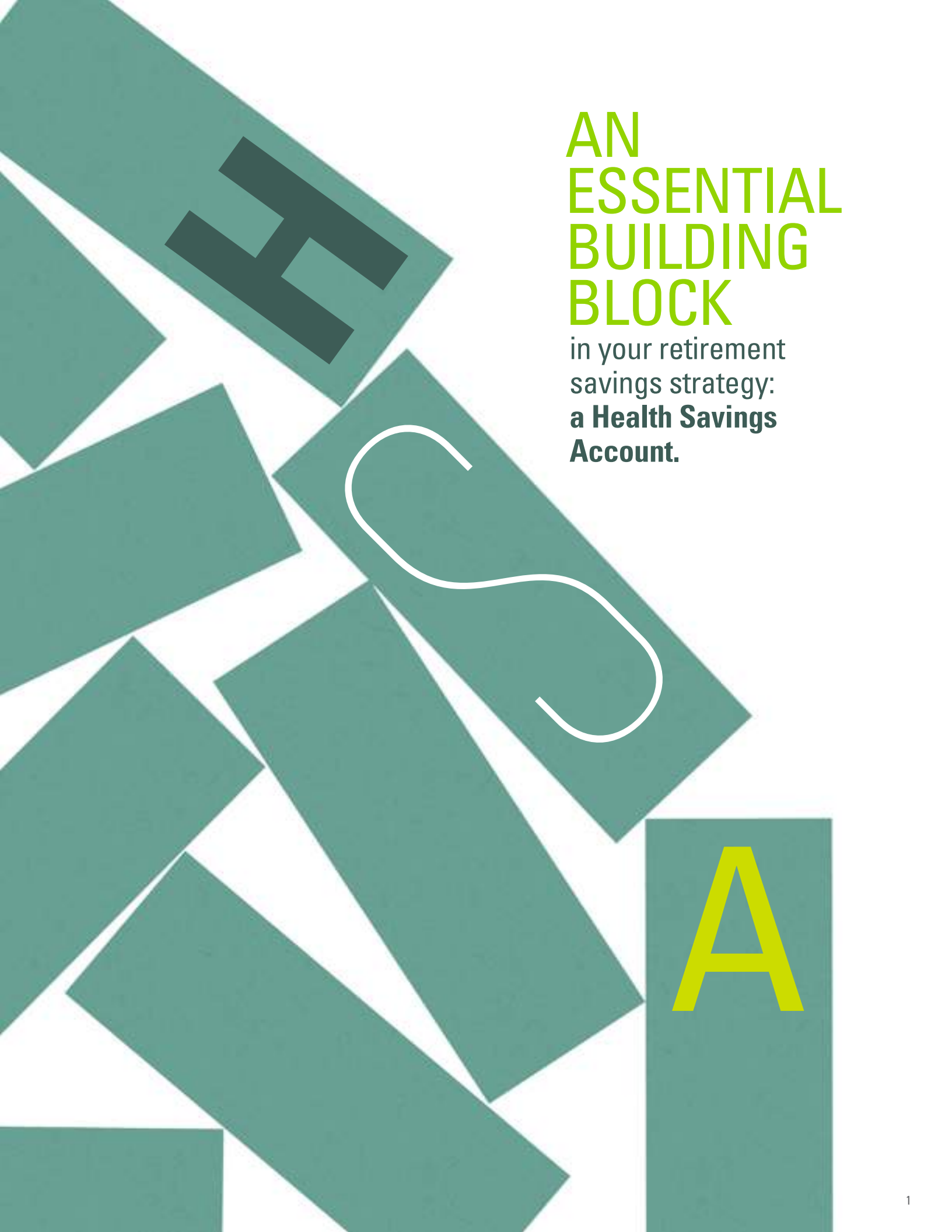


BUILDING A STRONGER RETIREMENT

A solid financial foundation:
401(k)s and **HSAs**, working together.





AN ESSENTIAL BUILDING BLOCK

in your retirement
savings strategy:
**a Health Savings
Account.**

Chances are, you know all too well about the need to put aside money for your future financial needs, especially with each generation's retirement years growing longer and longer.

These days, you may need to save for up to 20 to 30 years of your life after you stop working. And when it comes to saving for their future, many Americans think first of the 401(k), the most popular and well-known retirement savings option.

Lesser known — and understood — is another way to save for your future: the **Health Savings Account (HSA)**. With rising healthcare costs that can exceed \$10,000 a year during the retirement years,¹ HSAs are gaining more recognition as a smart way to complement 401(k)s and other retirement savings options. This is thanks to unique features like their triple-tax advantages, ability to cover Medicare premiums after age 65, and investment capabilities.

The best part? You don't have to choose between a 401(k) and an HSA. Working together, they can create a stronger financial foundation for your future.



¹ Sawyer, Bradley. "While health spending increases throughout adulthood for both men and women, spending varies by age." Peterson-Kaiser Health System Tracker 2019.
https://www.healthsystemtracker.org/chart-collection/health-expenditures-vary-across-population/#item-while-health-spending-increases-throughout-adulthood-for-both-men-and-women-spending-varies-by-age_2016

THE FOUNDATION

of many financial
futures: **401(k)s.**



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Traditional 401(k) plans are one of the most popular retirement savings options for several reasons, and they have become fairly common among employers' benefits offerings since being introduced more than four decades ago. Millions of Americans invest in 401(k)s thanks to their convenience and unique savings benefits.

401(k) key benefits

Tax advantages	401(k) contributions are taken out of your paycheck before federal taxes are withheld, which lowers your taxable income. And your 401(k) contributions are tax-deferred until you withdraw them in retirement, allowing them to grow faster.
More control	You can contribute as much as you want to a 401(k) within your plan and IRS limits, and you can change your contribution levels at any time.
Compound interest	The earlier you start investing in a 401(k), the more time your money has to grow, thanks to compound interest — earning interest on interest over the years.
It moves with you	The money in your 401(k) belongs to you. Even if you change jobs, you can keep your money invested and growing, or move it to another plan.
Ease of use	401(k)s are easy to contribute to, with many employers offering automatic payroll deductions that make saving effortless.

Other retirement savings options.

401(k)s are just one of several retirement savings options an HSA can complement. Others include:

- Solo 401(k)
- 403(b)
- 457(b)
- IRA
- Roth IRA
- Self-directed IRA

ADDING
more stability and
strength: **HSAs.**



HSAs complement retirement savings options like 401(k)s by helping you plan and save for the healthcare costs you'll encounter during your lifetime, both now and in the future.

Benefits of saving in your HSA

If you save in your HSA, you can take advantage of three unique benefits.

1

Triple-tax advantage:

No federal taxes on contributions, withdrawals for qualified medical expenses, or investment earnings

2

Build long-term healthcare and retirement savings:

Especially with HSA Bank's self-directed investment options

3

No "use it or lose it":

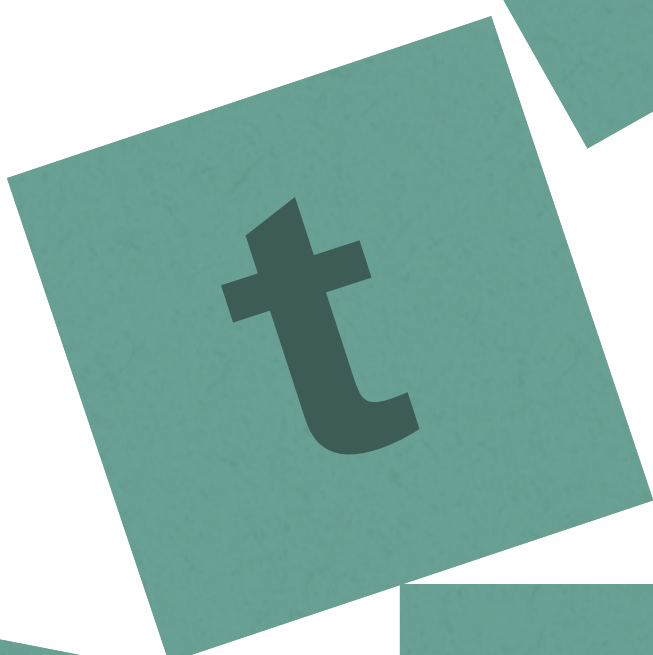
Investment balances carry over from year to year and grow tax-free (just like the HSA cash account)

Save your 401(k) from healthcare costs.

To pay unexpected expenses, 29% of Americans with 401(k)s or other defined contribution retirement plans have taken out a loan from the savings in their plan — and 44% of them regret the decision afterward. Having an HSA dedicated to healthcare expenses can help protect your retirement savings from the financial impact of unforeseen costs.

BUILT-IN

tax advantages: **HSAs.**



What makes HSAs “**triple-tax advantaged**”? That means they’re tax-free at three distinct stages: when you contribute, as they grow, and when you withdraw funds (as long as they’re used for IRS-qualified medical expenses).

This can really have an impact on your retirement savings too. With the average 65-year-old couple possibly needing hundreds of thousands of dollars to cover costs, healthcare is one of the largest expenses in retirement. And leveraging the triple-tax advantages of an HSA to pay for these expenses can make a meaningful difference in how long your retirement savings will last. Consider the example below.



James

Saves \$175,000 in a 401(k) and uses it to pay for qualified healthcare expenses.

Is in the 24% tax bracket and has to pay taxes on withdrawals.

After taxes this leaves **\$133,000** to pay expenses.

James has **32% less** than Jessica to fund his healthcare.

Jessica

Saves \$175,000 in an HSA and uses it to pay for qualified healthcare expenses.

Withdrawals are tax-free for qualified expenses.

After taxes this leaves **\$175,000** to pay expenses.

Jessica has **32% more** than James to fund her healthcare.

SAVE for all
sorts of expenses.



Tax-free HSA fund withdrawals are limited to IRS-qualified medical expenses. But as you can see below, there's a long list of future healthcare costs your HSA can pay for... so your 401(k) funds don't have to.

IRS-qualified medical expenses include:

- Acupuncture
 - Ambulance
 - Artificial limbs
 - Artificial teeth
 - Birth control treatment
 - Blood sugar test kits for diabetics
 - Breast pumps and lactation supplies
 - Chiropractor
 - Contact lenses & solutions
 - Crutches, walkers & canes
 - Dental treatments (including X-rays, cleanings, fillings, sealants, braces, and tooth removal)
 - Doctor's office visits and co-pays
 - Drug addiction treatment
 - Drug prescriptions
 - Eyeglasses (Rx and reading)
 - Fluoride treatments
 - Feminine hygiene products
 - Fertility enhancement (including in vitro fertilization)
 - Flu shots
 - Guide dogs
 - Hearing aids & batteries
 - Infertility treatment
 - Inpatient alcoholism treatment
 - Insulin
 - Laboratory fees
 - Laser eye surgery
 - Medical alert bracelet
 - Medical records charges
 - Midwife
 - Occlusal guards for teeth grinding
 - Orthodontics
 - Orthotic inserts (custom or off-the-shelf)
 - Over-the-counter medicines and drugs
 - Personal protective equipment (like masks, hand sanitizer)
 - Physical therapy
 - Special education services for learning disabilities (recommended by doctor)
 - Speech therapy
 - Stop-smoking programs (including nicotine gum or patches, if prescribed)
 - Surgery (excluding cosmetic surgery)
 - Vaccines
 - Vasectomy
 - Vision exam
 - Wheelchair
-

Visit hsabank.com/QME for a full list.

Due to frequent updates to the regulations governing these accounts and arrangements, this list does not guarantee reimbursement and is to be utilized as a guide only.



AN HSA + 401(k) savings success story.



John

Age: 65

Married, two children, four grandchildren

John plans to retire this year, and he has been making contributions to both an employer-provided 401(k) plan and an HSA. He's accumulated \$250,000 in his 401(k) and \$100,000 in his HSA — including \$19,500 of tax-deferred growth.

Now that he's preparing for retirement, John needs to decide when, how, and where to withdraw money to replace his career paycheck. Because he's been saving in his HSA, he now can use that money, tax-free, to pay for Medicare premiums and out-of-pocket, IRS-qualified medical expenses in retirement.

Not only that, but because John saved receipts for IRS-qualified medical expenses he paid before he retired, he can use his HSA funds to reimburse himself for those expenses, as long as his withdrawals don't exceed the total amounts of the receipts he's saved.

Should John not need all the money in his HSA for medical expenses, he can also withdraw funds after age 65, penalty-free, with the same tax treatment as a 401(k). And if he passes away before his wife, his HSA funds can transfer to her, tax-free, for IRS-qualified medical expenses.

As this scenario makes clear, John's HSA provides a great deal of tax-free growth and funds that help his 401(k) balance work harder, longer. Not to mention he has a great deal of flexibility in how he uses those funds over time.

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Retirement Savings.
Health Savings.

BUILD YOUR FUTURE

with both.



Choosing between saving for retirement and saving for future health costs doesn't have to be an either/or decision.

In a recent study, it was found that people using both a 401(k) and an HSA had a higher savings rate compared with those saving only in a 401(k). And 88% of people who opened an HSA maintained or actually increased their 401(k) savings afterward.

A 401(k) and an HSA work well together because they each have their own unique savings advantages — and they help fill in each other's gaps when building a long-term investment strategy.

Two savings solutions, working together.

88%
OF PEOPLE WHO OPENED
AN HSA
MAINTAINED OR ACTUALLY
INCREASED
THEIR SAVINGS AFTERWARD

	HSA	401(k)
Tax-free contributions	Yes	Yes
Tax-free growth	Yes	No (deferred only)
Tax-free withdrawals for IRS-qualified medical expenses	Yes	No
Ability to invest	Yes	Yes
Easy to withdraw funds	Yes	No
Required minimum distributions (RMDs) after age 72	No	Yes
Ideal use	Tax-advantaged payment of IRS-qualified medical expenses, preserving other retirement savings	Tax-advantaged retirement savings for future retirement income

Coming soon: a new savings option.

Just as HSAs focus on saving for future healthcare expenses, new Emergency Savings Accounts will allow you to put aside money to prepare for unexpected costs that arise due to crises and unforeseen events, letting you create a financial safety net.

Prepare your
future savings for a
HEAVIER LIFT
with an HSA.



With longer life expectancies and the high cost of healthcare expenses as you age, saving for retirement has never been more important.

While a 401(k) or other retirement savings solution provides an excellent way to invest in your financial future, there may still be gaps in your saving strategy — gaps an HSA is uniquely positioned to fill.

With its unique triple-tax advantage and investment capabilities, an HSA can work alongside your 401(k) to help you better save for future healthcare costs and create a stronger, more solid retirement.

If you're in the midst of your employer's benefits enrollment period, now may be an ideal time to consider adding an HSA.

To learn more or get started, visit hsabank.com.



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