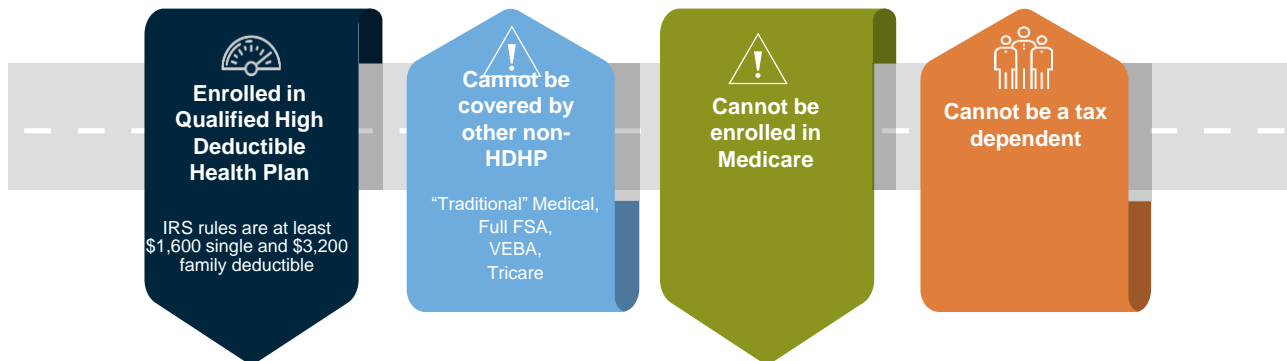


# Health Savings Account



# Health Savings Account - HSA

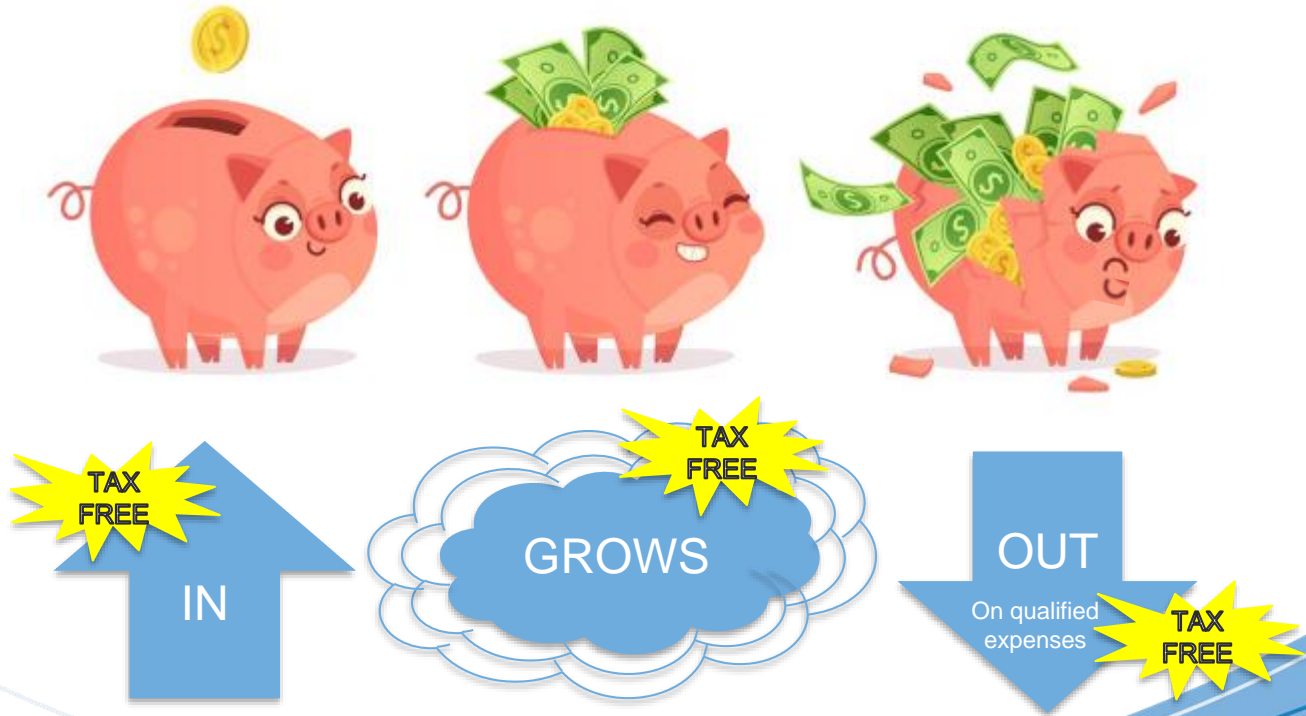
## Road to Eligibility to Contribute to an HSA



This material is meant to provide an overview of the most commonly asked questions on HSAs and FSAs. It does not represent all rules and regulations. For more information, please refer to IRS Publications #502, #503, #969 and the [US Treasury Website](#). And always consult your tax advisor.

# Health Savings Account - HSA

## Triple Tax Advantage



# Health Savings Account - HSA

## Contributions

- Triple Tax Advantage
- 2024 Annual limit is increasing
- Change your contributions at anytime throughout the year
- Unused balances rollover
- Portable – you own the account
- TIP! Consider investing funds to grow account

Enrolled Coverage	2023	2024
Individual	\$3,850	\$4,150
Family	\$7,750	\$8,300
Age 55+	Add \$1,000	

Contribution	Individual Coverage	Family Coverage
Employer	\$ _____	_____
Employee	+ _____	+ _____
<b>Maximum</b>	<b>\$4,150</b>	<b>\$8,300</b>
<b>Age 55+</b>	<b>+\$1,000</b>	<b>+\$1,000</b>

You may contribute your own funds tax-free into your HSA to pay for health care expenses on a tax-free basis.

**TAX  
FREE**

# Health Savings Account - HSA

## Expenses

- Accountholder, Spouse, Tax Dependents expenses



Qualified Expenses
<ul style="list-style-type: none"> <li>• Medical, Dental, Vision</li> <li>• Over-the-counter meds, menstrual products</li> <li>• Some Insurance Premiums:               <ul style="list-style-type: none"> <li>• COBRA</li> <li>• If 65+ Medicare B, D, and Advantage</li> </ul> </li> </ul>

Non-Qualified Expenses
<ul style="list-style-type: none"> <li>• Taxable</li> <li>• +20% Penalty</li> <li>• <u>No penalty, taxable only:</u> <ul style="list-style-type: none"> <li>• Medicare eligible based on age</li> <li>• Disabled (IRC 72)</li> <li>• Death</li> </ul> </li> </ul>

*Notes: you must have funds in the account to reimbursement expenses. And you must establish the account before you can reimburse for incurred expenses.*

This is a summary only. Learn more: [IRS Publication 969](#) & [IRS Publication 502](#)

# HSA Eligible Expenses

## What Expenses? Tax Free or Taxable?

### Qualified Expenses

#### Tax Free for:

- Medical, Rx, Vision, Dental
- Over-the-Counter medications and menstrual products
- Insurance Premiums:
  - COBRA (federal)
  - Long-Term Care (qualified contracts)
  - Premiums paid for coverage while receiving state of federal unemployment benefits
  - For accountholders age 65+:
    - Medicare B or D or Medicare Advantage
    - **Not Medigap/Supplement Plans**

### Non-Qualified Expenses

#### Taxable + 20% Penalty:

- When used for non-qualified expenses

#### Taxable (no penalty) if Accountholder becomes:

- Medicare eligible based on age
- Disabled (IRC Section 72)
- Death (still an HSA if beneficiary is surviving spouse)

Learn more: [IRS Publication 502](#)

# Why consider HSA?

## Financial Wellness

### Now:

Reduce taxable income  
Pay for eligible expenses

### Future:

Retirement Planning



\$295,000

Retirement healthcare  
expenses per couple

Source: *Are you Prepared for Health Care Costs While in Retirement?* Kiplinger 2.15.2021

VEBA





## Eligibility – who gets it?

- Employees enrolled in employer's qualified medical plan(s)



## Contribution

- Only the employer can contribute
- Employees cannot make additional contributions
- Unused balances rollover

\*Make a switch from VEBA to an HSA?  
The VEBA becomes limited while contributing to an HSA

## Expenses

### Who's Expenses?

- Can be used for qualified expenses of the employee, spouse, and *dependents up to age 26*

### What Expenses?

- Medical, Dental, and Vision Expenses
  - Including over-the-counter medications and menstrual products
  - Rx, chiropractor, glasses, medical copays and expenses
- Insurance premiums
  - Any post-employment

This is a summary only. Learn more: [IRS Publication 969](#) & [IRS Publication 502](#)

# Flexible Spending Account



# Flexible Spending Accounts

## Dependent Care FSA

### Contributions

- Elect up to **\$5,000 per family** annually to pay for child care while working
  - Cannot change election mid-year without a qualifying event
  - Use it or Lose It
- Pre-tax account: save money!



### Expenses

#### Eligible Expenses:

- Licensed day care facilities
- Preschool programs
- After-school programs
- In-home child and dependent care services
- Elder care – *dependent care expenses for tax dependents over the age of 13 require proof of medical necessity*
- Day camp expenses

### Qualifying Person

- Your child who is your dependent and who was under age 13 when the care was provided;
- Your spouse who wasn't physically or mentally able to care for himself or herself and lived with you for more than half the year; or
- A person who wasn't physically or mentally able to care for himself or herself, lived with you for more than half the year – *see IRS publication 503 for more details to determine if they are a qualified person*

*This is a summary only. Learn more: [IRS Publication 503](#)*



# Flexible Spending Accounts

## Health FSA

### Elections

- Employees elect up to the limit annually to set aside pre-tax money to pay for eligible expenses
- Can only make mid-year changes to the election if there is a qualifying event
- IRS maximum amount is \$3,050 (2023)
- Elect carefully - these funds do not carry over, use it or lose it

### Health FSA – Full Scope

- **Full-scope is used when employee and spouse are not contributing to an HSA**
- FSA funds used to reimburse eligible medical, vision and dental expenses

### Health FSA- Limited Scope

- **Limited-scope is used when employee or spouse are contributing to an HSA**
- FSA funds **limited** to eligible vision and dental expenses only



*This is a summary only.  
Learn more: [IRS Publication 969](#) & [IRS Publication 502](#)*

# Account Comparison

Category	HSA	VEBA	FSA
Who's Eligible?	Must be enrolled in Qualified High Deductible Health Plan <ul style="list-style-type: none"> <li>Cannot have other conflicting coverage</li> </ul>	Enrolled in health plan(s) as defined by the employer	Eligible employees defined by employer
How much can I contribute?	Up to annual IRS limits \$4,150 – Single Coverage \$8,300 – Family Coverage +\$1000 if age 55+	Employee cannot contribute. Employer contribution only, as determined by employer	Employee can contribute up to the limit determined by employer, not to exceed IRS limits Dependent Care \$5,000 Health FSA \$3,050
Can I invest my money to earn even more?	YES!	YES!	No
Whose Expenses?	Accountholder Spouse Tax Dependents	Accountholder Spouse Dependents to age 26	Accountholder Spouse Dependents to age 26

# Account Comparison

Category	HSA	VEBA	FSA
What Expenses?	<p>Medical, Dental, Vision</p> <ul style="list-style-type: none"> <li>- Over-the-counter medication and menstrual products</li> </ul> <p>Insurance Premiums:</p> <ul style="list-style-type: none"> <li>- COBRA</li> <li>- Medicare B, D, Advantage (age 65+)</li> <li>- Premiums while on unemployment benefits</li> </ul>	<p>Medical, Dental, Vision</p> <ul style="list-style-type: none"> <li>- Over-the-counter medication and menstrual products</li> </ul> <p>Insurance Premiums:</p> <ul style="list-style-type: none"> <li>- Any post-employment insurance premiums</li> </ul>	<p>Dependent Care FSA:</p> <ul style="list-style-type: none"> <li>- Pay for care for child while working</li> </ul> <p>If "Full" Health FSA:</p> <ul style="list-style-type: none"> <li>- Medical, Dental, Vision</li> </ul> <p>If "Limited" Health FSA:</p> <ul style="list-style-type: none"> <li>- Dental &amp; Vision only</li> </ul>
What happens if I don't spend my annual election?	Unused funds rollover	Unused funds rollover	Use it or lose it, unused funds don't rollover

# Thank You! – Questions?

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Insurance | Risk Management | Consulting

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