**Health Savings Account**

*Saving for Future Health Expenses*

**What is an HSA?**

A health savings account, also known as an HSA, permits individuals to save money on a pretax basis towards qualifying medical expenses.

You can apply HSA funds towards deductibles and other out-of-pocket medical expenses.

You must be enrolled in a high-deductible health plan to open an HSA.

**Qualified Expenses**

HSA distributions may be used for the following:

- Dental Care
- Drug Prescriptions
- Vision Care
- Physical Therapy
- Birth Control
- Doctor Visits
- Vaccines

**Contribution Limits**

Maximum contributions for 2023:

- **Individual Coverage:** $3,800
- **Family Coverage:** $7,750

Individuals age 55 and older can contribute an additional $1,000 to their HSA each year as a "catch-up" contribution.

**Disadvantages of an HSA**

Although an HSA can provide many great savings benefits, be aware of the following disadvantages:

- HDHPs and HSAs are associated with high deductibles which may leave you in a precarious position if you face a health emergency.
- Some HSA plans require monthly service fees.
- Taxes and Penalties apply if non-qualified withdrawals are made before age 65.

**How to qualify for an HSA?**

In order to qualify to open an HSA, you must meet the following requirements:

- Must be enrolled or covered under high-deductible health savings plans (HDHPs) and have no other health coverage.
- Must have a minimum HDHP deductible which is at least $1,500 for an individual or $3,000 for a family.
- Must NOT be eligible or enrolled in Medicare
- Must NOT be claimed as a dependent on someone else’s tax return

**Why should you open an HSA?**

**Tax Benefits of Contributions**

- By investing in an HSA, you reduce your taxable income because money contributed to your account is on a pre-tax basis.
- Distributions from your HSA account used towards qualified medical expenses are NOT taxed.

**No Withdrawal Penalty for Elderly/Disabled**

- Typically, a 20% penalty is applied when you use your HSA towards non-qualified medical expenses. However, this penalty is waived if you are elderly or disabled.
- People over 65 OR disabled will not pay a withdrawal penalty, but their non-qualified distributions will still be taxed. An HSA can be a great tool for retirement.

**Investment Benefits**

- An HSA is a form of investment account. As a result, you have the freedom to choose where your HSA funds are invested.
- Interest earned on your HSA investment is NOT federally taxed.
- Pre-tax contributions mean that more money is invested in your HSA account and gives you more money that will grow over time.
- HSA funds roll over each year, so your HSA never expires.

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