

Health Savings Accounts

As of Summer 2019



What You Need to Know

Health Savings Accounts (HSAs) can be used to pay for medical care costs, both now and in retirement. Contributions made to an HSA are tax free; earnings on assets grow tax free; and distributions are tax free as long as the proceeds are used to cover qualified medical expenses.

— Triple **Tax-Advantaged** —
Health Savings Accounts are triple tax-free, offering

- 1**
TAX-DEDUCTIBLE
CONTRIBUTIONS
- 2**
TAX-DEFERRED
GROWTH
- 3**
TAX-FREE
DISTRIBUTIONS
FOR QUALIFIED
MEDICAL EXPENSES

HSA Eligibility

In order to qualify for a Health Savings Account, a person must be enrolled in their employer's high deductible health plan (HDHP). HDHPs have higher annual deductibles than typical health plans and have a maximum limit on the sum of the annual deductible and out-of-pocket medical expenses, such as co-payments and other amounts, minus premiums, that an individual must pay for covered medical expenses. Notably, when an individual reaches age 65 and enrolls in Medicare, he or she forgoes their HSA eligibility.

HSA Contributions

In 2019, the maximum funding limit for an HSA is \$3,500 for single coverage (\$4,450 for age 55 and older, including the \$1,000 catch up contribution) and \$7,000 for family coverage (\$8,000 for age 55 and older). The contribution deadline is the participant's tax-filing deadline, not including extensions. That means that an individual has until April 15 to contribute to the previous year's HSA. The funds continue to accumulate in the HSA account and don't have to be spent within a certain period of time. Instead, these funds can be invested on a tax-deferred basis and withdrawn to pay for qualified medical expenses at any time.



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For more information on Health Savings Accounts, **Speak with your financial and tax advisors** to discuss whether it's a good fit for you.

Lord Abbett does not offer Health Savings Accounts.

Contribution and Out-of-Pocket Limits for Health Savings Accounts and High-Deductible Health Plans

	2019
HSA contribution limit (employer + employee)	Self-only: \$3,500 Family: \$7,000
HSA catch-up contributions (age 55 or older)	\$1,000
HDHP minimum deductibles	Self-only: \$1,350 Family: \$2,700
HDHP maximum out-of-pocket amounts (deductibles, co-payments and other amounts, but not premiums)	Self-only: \$6,750 Family: \$13,500

HSA Distributions

Withdrawals can be made from an HSA at any time, even after an individual has retired and is no longer contributing to the account, to pay for qualified medical expenses (QMEs). The funds are distributed tax and penalty free for QMEs such as most medical, dental, vision and prescription medication. Tax-free distributions can also be used to pay for a spouse's or dependent's medical expenses in addition to one's own.

Nonqualified distributions, or those not used for medical expenses, are taxable and subject to a 20% penalty tax. However, in the case of distributions taken after age 65, the 20% penalty is waived, though non-qualified distributions are still taxable.

HSAs can be funded with an IRA and can also be used in beneficiary planning strategies.

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