

7 basic rules of an HSA you need to know

Health savings accounts (HSAs) are a powerful tool for managing healthcare expenses. However, understanding the basic rules is key to maximizing their benefits. Here are the seven essential HSA rules you should know:



1. Who is eligible for an HSA?

- Covered by an HSA-eligible high-deductible health plan (HDHP).
- Not covered by another disqualifying health plan (e.g., a spouse's plan or medical FSA).
- Not enrolled in Medicare.
- Not claimed as a dependent on someone else's tax return.

2. What expenses are eligible?

- HSA funds can cover hundreds of eligible expenses, including bandages, first-aid kits, and copays for medical, dental, or vision care.



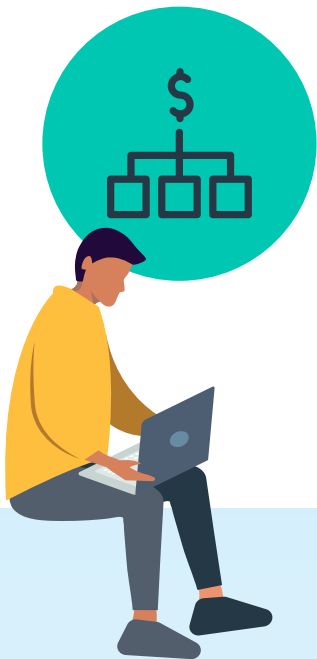
3. What happens if funds are spent on ineligible expenses?

- **Before age 65:** Ineligible expenses are subject to income tax and a 20% penalty.
- **After age 65:** Only income tax applies; no penalty.

4. How much can a participant contribute?

- Annual HSA contribution limits are set by the IRS. For 2027 the Maximum is \$4,500 Individual; \$9,000 Family





5. When can participants invest HSA funds?

- If an individual is participating in an HSA through their employer, the employer generally determines what a participant's balance must be before they can invest their funds. That balance amount is referred to as the investment threshold.
- If an individual participates in an individual HSA, then the investment threshold is set by the HSA administrator. They can refer to their account rules to learn their HSA's investment threshold.
- The investment threshold is \$2,000.00. You must have over \$2,000.00 to begin investing.

6. Do all funds carry over?

- Yes! HSA funds roll over year after year, making them a smart choice for both short-term medical expenses and long-term retirement planning.

7. Can participants change their contribution amount?

- Yes, they can adjust their HSA contribution anytime during the plan year.



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