

Health savings account planning guide for Americans 50+



- Medicare does not cover vision, hearing aids, dental and nursing home care.
- By age 65, 80% of Americans will have one chronic condition. 50% will have two.¹

If you're already using a health savings account (HSA), you know it can be an easy and tax-free way to pay for qualified medical expenses. As you get closer to retirement, it's also important to think about how an HSA can help you afford medical expenses once you're no longer working.



Prepare for everyday costs — and the unexpected.

While getting preventive care and doing your best to stay healthy are important first steps toward keeping medical costs down, anyone can face unavoidable health conditions and expenses. That's why it's important to plan ahead. An HSA offers an opportunity to save tax-free today, so you'll be prepared far into the future.

If you plan ahead, you can use your HSA to pay for ongoing qualified medical expenses, such as eyeglasses and copays. Once you reach age 65, you will also be able to use your HSA to pay for Medicare premiums, including:²

- **Part A** (hospital and inpatient care)
- **Part B** (doctor and outpatient care)
- **Part D** (prescription drugs)

Keep in mind that once you've reached 65 years of age and are enrolled in Medicare, you can no longer contribute to an HSA.



Know how it all adds up.

Having the right Medicare Part A, Part B and Part D coverage can reduce your out-of-pocket spending when you need to see the doctor or get treatment, but it won't cover everything. While most retirees qualify for Part A at no cost, many choose to purchase Medicare Advantage plans, offered by a variety of private health insurers, that offer additional benefits. For people enrolled in traditional Medicare, a Medigap plan can cover copayments and coinsurance.

Of course, this extra coverage comes at a cost — and that's why it's important to start saving today. Whether you're writing out a check at the doctor's office or sending in a monthly payment for insurance, the expenses can add up.



Know what to expect.

According to the Employee Benefit Research Institute, if you want a 90 percent chance of having enough money saved to cover your health care expenses during retirement, you'll need \$116,000 if you're a man or \$131,000 for a woman.³

That's around a quarter million dollars per couple — just for medical costs. And the latest statistics from the Federal Reserve show the mean value of retirement accounts is just \$201,300.⁴

3x Get triple tax savings.

Maximizing your HSA by contributing up to the annual IRS contribution limits each year through age 65, can help you save the money you'll need once you're 65 and older — and help you save on taxes today. HSAs offer a triple tax savings:

- The money you put into your HSA is tax deductible.
- Your savings grow income tax-free.
- You don't have to pay federal income taxes on withdrawals used for qualified medical expenses.

Watch how quickly your contributions could add up

Example for family coverage

Year	Contribution limit (family)	Catch-up contribution if 55+	Total contributions
2012	\$6,250	\$1,000	\$7,250
2013	\$6,450	\$1,000	\$7,450
2014	\$6,550	\$1,000	\$7,550
2015	\$6,650	\$1,000	\$7,650
Total	\$25,900	\$4,000	\$29,900

Year	
2012	\$2,175 annual tax savings ⁵
2013	\$2,235 annual tax savings ⁵
2014	\$2,265 annual tax savings ⁵
2015	\$2,295 annual tax savings ⁵
Total	\$8,970 annual tax savings⁵

If you had been contributing the maximum amount for the past four years (based on family contribution limits), you would have saved \$29,900 for retirement — and reduced your taxes by \$8,970.⁵ And that HSA balance could grow even more if you use your HSA's investment feature.**

If you've been thinking about your HSA solely as a way to pay for current-year qualified medical expenses, such as trips to the doctor or prescription copays, it's time to start thinking ahead. Make your account part of your retirement planning.

At age 65+, if you choose to use your HSA for non-qualified medical expenses, you will be taxed on those dollars as ordinary income, but you will not be charged the additional 20 percent IRS tax penalty. So, if you find that you have more money saved for health care than needed, an HSA is a great account to use as a last resort for unexpected expenses.

FREQUENTLY ASKED QUESTIONS

Get the facts about HSAs and figure out how to make the most of your account with these frequently asked questions:

How much can I contribute tax-free?

For 2015, the established IRS contribution limit is \$3,350 for individual coverage and \$6,650 for family coverage. In 2016, these limits remain at \$3,350 for individual coverage and increase to \$6,750 for family coverage. If you're 55 or older, you can contribute an additional \$1,000.⁶ If you're married, your spouse can establish a separate HSA and make a "catch-up" contribution too.

Can I use my HSA to pay insurance premiums?

Not until you turn 65. Then you can use your HSA to pay premiums for Medicare Part B, Part D prescription-drug coverage or all-in-one private Medicare Advantage plans; however, you cannot use it for Medigap premiums.²

What if I need to access the money for an emergency?

You can withdraw money from your HSA at any time. If you don't use the money for qualified medical expenses, you may need to pay a 20 percent IRS tax penalty plus ordinary income taxes if you're under the age 65. Once you're 65+, you can remove money at any time, for any reason, and pay only the income taxes on that amount. You will not be charged the additional 20 percent IRS tax penalty.

I started my HSA at work. What if I get a new job?

Your Optum Bank HSA is your account regardless of where you work. You take it with you, and the balance in the account is yours to keep.

How can I invest in mutual funds*?

Once your account reaches a designated balance, typically \$2,000, known as the investment threshold,

you may be able to invest a portion of your HSA in mutual funds and potentially grow your dollars tax-free.

When you invest in mutual funds, you'll pay no federal income taxes on your HSA investment earnings while they're in your account — and in most states you won't pay state income taxes either. You will only pay taxes if you use the money for something other than qualified medical expenses. Consult with your tax professional for details.

If you already have an Optum Bank HSA and are interested in investing, log in at optumbank.com, click on your HSA, and then click "My Investments" in the top navigation bar. You can see your available mutual fund options and use an HSA asset allocation calculator. You can also view a video designed to help you understand the Optum Bank investment program.

When you set up your investment account, you'll choose how you want the funds to be allocated among the available mutual funds. Once your account is established, you can change your investment elections, transfer funds and rebalance your account. You can also see how your mutual funds are performing. Then, when you need money to pay for qualified medical expenses, simply transfer it back into your HSA deposit account.

What happens to my balance when I die?

You set a beneficiary for your HSA, just like you would with an insurance policy or any other investments. If you have money remaining at death, your beneficiary will inherit it.[‡]

The 5 Stages of Health Saving and Spending

Good health is a journey. So is saving the money needed to pay for qualified medical expenses. We've identified five stages accountholders go through when owning a health savings account: Decide, Open, Use, Manage and Optimize. To learn more about the 5 stages, visit optumbank.com/optumHSAstages.



Wondering if you've saved enough money for health care during retirement?

Take the Health Savings Checkup. Simply log in to your account at optumbank.com and click on this symbol.



*Investments are not FDIC-insured, are not guaranteed by Optum BankSM, and may lose value.

‡ Tax rules may apply.

1. Centers for Disease Control and Prevention.
2. IRS. Publication 969. Health Savings Accounts and Other Tax-Favored Health Plans. Available at: http://www.irs.gov/publications/p969/ar02.html#en_US_2013_publink1000204063. Accessed December 2, 2014.
3. Employee Benefit Research Institute. "Amount of Savings Needed for Health Expenses for People Eligible for Medicare: Good News Not So Rare Anymore," and "IRA Asset Allocation, 2012, and Longitudinal Results, 2010-2012." Vol. 35, No. 10. October 2014. Available at: http://www.ebri.org/publications/notes/index.cfm?fa=notesDisp&content_id=5454. Accessed November 18, 2014.
4. Federal Reserve. "Changes in U.S. Family Finances from 2010 to 2013: Evidence from the Survey of Consumer Finances." September 2014. Available at: <http://www.federalreserve.gov/pubs/bulletin/2014/pdf/scf14.pdf>. Accessed November 18, 2014.
5. Tax savings calculations assumes individual is in 25% federal tax bracket and 5% state tax bracket. Results and amounts will vary depending on your unique circumstances. Example assumes no withdrawals from the account.
6. In order to make a contribution to your HSA, you must be enrolled in a qualifying high-deductible health plan and meet the other requirements defined by the IRS.

For 2015, you can contribute up to the IRS limits of \$3,350 if you have self-only coverage or \$6,650 if you have family coverage. In 2016, these limits remain at \$3,350 for individual coverage and increase to \$6,750 for family coverage. Contribution limits are increased by \$1,000 for eligible individuals ages 55 or older. These limits include contributions from you, your employer or others.

Health savings accounts (HSAs) are individual accounts offered by Optum BankSM, Member FDIC, and are subject to eligibility and restrictions, including but not limited to restrictions on distributions for qualified medical expenses set forth in section 213(d) of the Internal Revenue Code. Fees may reduce earnings on account. State taxes may apply. This communication is not intended as legal or tax advice. Please contact a competent legal or tax professional for personal advice on eligibility, tax treatment and restrictions. Federal and state laws and regulations are subject to change.



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