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Understanding Health Savings Accounts (HSAs):

*A Strategic Tool for Health and Wealth
 (and Maybe a Secret Retirement Weapon)*



A Health Savings Account (HSA) is like the Swiss Army knife of personal finance—versatile, tax-savvy, and potentially life-saving (financially, at least). Designed for individuals with high-deductible health plans (HDHPs), an HSA lets you set aside pre-tax dollars for medical expenses, including doctor visits, prescriptions, and even long-term care. But here's the real magic: if used strategically, an HSA can double as a wealth-building machine—kind of like a retirement account in disguise.



Advantages of an HSA (A.K.A. Why It's Awesome)

- **Triple Tax Benefits** – The IRS doesn't give away many tax breaks, but this one is a keeper: contributions are tax-deductible, earnings grow tax-free, and withdrawals for qualified medical expenses are tax-free.
- **Investment Growth** – Unlike Flexible Spending Accounts (FSAs) (which are basically “use it or lose it” accounts), HSAs let your money roll over indefinitely. Many providers even let you invest in stocks, ETFs, and mutual funds.
- **Retirement Planning Tool** – Hit age 65, and your HSA morphs into something even better: a no-penalty retirement fund. You can withdraw money for anything, not just medical expenses. (Be aware though that non-medical withdrawals are taxed, just like a traditional IRA. The IRS still has to have its fun.)
- **Employer Contributions** – If your employer chips in some free money to your HSA, congratulations, you just got a tax-free bonus. Take the win.



Disadvantages of an HSA (Yes, There's Always a Catch)

- **Eligibility Requirements** – You need a high-deductible health plan (HDHP) to qualify. Translation: lower monthly premiums, but higher out-of-pocket costs, so you may feel like you're rolling the dice on your next doctor's visit.
- **Non-Medical Withdrawals Before 65** – If you take money out for non-medical expenses before age 65, the IRS slaps you with a 20% penalty and taxes it like income. It's like ordering dessert before dinner, there are consequences.
- **Limited Contribution Limits** – In 2024, the annual limit was \$4,150 for individuals and \$8,300 for families. Not bad, but if you're planning on funding your entire retirement medical bill with an HSA alone, you might need a Plan B.



The Lump Sum Reimbursement Strategy (A.K.A. The Long Game)

Most people use an HSA like a piggy bank for medical expenses, but what if you let it grow instead? Instead of pulling money out immediately, consider paying for medical expenses out-of-pocket and letting your HSA investments grow tax-free.

Here's the secret sauce: the IRS allows you to reimburse yourself at any time, as long as you keep your receipts. (Seriously, don't lose them. Treat them like golden tickets.)



The Ultimate HSA Hack

Let's say you accumulate \$50,000 in unreimbursed medical expenses over 20 years, but instead of withdrawing, you let your HSA investments grow to \$200,000. When you're ready, you cash out that \$50,000 tax-free while keeping the remaining balance invested for future needs. It's like getting a tax-free bonus for being patient.

By treating an HSA like a hybrid medical emergency fund and long-term investment account, you can optimize both your health and wealth, and maybe even trick your future self into a nicer retirement.

Team News

One of our Senior Planning Analysts, Jack Lombardo, recently proposed to his girlfriend Alayna!! Jack told us, “I was so excited after 5 years together to finally ask my fiancé Alayna for her hand in marriage. We always knew an engagement near the Baltimore skyline was something we both wanted. Baltimore has always been a home to both of us and we are so excited to start our life together (officially) in the same town where we were raised and where most of our family and friends still reside.” Jack and Alayna are planning their wedding for June 2026. We wish them much happiness!!

