

Accumulating Wealth Through Health Savings Accounts

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What Is An HSA and Why The Excitement?

- A tax-advantaged savings and investment account used for medical expenses.
- Available with a qualifying high deductible health insurance plan.

Qualifying High Deductible Health Insurance

Family Coverage:

- \$2,700 deductible
- \$13,300 maximum annual out of pocket



Individual Coverage:

- \$1,350 deductible
- \$6,650 maximum annual out of pocket



Other Plan Requirements Apply

Size and Growth of HSA Market

- 22 Million accounts
- \$44.7 Billion assets
- \$7.3 Billion invested
- \$16,457 average investment account
- Covered nearly 3 in 10 employees in 2016*



Devenir 2017 semi-annual Health Savings Account (HSA) survey.

**Kaiser 2016 Employer Health Benefits Survey.*

Tax Advantages

1. Contributions 2018:

- \$6,900 family coverage
- \$3,400 individual coverage
- \$1,000 catch up age 55+



2. Earnings

3. Withdrawals for health care expenditures

Penalties:

- Taxable if withdrawn for non-medical
- 20% if under age 65

Investment Account

- Custodian
 - Investment Selection
 - Mutual Fund Share Class
 - First Dollar Investing
 - Fees
 - Advisor Compensation
- Real Asset (beneficiary)
- Transfers

Financial Planning Considerations



BEGIN FUNDING HSA AT AGE 50

- \$6,900 per year
- 2% contribution increase
- \$1,000 catch up (per person at age 55)
- Invest funds (8% return*)



AGE 67

- HSA: **\$365,000!**

*Hypothetical scenario.
Return is for illustrative purposes only

Sample of Qualified Medical Expenditures



- Vision care
- Dental work
- Vitamins (prescription)
- Hearing Aids
- Home modifications (medical purposes)
- Medicare Premiums (A,B,C,D)
- Long Term Care Insurance premiums (limits)

IRS publication 502

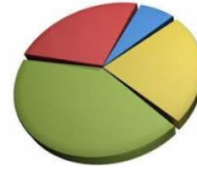
Current Prior Years
Expenses & (with HSA coverage)

Note: Medicare Supplement (Medigap) Policy Premiums are not qualified medical expenditures.

Advice is Needed



401(k)



HSA

- 44.9% of HSA account holders chose future health care expenses as the top reason they enrolled in an HSA.
- 62.9% of HSA account holders who leverage mutual fund investment options do so for shorter term goals, intending to withdraw investments for health care needs prior to retirement.
- 43.5% cite lack of knowledge (not aware of investment options and not sure how to get started) for not investing.

Financial Planning Considerations

Long Term Care Insurance Premiums:

Age 40 or under	\$420
Age 40+ to 50	\$780
Age 50+ to 60	\$1,560
Age 60+ to 70	\$4,160
Age 70+	\$5,200



Financial Planning Considerations

Funding HSA vs. 401(k) ?

ATFV Formula
$= ATC (1+R)^n$
$= \frac{ATC}{(1-t_{fed} - t_{state})} (1+R)^n (1-t_n)$
$= \frac{ATC}{(1-t_{fed} - t_{state} - t_{fica})} (1+R)^n$
$= \frac{ATC}{(1-t_{state})} (1+R)^n$

*Journal of Financial Planning - Could a Health Savings Account Be Better than an Employer-Matched 401(k)?
by Greg Geisler, Ph.D.*

Financial Planning Considerations

Timing Medicare / Social Security enrollment to continue HSA funding

Financial Planning Considerations

HSA Transfer upon death

- Spouse
- Non Spouse (12 months to make tax free withdrawals for qualified expenses)

Financial Planning Considerations

HSA and limited purpose FSA

- Most common: vision and dental

Financial Planning Considerations

HSA for “child” (non dependent and still on your family HDHP):

Parent: \$6,750 HSA

Non Dependent “child” HSA

Financial Planning Considerations

Funding HSA with an IRA:

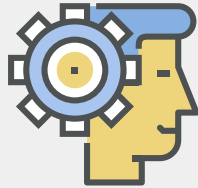
- Allowed once during lifetime
- HSA contribution limits still apply

Pursuing HSA Plans

<u>Size of Company (# employees)</u>	<u>% Offering HSA Health Plan</u>
Small (10 - 499)	25%
Medium (500 +)	61%
Large (5,000 +)	80%

2016 Mercer national survey of U.S. sponsored health plans

WHY DISCUSS HEALTH CARE FUNDING?

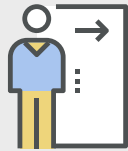


The age 50+ population ranks health care expenses as their **top financial concern** for retirement.

Health and Retirement: Planning for the Great Unknown; Age Wave 2014

Medicare

PART A + PART B + MEDICARE SUPPLEMENT + PART D



Coverage	Estimated annual cost age 65*
Part A	\$0
Part B	\$1,608
Part D	\$409
Medigap	\$2,370
Other	\$2,385
Total	\$6,772 per individual

*Cost estimates are based on national averages. Regional costs will vary.

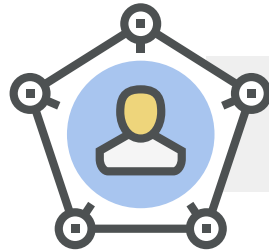
Consider the impact of taxable income

MEDICARE PART B

INCOME BRACKETS DETERMINING MEDICARE PARTS B PREMIUMS

2016 Single Modified AGI	2016 Joint Modified AGI	2018 Annual Part B Premium
\$85,000 or less	Less than \$170,000	\$1,608
\$85,001-\$107,000	\$170,001-\$214,000	\$ 2,250
\$107,001-\$133,500	\$214,001-\$267,000	\$ 3,214
\$133,501-\$160,000	\$267,001-\$320,000	\$ 4,179
Above \$160,000	Above \$320,000	\$ 5,143

Consider the impact of taxable income



**MEDICARE
PART D**

**INCOME BRACKETS DETERMINING
MEDICARE PARTS D PREMIUMS**

2016 Single Modified AGI	2016 Joint Modified AGI	2018 Annual Part D Premium
\$85,000 or less	Less than \$170,000	Plan premium
\$85,001-\$107,000	\$170,001-\$214,000	+ \$156
\$107,001-\$133,500	\$214,001 - \$267,000	+ \$403
\$133,501-\$160,000	\$267,001- \$320,000	+ \$650
Above \$160,000	Above \$320,000	+ \$897

RESOURCES

Bedrock Business Results

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- Advisor Training
- HSA Solution
- Innovative **WealthWatch**
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- Speaking Engagements
- Book: *Top of the First – The Convergence of Health Care and Financial Planning*

Thank You !

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