



EMPLOYEE FINANCIAL EDUCATION

Advantages of a Health Savings Account (HSA)

Understanding this powerful triple tax savings account

When you think about retirement, it's easy to focus on the fun things like travel, hobbies, and more free time. But it's just as important to plan for essential expenses like healthcare.

Healthcare costs, in particular, can be one of the biggest surprises. Costs continue to rise, and one estimate suggests that you may need about \$172,500 to cover medical expenses during retirement.¹

What is a Health Savings Account (HSA)?

A Health Savings Account (HSA) is a savings account with tax advantages that can help you prepare for medical costs now and in the future.

You may be eligible to contribute if you are enrolled in a high-deductible health plan. The money you contribute stays in your account and rolls over each year, so you don't lose what you don't use.

After age 65, you can use HSA funds for non-healthcare expenses without a penalty, although those withdrawals are taxed as ordinary income. If you use the funds for qualified medical expenses, withdrawals are completely tax-free.

How an HSA works

An HSA offers three key tax advantages:

CONTRIBUTIONS

can be made pre-tax or deducted when you file your taxes.



Money goes in pre-tax or tax-deductible.

2026 Contribution limits²

- \$4,400 for self-only coverage
- \$8,750 for family coverage
- \$1,000 as a catch-up contribution (55+)

GROWTH

is tax-free, including interest or investment earnings.



Money grows tax-free.

- Rolls over each year
- Compound interest is tax-free

WITHDRAWALS

for qualified medical expenses are tax-free at any time, and any unused funds stay in your account.



Qualified withdrawals are tax-free.

- Qualified medical expenses, any time
- After 65, non-medical use allowed (taxed as income)

¹ Fidelity Investments. "Fidelity Investments Releases 2025 Retiree Health Care Cost Estimate, a Timely Reminder for All Generations to Begin Planning" 30 Jul. 2025.

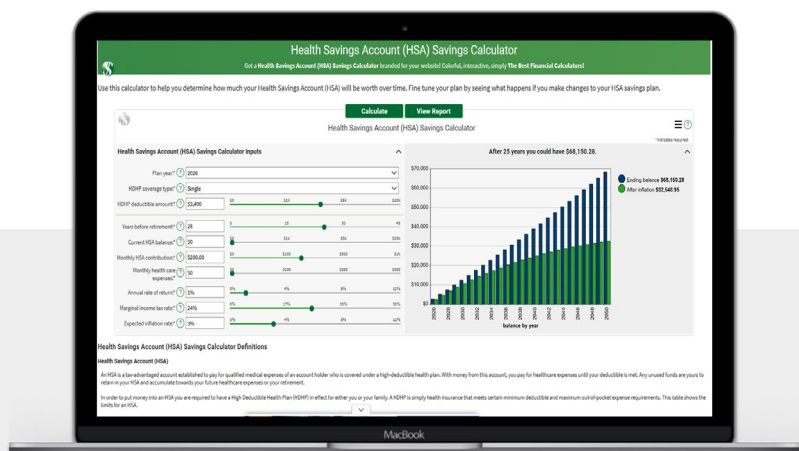
² Congress.gov "Health Savings Accounts (HSAs)." 23 Feb. 2026.

Savings over time

Curious about how much your Health Savings Account could grow over time? Use this helpful [HSA Savings Calculator](#) to find out.

**Dinky Town Calculator. Hypothetical example is for illustration purposes only. Illustration projects savings while enrolled in a Single coverage HDHP plan with a \$3,400 deductible, with 25 years left before retirement with a 1% rate of return, a 24% marginal income tax rate, and a 3% inflation.*

**This interactive calculator is made available to you as a self-help tool for your independent use and is not intended to provide investment, tax, or legal advice. We cannot and do not guarantee its applicability or accuracy in regards to your individual circumstances. We encourage you to seek personalized advice from qualified professionals regarding all personal finance issues. show less*



Dynamic duo: 401(k) + HSA

Your 401(k) and HSA can work side-by-side to support your future.

- **A 401(k) helps cover everyday living expenses in retirement.**
- **An HSA helps you prepare for health care costs, both now and later.**

Together, they offer two ways to save: one for income and one for medical needs. An HSA is not a replacement for your 401(k) but an added layer to help you build toward a more complete plan.



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