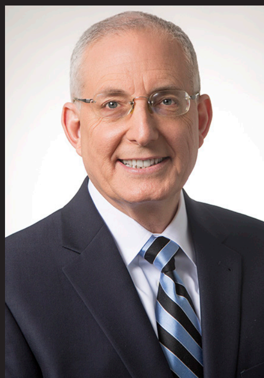

ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

HSAs at Retirement

When planning for retirement, the unfortunate reality for many is that medical expenses will be a growing part of the expected budget. Medicare alone will not cover all these costs. Clients will need creative solutions. Health Savings Accounts (HSAs), which continue to grow both in numbers and in balance size, may provide an opportunity to meet this challenge. By understanding the complexities of how HSAs work at retirement age, advisors can help clients both maximize HSA benefits during their golden years and avoid common pitfalls.

Rethink HSAs . . . . as Retirement Savings

For a client to gain the maximum benefit from their HSA at retirement, they must rethink both how they view the account and how they use it. Instead of seeing their HSA as their go-to fund for immediate medical needs, they should be encouraged to view their HSA as an additional form of retirement savings. Why? Well, a critical part of saving for retirement is saving for medical expenses. Many experts estimate that a large percentage of many retirees' savings will go toward healthcare costs. A recent study by the Employee Benefits Research Institute (EBRI) found that some couples would need to save almost $350,000 to cover medical expenses during retirement.

Clients should be encouraged to view their HSA as an additional form of retirement savings.

An HSA can be a valuable tool to pay for these expenses. If a client funds an HSA yearly now and does not use the funds for current medical expenses, they can accumulate a significant amount that can help pay these costs in retirement. An HSA provides a rare opportunity to pay medical expenses in retirement with tax-free dollars. Clients get the triple benefit of a deduction when they make the HSA contribution, tax-free distributions of contributions, and tax-free distributions of earnings.

Most clients with HSAs use them inefficiently. What usually happens when a client has an HSA is that whenever they have a qualified

WHAT'S INSIDE?