

Making the most of your Health Savings Account

When it comes to saving for healthcare costs, few tools are as powerful as a Health Savings Account (HSA). Yet many Americans don't take full advantage of it.

HSAs offer a rare triple-tax benefit. You don't pay taxes when you contribute money, your earnings grow tax-free and you don't pay taxes when you withdraw funds for qualified medical expenses.

It's like a retirement account specifically for healthcare costs. Since out-of-pocket healthcare costs for couples in retirement can be high (over \$375,000 for those with Medicare and Medigap and nearly \$200,000 for those with Advantage plans, according to 2025 Milliman Retiree Health Cost Index), maximizing your HSA should be a priority.

Here are some things to consider:

- **Ensure your eligibility.** To contribute, you must be enrolled in a high-deductible health insurance plan and cannot be on Medicare or claimed as someone else's dependent. You also can't have other health insurance coverage, though dental, vision and disability insurance are allowed.

For 2025, you can contribute up to \$4,300 for individual coverage (\$4,400 in 2026) or \$8,550 for family coverage (\$8,750 in 2026). If you're 55 or older, you can add an extra \$1,000 annually. HSA contributions are generally made through monthly payroll deductions.

- **Think long-term.** Many people treat their HSA like a checking account, spending the money as soon as medical bills arrive.

Another strategy, however, is to leave your HSA funds alone if you can afford to pay medical expenses out of pocket. This approach lets that money grow for future healthcare needs, including retirement.

This strategy transforms your HSA from a spending account into a powerful savings tool. You can always reimburse

yourself later for those out-of-pocket medical expenses, even years down the road, so long as you keep your receipts.

- **Invest for growth.** Most HSAs offer investment options, yet only 9% of account holders take advantage of them according to a 2025 Devenir HSA survey. The remaining 91% keep their entire balance in cash, missing out on potential growth opportunities.

Consider investing at least a portion of your HSA funds, especially if you don't expect to need the money soon. Just keep enough cash available to cover any immediate and significant medical expenses you might face.

- **Avoid early penalties.** Before age 65, taking HSA money for non-medical expenses means paying income tax plus a 20% penalty. But once you hit 65, that penalty disappears and your HSA works much like a traditional IRA for non-medical withdrawals.

Of course, using HSA funds for qualified medical expenses remains tax-free at any age, making it the ideal use for these dollars.

- **The bottom line:** With healthcare costs continuing to rise, an HSA offers an opportunity to save money while reducing your tax burden. Whether you're planning for next year's medical bills or healthcare costs decades away, maximizing your HSA contributions could be one of the smartest financial moves you make.

Whether you're planning for next year or catching up for 2025, your HSA can help turn today's savings into tomorrow's financial security.

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