Health Savings Accounts (HSAs), Flexible Spending Accounts (FSAs) and what you need to know

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Many employers offer a choice between a Health Savings Account (HSA) and a Flexible Spending Account (FSA), but what's the difference?

Since you typically cannot use both, here are three differentiators to consider:

	Flexible Spending Account	**Health Savings Account**
Annual Contribution Limits	Up to $2,650 individual Up to $5,300 per household	Up to $3,450 individual* Up to $6,900 per household
Ownership	Owned by employer and lost with job change, unless eligible for continuation through COBRA	Owned by individual and carries over with employment changes

Rollover Rules	Employer chooses whether: Funds expire at the end of the year Employees get a grace period of 2.5 months to use funds Employees can roll over $500 into next year’s FSA	Unused funds roll over every year

* If you are age 55 or older, you can make “catch up” contributions, which add $1,000 per year to your HSA contribution limit.

Additionally, both accounts offer tax benefits. That is, contributions are pretax amounts that directly reduce your taxable income.

Although, the ability to roll unused funds to subsequent years is specific to the HSA account. This presents an opportunity to invest contributions for potential growth, to hedge the rising costs of health care expenses.

Per usual, this decision should be considered within your overall financial plan. If you’d like to discuss which might be better for you, we are happy to start the conversation.

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