



Health Savings Accounts...
Retirement and Medicare

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Disclaimer – not tax advisors

Today's Topics

- HSA Beginnings
- Eligibility
- Who May Use My HSA Funds
- Common Myths
- Catch Up Contributions
- HSA/Medicare Contribution Examples
- Distributions for Insurance Premiums

HSA Beginnings

Created by Public Law 108-173 known as the “Medicare Prescription Drug, Improvement and Modernization Act of 2003.”

HSA Eligibility

- Contribution Eligible Individual
 - Covered under a qualified HDHP
 - Have no other first dollar health care coverage
 - **Not enrolled in Medicare, Medicaid or Tricare**
 - Cannot be claimed as a dependent on someone else's tax return
 - Must not have used VA benefits in the last three months – other than preventative care

Who May Use My HSA funds

- You can use your HSA funds for the following people:
 - **Yourself and spouse**
 - **All dependents claimed on your tax returns**
 - Even if not covered under your HDHP and/or have other coverage

For exceptions or more information, please refer to IRS Publication 502 or consult a tax advisor



HSA, Retirement & Medicare Myths

- I turned 65, now I can't contribute to my HSA!
- I'm retired, now I can't contribute to my HSA!
- I have individual HDHP, I can only use my HSA funds on myself!
- My spouse is on Medicare, now I cannot make contributions!
- I'm on Medicare now my spouse cannot make HSA contributions!
- Now that I am on Medicare I have to cash out my HSA!

Turning 65

- Enrolling in Medicare is the trigger that halts contributions, not being 65.
 - Contribution limit becomes \$0 during the month an individual enrolls in Medicare
 - Receiving Soc. Sec. benefits automatically enrolls you in Medicare

Turning 65

- Use HSA funds for any purpose
 - Qualified medical expenses (QMEs)
 - No tax, no penalty
 - Non-QME
 - Pay income tax but no penalty
 - Use funds for health insurance premiums
 - Including Medicare premiums (except supplementals)
 - If spouse is also over 65, pay for their premiums too

Retiring

- Retiring has no effect on your HSA contribution and use of funds eligibility
 - Contribution eligibility requirements still apply
 - Use of funds rules still apply
 - Contribution limits still apply

Spouse's Medical plan or FSA

- Spouse can be enrolled in any type of insurance plan
 - Will not affect your eligibility to contribute
 - Spouses can be enrolled in Medicare
- If you are covered by your spouse's traditional medical plan, you cannot participate in an HSA
- If you are covered by a general medical Flexible Spending Account (FSA), you cannot contribute to an HSA
 - Limited purpose FSA (limited to vision, dental, or dependent care) is allowable

Catch Up Contribution

- Additional Contributions
 - People over 55 may contribute an additional \$1,000
 - 2018 Individual plan limit increases to \$4,450
 - 2018 Family plan limit increases to \$7,900 (or \$8,900 if both spouses over 55)
 - In cases where spouse is also over 55 and wishes to make a catch-up contribution. It must be made to a separate HSA in their name.
 - Additional contributions may be made in their name through April, 15th of for the previous calendar year

Contributions

- Medicare
 - Contribution limit becomes \$0 during the month an individual enrolls in Medicare
 - Example 1:
 - Person with individual HDHP plan turns 65 and enrolls in Medicare in July, 2018.
 - **Max. contribution for 2018 is \$2,225** (\$3,450 max for Individual plan plus \$1,000 additional contribution since over 55 divided by one-half as the person was eligible to contribute for 6 out of 12 months)

Contributions

– Example 2:

- Person with Family HDHP plan turns 65 and enrolls in Medicare in July, 2018.
- Max. contribution for 2018 is \$3,950 (\$6,750 max for Family plan plus \$1,000 additional contribution since over 55 divided by one-half as the person was eligible to contribute for 6 out of 12 months)
- **$(\$6,900 + \$1,000)/12 \text{ months} = \658.33 per month**
- **$658.33 \times 6 \text{ eligible months} = \$3,950$**

HSA, Medicare, and Spouses

– Example 3:

- Both Spouses 55+ and on family HDHP
- Husband enrolls in Medicare April 1, 2018
- Wife not on Medicare and stays on family HDHP

Husband: $\$6,900 / 12 * 3\text{mo} = \$1,725$ (his portion of Family)
 $\$1,000 / 12 * 3\text{mo} = \250 (his catch up pro-rated)
Husband Total = \$1,975.00 (his total 2018 contribution)

Wife: $\$6,900 - \$1,725 = \$5,175$ (her portion of Family)
Full Catch-up = \$1,000.00
Wife Total = \$6,175 (her total 2018 contribution)

Total for Both \$1,975 + \$6,175 = \$8,150.00

Distributions

- Insurance premiums do not qualify as QME's unless for:
 - long term care insurance (subject to limits)
 - health care continuation coverage (COBRA)
 - health care continuation while receiving unemployment compensation
 - Medicare and other health care coverage (other than Medicare supplemental policy) if over 65



Q & A

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