

# Understanding FSAs & HSAs



Flexible Spending Accounts (FSAs) and Health Savings Accounts (HSAs) can offer valuable ways to save money on medical expenses.

While these accounts share similarities, they have important differences that can significantly impact your financial and healthcare planning.

## WHAT ARE THEY?

An FSA is a pre-tax savings account offered by employers, designed to cover eligible medical expenses. You decide how much to contribute at the beginning of the year, and those funds are deducted from your paycheck before taxes.

An HSA is a savings account available to individuals enrolled in a High Deductible Health Plan (HDHP). Contributions are pre-tax, and you can use the funds to pay for qualified medical expenses. Unlike an FSA, HSAs are owned by the individual and can grow over time.

## ADVANTAGES

- **Tax Benefits:** Both accounts reduce your taxable income, providing immediate tax savings.
- **Qualified Expenses:** You can use funds for a wide range of medical expenses, including copayments, prescriptions, and some over-the-counter items.
- **Employer Contributions:** In some cases, employers may contribute to these accounts to further support your healthcare costs.

FEATURE	FSA	HSA
Eligibility	Available through employer plans	Requires enrollment in a HDHP
Contribution Limits (2025)	\$3,300 per year	Individual: \$4,300 Family: \$8,550
Fund Ownership	Employer-owned	Employee-owned
Rollover Rules	Limited rollover / 'use-it-or-lost-it' rules	Funds roll over indefinitely
Portability	Non-portable; tied to employer	Portable; remains with you if you change jobs
Investment Options	Not available	Can be invested for growth

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## WHAT TO CONSIDER

### Assess Your Medical Needs

If you anticipate high medical expenses, an FSA can provide immediate pre-tax savings. However, carefully estimate your contributions to avoid losing unused funds at the year's end. If you're relatively healthy or want to build long-term savings, an HSA paired with an HDHP may be a better option.

### Understand Your Employer's Policies:

Some FSAs allow a limited rollover or grace period for unused funds. Check your employer's specific terms to avoid losing money. For HSAs, confirm if your employer offers matching contributions to maximize your savings.

### Take Advantage of Investment Growth:

HSAs allow you to invest unused funds, enabling you to grow your account tax-free for future medical expenses or retirement healthcare costs.

### Double-Check Contribution Limits

Ensure your contributions stay within IRS limits to avoid tax penalties. For HSAs, individuals aged 55 or older can make an additional "catch-up" contribution of \$1,000.

### Coordinate with Your Spouse

If your spouse also has access to an FSA or HSA, strategize your contributions to maximize savings and avoid duplication.

### Can You Have Both an FSA and HSA?

Typically, you can't contribute to both simultaneously. However, you can pair an HSA with a limited-purpose FSA, which covers dental and vision expenses only.

### Does the FSA "Use-It-Or-Lose-It" Rule Apply to All Funds?

Employers may offer a rollover of up to \$610 for unused FSA funds or provide a grace period for spending, but these features aren't mandatory and it's important to check with your employer and read your specific plan.

### How Do I Maximize My FSA or HSA Benefits?

- Track your expenses throughout the year to plan contributions accurately.
- Save receipts and documentation to ensure smooth reimbursement and tax compliance.
- Review your healthcare needs annually to determine the best account for your situation.