

maxhsa

HSA Guru Guidebook

Insights to Illuminate
Your Health Savings
Account Journey

January 2026 Edition



What will be your *aha!* moment—the tip or trick you didn't know that will help you maximize your HSA?

Your Health Savings Account didn't come with the same type of instructions as your new laptop or smart TV. They never do. Perhaps you received an e-mail showing you three easy steps to activate your HSA, or how to set payroll deductions. But did anyone tell you that . . .

- ✓ Your spouse's Health FSA may disqualify you from funding your HSA?
- ✓ You (probably) must fund your HSA immediately to avoid losing reimbursement opportunities?
- ✓ You may not be able to reimburse tax-free the qualified expenses incurred by certain family members covered on your medical plan?
- ✓ Your Health FSA grace period or carryover provision, designed to reduce your risk of forfeiting unused balances, may prevent you from funding your HSA?
- ✓ Sometimes you have to split the family contribution limit with other family members covered on your medical plan, and sometimes you don't?
- ✓ You may be forced to enroll in Medicare and prevented from making further HSA contributions, even if you remain covered on an HSA-qualified plan, too?
- ✓ When you die, your HSA balance is treated very differently depending on whom you named (or failed to name) as beneficiary?

We didn't think so. That's why we wrote the **HSA Guru Guidebook**. We lay out all the rules in simple English in a format that allows you to learn about general HSA topics or focus in on your specific question or situation. No excess prose. No industry jargon. Just easy-to-digest explanations of important concepts that you need to understand in the do-it-yourself world of HSA compliance. We also include tips to help you save money.

If you want to expand your HSA education – or contribute more to your HSA – go to www.maxHSA.com and learn more about the MaxHSA app. It is not an HSA. But MaxHSA complements your HSA by helping you generate additional contributions to your existing HSA. Half of all HSAs have a balance of less than \$500. Our mission at MaxHSA is to help HSA owners just like you find an additional \$500 or more annually to boost their account balances. Best of all, we charge no fees to become a registered user, and no monthly fees. You pay a small fee when we transfer the money that you have earned through MaxHSA into your HSA. In other words, we make money only when you make money. We think that's fair. And we think you'll appreciate the value that we bring to your medical savings.

Note: The information contained in this booklet is for informational purposes only. It is not designed, and should not be construed, as legal advice. We recommend that you discuss your situation with your tax, legal, or financial counsel.

HSA-qualified Medical Plan

Name. The term high deductible *health* plan and its variations may describe an HSA-qualified plan or just a plan with a high deductible. You and we need to be more precise. We use the term *HSA-qualified plan* to apply exclusively to coverage that permits you to open and fund an HSA.

Definitions. The following financial arrangements apply to services covered by an HSA-qualified plan:

- ✓ **Cost sharing.** The amount that you and your insurer owe for each service. Sometimes one of you or the other of you pays the full bill. Often, you share the cost.
- ✓ **Deductible.** You pay up to this amount for non-covered care every year. Then, your insurer begins to reimburse part of or all your cost of care.
- ✓ **Coinsurance.** You and your insurer split the check. Usually, you pay 30% or less; your insurer pays the balance.
- ✓ **Copay.** A fixed-dollar amount that you pay. For example, you pay \$30 for an office visit, whether the allowable charge is \$125 or \$350. Your insurer pays the rest.
- ✓ **Out-of-pocket maximum (or maximum out-of-pocket, or MOOP).** This is the most that you pay for services covered by your plan. Your insurer pays 100% of all covered services once you reach this figure (which very few people do). However, you may pay more than the MOOP if you receive care not covered by your plan.

Statutory Minimum Annual Deductible. Your plan cannot have a deductible below this amount. The figures are adjusted annually for inflation. Your plan's deductible is probably higher. The 2025 minimums:

- ✓ **Self-only plan: \$1,700**
- ✓ **Family plan: \$3,400**

Out-of-pocket maximum. You never pay more than this amount for covered services. These figures are inflation-adjusted annually. Your plan probably has a lower figure. The 2025 maximums:

- ✓ **Self-only plan: \$8,500**
- ✓ **Family plan: \$17,000**

Out-of-pocket maximum notes.

- ✓ **No one covered on your plan pays more than \$10,150 (2026 figure) for in-network covered services under a different federal law. You may never reach that figure, but it's the most you'll pay for in-network covered services.**
- ✓ **The out-of-pocket maximum applies to in-network services only. If you receive care outside the plan network, you may pay more.**
- ✓ **These charges are not applied toward satisfying your out-of-pocket maximum:**
 - Penalties imposed by your insurer if you don't follow plan rules
 - Services not covered by the plan (like cosmetic or experimental procedures)
 - Services above your plan's maximums as stated in dollars, days, or visits limits

Aggregate or embedded. Deductibles and out-of-pocket maximums on a family plan can be either aggregate or embedded.

- ✓ **Aggregate (or umbrella).** All family members' claims accrue to a single deductible or out-of-pocket maximum. You alone can satisfy your family's deductible. But try not to!
- ✓ **Embedded (or individual).** The plan has a family deductible. You and each family member have your own lower deductibles as well. You cannot satisfy the family deductible by yourself.

Select preventive care. Your plan covers some preventive care at no cost to you. Check your plan documents to see which preventive services are covered in full.

Non-preventive care. Services that diagnose, cure, mitigate, or treat an injury, illness, or condition are applied to the deductible. You pay the full negotiated price until you satisfy the deductible, after which you and your insurer typically split the bill (but not equally – you pay less!).

Telemedicine. All virtual care for any injury, illness, or condition may be covered below the deductible (no patient cost sharing)

Preventive prescriptions. Your plan may cover some preventive prescriptions below the deductible, usually with a copay. Check your plan documents.

Prescription-drug coverage. All prescriptions are applied to the deductible (unless your plan covers some preventive drugs below the deductible). You pay the contracted price to the pharmacy when you pick up the prescription drug.

Note: Bronze and catastrophe plans are HSA-compatible, whether you purchase one on a public exchange or buy an identical plan from a private seller.

HSA Eligibility

General Eligibility

General eligibility requirements. To be eligible to open and fund an HSA, you must satisfy three requirements:

1. You must be covered on an HSA-qualified plan.
2. You cannot have any disqualifying coverage.
3. You cannot qualify as another taxpayer's tax dependent.

Eligibility is determined for each covered family member. Eligibility to open and fund an HSA is determined person-by-person. You may be HSA-eligible and other family members are not. You may not be HSA-eligible and other family members are.

Eligibility is determined monthly. If you are HSA-eligible on the first day of the month, you can contribute for that month. You can lose your HSA eligibility as of the second day of the month and still contribute for that month.

Covered on more than one medical plan. If you are covered on more than one medical plan, you remain HSA-eligible if each plan is HSA-qualified.

Tax dependent. If you qualify as someone's tax dependent under Section 152 of the federal tax code, you cannot open and fund an HSA – even if that relative does not claim you as a dependent.

Medicare Is Disqualifying Coverage

Medicare is a federal government-run program. You are entitled to enroll if you are age 65 or older or have a qualifying disability. If you defer enrollment when you are first eligible around your 65th birthday, you may face penalties and coverage gaps when you enroll later.

Medicare is disqualifying. If you have an active Medicare card, you cannot contribute to an HSA.

Medicare, age 65, and HSAs. Most Americans are eligible to enroll at age 65. But you can continue to fund your HSA at age 65 if you don't enroll on Medicare. If you do sign up for Medicare, you can no longer contribute to your HSA.

Medicare and Social Security. If you are age 65 or older and collecting Social Security or Railroad Retirement benefits, you are automatically enrolled in Medicare. You must stop funding to your HSA.

Medicare retroactive coverage. If you enroll in Medicare after your 65th birthday, your coverage will begin up to six months earlier than your enrollment date. You cannot contribute to your HSA for those months. You may have to withdraw some money from your HSA.

Medicare and employer contributions. If you are covered on your employer's HSA-qualified plan and Medicare, you cannot receive an employer HSA contribution.

Medicare and small employers. If your company employs fewer than 20 workers, its insurer may (but is not required to) require you to enroll on Medicare to remain covered on the employer-sponsored plan. If you or your spouse are in this situation, learn more from the HR department.

Spouse enrolled on Medicare. Your spouse's enrollment on Medicare does not disqualify you. Medicare coverage is individual, so you cannot receive benefits from a spouse's Medicare plan.

Medicare Creditable Coverage. If you do not enroll on Medicare at age 65, you may pay a lifetime surcharge on your prescription-drug benefit (Medicare Part D) when you do finally enroll. Your employer or insurer will send you a letter every October telling you whether your drug plan is creditable. If it's not, you pay a monthly premium surcharge when you enroll in Medicare's drug plan.

A General Health FSA Is Disqualifying Coverage

A Health FSA is an employer-sponsored plan that allows employees to receive a portion of their income pretax to reimburse qualified medical, dental, and vision expenses, including related over-the-counter drugs, medicine, equipment, and supplies. Participants can spend the full balance at any point during the year.

A general Health FSA is disqualifying. If you are covered on a Health FSA that reimburses medical

expenses, you cannot open or fund an HSA. A general Health FSA reimburses qualified medical, prescription-drug, dental, and vision services.

A Health FSA covers your family. You are automatically covered on your spouse's Health FSA (as your spouse is covered on yours). If you are under age 26, you are automatically covered on your parent's Health FSA. The only exceptions are if the company that sponsors the plan excludes spouses or children. These exceptions are rare.

Family covered on a Health FSA. Your employer does not know whether you are covered on a spouse's or parent's disqualifying Health FSA. If you are, tell your employer. You cannot open an HSA, so you cannot accept an employer contribution (or contribute yourself).

Health FSA Plan Year. You are covered on a Health FSA for all 12 months of the plan year, regardless of when you spend the last dollar of your election. You cannot spend your way out of a Health FSA before the end of the plan year to begin contributing to an HSA.

Limited-Purpose Health FSA. This special Health FSA allows you to open and fund an HSA. It reimburses only dental and vision expenses (including related OTC items). See whether your employer offers this option. It may be useful, particularly if you incur qualified expenses early in the year because you can spend your full election faster than you make payroll deposits. And you enjoy the same tax benefits as an HSA while preserving your HSA balance when you reimburse qualified dental and vision expenses from this plan.

General Health FSA grace period. Your Health FSA may have a grace period, an additional span of up to two months and 15 days after the end of the Health FSA plan year to continue to spend that year's election. If you carry any balance into the grace period, you are disqualified from opening and funding an HSA for another three months. Spend your full election before the end of the 12-month plan year and the grace period does not apply and therefore is not disqualifying.

General Health FSA carryover (sometimes called a rollover). Your employer may allow you to carry over a portion of your Health FSA balance into a new plan year. This carryover may disqualify you from opening and funding an HSA for a full year. Spend your election before the end of the plan year or ask your employer to carry over your balance into a Limited-Purpose Health FSA so that you become eligible to open and fund an HSA.

A General Health Reimbursement Arrangement Is Disqualifying Coverage

An HRA is an employer-funded account that delivers tax-free funds to employees to spend on qualified expenses as defined by the employer (within parameters set by federal tax law.) Various HRA designs reimburse the out-of-pocket expenses on a medical plan or deliver a tax-free stipend to employees to purchase nongroup medical coverage.

An HRA is a medical plan. If your company integrates an HRA with a medical plan, check your net deductible. If you are responsible for less than the statutory minimum annual deductible for an HSA-qualified plan, you cannot open or fund an HSA.

Post-Deductible HRA. If your integrated HRA has a deductible at least as high as the statutory

minimum annual deductible (hence *post-deductible*), your plan is HSA-qualified.

Suspended or Retiree HRA. Some employers permit employees with unspent HRA balances to roll the funds into a Suspended HRA or Retiree HRA. You retain the balances, but you cannot spend the money when you are contributing to an HSA. These HRA designs help you when you've accumulated HRA balances and want to test-drive an HSA without losing those HRA balances. They are not disqualifying.

Individual-Coverage HRA (ICHRA) and Qualified Small-Employer HRA (QSEHRA). Some employers give employees a tax-free stipend to buy insurance on their own, rather than offer coverage directly to employees. If your company does, ask about the design. Be sure the ICHRA or QSEHRA money can reimburse premiums only. If you can spend remaining any funds on qualified medical expenses (like your deductible or coinsurance), your ICHRA or QSEHRA is disqualifying coverage, and you cannot open and fund an HSA.

TRICARE. If you are active military or a veteran and retain your TRICARE coverage, you cannot open or fund an HSA, regardless of your other coverage. TRICARE does not offer an HSA-qualified plan design.

VA Care. If you receive care through the Department of Veterans Affairs medical system, you cannot contribute to your HSA for the three months following treatment – unless the care is preventive or service-connected. But see the Last-Month Rule (below, under Contributions), to learn how you may be able to contribute for those three months.

Indian Health Service. If you are Native American and receive any care except select preventive services through the Indian Health Service, a federal-government-run medical system, you cannot fund your HSA for the three months following treatment. But see the Last-Month Rule (below, under Contributions), to learn how you may be able to contribute for those three months.

HSA Contributions

No requirement to open or fund an HSA. You are not required to open an HSA, even if you are eligible. And you do not have to contribute, even if you open an account.

Tracking period. Your HSA contributions are always tracked on the calendar year, regardless of when you become HSA-eligible or the effective date or anniversary date of your medical plan.

Contribution deadline. You can fund your HSA up to the due date of that year's federal income tax return. You can even file your return early with the deduction noted and wait until the filing deadline to contribute (perhaps with your tax refund if you file early enough).

Cash only. Your HSA contributions must be cash. No stocks, bonds, stamp collections, antiques, or rare wines.

No requirement of earned income. You can fund your HSA without earned income. You can contribute money from earned income, unemployment benefits, savings, investment income, sale of assets, gifts, legal gambling winnings, or any other legal source.

No requirement of employment. You do not need a traditional job with traditional employment income to open and contribute to an HSA. If you are a blogger, a podcaster, a ride-share driver, a subway musician, or an early retiree, you can still fund an HSA.

Contributors. Anyone can contribute to your HSA. Usually, it's you and your employer. But if anyone else wants to contribute, take the money (and the tax deduction!).

Contributions and contract size. If your plan covers at least two people, you can contribute up to the statutory family maximum. It does not matter whether you are the only HSA-eligible person covered. Family contract = family contribution. Always.

No minimum contribution. You can contribute as little or as much (up to the statutory limit) as you choose. You are not required to contribute at least a certain amount.

Contribution limits. Your HSA contributions from all sources are subject to annual limits, adjusted annually for inflation. The 2025 limits are:

✓ **Self-only Plan: \$4,400**

✓ **Family Plan: \$8,750**

Catch-up Contributions. If you are age 55 or older, you can contribute an additional \$1,000 annually. You do not have to be the medical plan subscriber to be HSA-eligible. But you do have to own your own HSA. You cannot deposit your catch-up contribution into your spouse's HSA.

Tracking contributions. You must make sure your contributions do not exceed your annual limits. It is easy if you have one HSA and only you and your company contribute. But when you change employers mid-year or are funding more than one HSA, it can get more difficult. Try to keep it simple – but do not miss opportunities to contribute.

Spouses. If you and your spouse are both HSA-eligible and funding your own HSAs, be sure you do not contribute more between the two of you than the family limit. Remember, if you are age 55 or older, you can also contribute an additional \$1,000 annually.

Domestic partners and ex-spouses. If you cover a domestic partner or ex-spouse on your plan, each of you can contribute to the family limit. You are not bound by the same rules as spouses.

Adult children who are no longer your tax dependents. These family members can open their own HSAs if they are otherwise HSA-eligible and contribute to the family max, irrespective of other family members' contributions. Parents can contribute to the child's HSA (but the child gets the tax deduction).

Employee pre-tax contributions. If your company permits you to contribute with pre-tax payroll deductions through the company's Cafeteria Plan, seize the opportunity! Your contributions are not subject to federal income or payroll taxes, or state income taxes (unless you live in California or New Jersey). It is the most tax-efficient way to fund your HSA.

Federal payroll (FICA) taxes. You can avoid paying federal payroll taxes when you contribute through your company's Cafeteria Plan. But when you do not pay payroll taxes, your company

reports a lower income to the Social Security Administration. This may affect some people's future Social Security benefits. Speak with a financial professional if you are concerned.

Flexibility to change payroll deductions. You can change your payroll deductions at least monthly – no reason required. Check with your employer about its process and lead time if you want to start or stop contributing, or adjust your deduction up or down.

Personal tax-deductible contributions. You can fund your account with personal deposits and deduct these contributions on your personal income tax return to reduce your federal and state (except California and New Jersey) taxable income. You pay federal payroll taxes. The deduction is above-the-line, which means that HSA contributions reduce taxable income even if you choose the standard deduction (as most taxpayers today do).

Employer contributions. Employer contributions are governed by one of two sets of rules.

1. Cafeteria Plan rules. If your company allows you to make pre-tax payroll deductions, these rules apply. The company typically offers a flat dollar figure adjusted for contract size (self-only or family). The timing may be a one-time lump-sum, or periodically (per pay period, monthly, quarterly, semi-annually). Your employer can also match your contributions or set a default election if you do choose a payroll deduction.

2. Comparability rules. If a company does not establish a Cafeteria Plan, then comparability rules apply. Your contribution will probably look the same – an amount adjusted for contract size, given as a lump sum or in installments. You cannot make pre-tax payroll deductions. You can make tax-deductible contributions as described above.

Employer contributions vest immediately. You can spend employer contributions as soon as they are posted to your HSA. You do not have to wait to earn access to these deposits.

Mistaken employer contributions. If your company makes a mistake and contributes too much to your account, it may be able to recover that money. Sometimes it cannot, however, and you win!

You lose eligibility during the year. You must prorate your contribution. Sorry! Divide the applicable statutory maximum contribution by 12 and multiply that figure by the number of months that you were HSA-eligible as of the first day of the month.

You become eligible during the year. You can take the safe route and prorate your contributions (above). Or you can live on the financial wild side and leverage what's known as the *Last-Month Rule*. If you are eligible on Dec. 1, you can contribute up to the statutory maximum for the year. You then must remain HSA-eligible through the end of the next calendar year. If you lose eligibility, you must include any amount contributed above your prorated maximum in your taxable income. And you pay a penalty equal to 10% of that amount.

Excess contributions. If you contribute too much to your HSA, you can correct the mistake without penalty. Phew! Just withdraw the excess (and any earnings on that amount) and include it in your taxable income. Do it before you file your taxes and you are good to go. But you cannot back out a

contribution just because you need the money for something else. This process applies only when your total contributions for the calendar year exceed the statutory maximum.

HSA Distributions

Qualified distributions are tax-free. Withdrawals from your HSA for qualified medical expenses are not included in taxable income.

Tax-free distributions and eligibility. You do not have to be HSA-eligible to withdraw funds tax-free for qualified expenses. Think retirement!

No annual or lifetime distribution limit. You can withdraw as much as you want (up to your balance) at any time. If the money is in your account, you can take it out. If your withdrawal reimburses a qualified expenses, it is always tax-free. Be sure to save your receipts.

Distribution deadline. You never have to scramble to submit a claim before a looming deadline. You can reimburse today's qualified expense today, next month, next year, or decades from now. Be sure to - wait for it! - save your receipts.

Substantiation. No one (except perhaps the IRS in a tax audit) will ask you to produce receipts to show that your distributions reimbursed qualified expenses. Be sure to keep records, though, in case of that pesky audit. Good documentation includes date of service, patient name, provider name, description of the service or product, and the price.

“Shoeboxing” receipts. Want an easy way to store receipts? Dump them in a shoe box or in a file folder with your other important tax documents. You can sort them if your tax return is audited. If you keep good records of qualified expenses that you did not reimburse because you wanted your HSA balances to grow, you can make a large withdrawal later for non-qualified expenses without paying taxes. Just match the withdrawal with receipts for qualified expenses that you did not reimburse. Presto! Instant qualified expenses, and therefore no taxes.

Definition of a qualified expense. You can reimburse an expense tax-free if it meets three requirements:

1. The patient is you or your qualified family member under the federal tax code.
2. The date of service or purchase is on or after the date that your HSA is established.
3. The expense is recognized as qualified under the federal tax code.

Qualified family member. You can reimburse tax-free qualified expenses incurred by certain family members:

- 👍 Yourself.
- 👍 Your spouse, even if not covered on your medical plan.
- 👍 Your tax dependents, even if not covered on your medical plan.
- 👎 **Not** your domestic partner, even if covered on your medical plan.
- 👎 **Not** your ex-spouse, even if covered on your medical plan.
- 👎 **Not** your adult child who is no longer your tax dependent, even if covered on your medical plan.

Establishment date. Your HSA is a trust, established under state law. In most cases, your HSA is not established until it is funded. This concept is important, because you cannot reimburse tax-free any expenses incurred before you establish your HSA. Note: Utah has a more liberal law that may allow you to establish your HSA as of the effective date of your HSA-qualified plan effective date. If you incur expenses that you want to reimburse tax-free before you fund your HSA, check with your administrator to understand the state law that governs your HSA.

Establishment date with a gap in eligibility. If you lose your eligibility to fund your HSA and later regain it, you may be able to reimburse tax-free all qualified expenses since you established your first account. Just be sure to maintain a continuous HSA balance (or zero balance for no more than 18 months). You can use future contributions to reimburse tax-free qualified expenses incurred between your periods of eligibility. This is a huge opportunity! Fund your new HSA and, if you wish, immediately withdraw the money to reimburse those documented qualified expenses that you incurred during the eligibility span. Use the withdrawn money as you wish (including new HSA contributions, up to the annual limit). A little work, but a big tax break.

Qualified expenses. You can reimburse tax-free all qualified expenses, which include products and services that diagnose, cure, mitigate, prevent, or treat an injury, illness, or condition. The list is much longer than just the services covered by your medical plan. To see whether a service or product is qualified, consult IRS Publication 502 (revised annually), check your administrator's list, or visit www.hsastore.com and click on HSA Eligibility List for a continuously updated list specific services and products that are HSA-qualified.

Common qualified expenses include:

- ✓ **Medical insurance cost sharing (copays, deductibles, and coinsurance).**
- ✓ **Complementary and alternative medicine.**
- ✓ **Prescription drugs.**
- ✓ **Insulin and related diabetic supplies.**
- ✓ **Non-cosmetic dental services, including orthodontics (but not teeth whitening).**
- ✓ **Non-cosmetic vision services and hardware, including vision correction surgery.**
- ✓ **Over-the-counter drugs, medicine, equipment, and supplies.**

Qualified premiums. You can reimburse some, but not all, medical premiums tax-free:

- ✓ **Medical, but only if you are collecting unemployment benefits or continuing your group plan by exercising your COBRA rights.**
- ✓ **Medicare premiums (yours and your spouse's), but only after you, the HSA owner, have blown out 65 candles on your own birthday cake.**
- ✓ **Long-term care premiums, subject to annual limitations based on your age and policy design. See IRS Publication 502.**

Non-qualified expenses. If you withdraw money for expenses that are not qualified, you include that amount as taxable income. Also, unless you are age 65 or older, or are disabled, you pay an additional 20% penalty. If your tax rate is 25%, your taxes and penalties equal nearly half your withdrawal. Using your HSA for non-qualified expenses is expensive! Try to find other sources of funds.

Cosmetic services and procedures. Cosmetic services are rarely qualified. The exceptions are certain cases of repairing a congenital defect or restoring normal appearance after treatment (for example, rebuilding a breast after a mastectomy). As a rule of thumb, if a cosmetic service is not covered by insurance, you cannot reimburse it tax-free from your HSA.

Withdrawing funds. Most administrators issue an HSA debit card. It will probably be coded to restrict purchases at locations most likely to sell qualified items. You will also have another way to withdraw money – probably an online request to move funds from your HSA to your personal checking account. Remember, you never have to submit receipts to your HSA Administrator to prove whether the withdrawal is for a qualified expense!

Mistaken distributions. If you inadvertently withdraw funds for an expense that was not qualified, you can either (1) work with your administrator to return the funds or (2) match the distribution against other receipts for qualified expenses that you did not reimburse. This matching takes place in your tax files, not through your administrator.

HSA Balance Transfers

Individual accounts. Your HSA is an individually owned trust. There are no joint or family HSAs. However, you can reimburse your qualified family members' qualified expenses tax-free from your HSA.

Multiple HSAs. You can own more than one HSA, but doing so does not increase the amount that you can contribute or additional family members whose qualified expenses you can reimburse tax-free.

Health FSA to HSA. You cannot transfer a Health FSA balance to your HSA.

Health Reimbursement Arrangement to HSA. You cannot transfer a HRA balance to your HSA.

Freedom to move funds between HSAs. Neither your administrator nor your employer can prevent you from opening another HSA or from moving funds (even employer contributions) between your HSAs. You are in control. Always.

Your HSA to your HSA. You can move funds between HSAs that you (and only you) own. These balance movements do not count against your annual contribution limits. You can make a once-a-year **rollover**, where you withdraw funds from one HSA and deposit them into another within 60 days. Or you can make as many **trustee-to-trustee transfers** as you wish. Just contact the receiving administrator, who completes the task for you. You never touch the funds. Easy peasy!

Your HSA to someone else's HSA. You cannot move money from your HSA to someone else's except through your death (your balance can transfer to an HSA owned or opened by your spouse, but no one else) or a divorce decree (your ex-spouse can open an HSA to receive the funds). You really do not want to experience either situation.

Retirement account to HSA. You can make one rollover per lifetime from a single Individual

Retirement Arrangement to your HSA. The rollover counts against your annual limit, so your opportunity is limited. You must remain HSA-eligible for the following 12 months, or the rollover amount is a premature withdrawal from the IRA and may be subject to taxes and penalties.

Tax Reporting

You are responsible for reporting your HSA activity when you file your personal income tax return. Your tax professional completes these forms for you. If you use tax software, the program asks you questions to gather the information necessary to fill in the forms.

Form 1099-SA. Your HSA trustee or administrator issues this document by Jan. 31 to both you and the IRS. It reflects how much you withdrew during the prior calendar year. It does not break down qualified and non-qualified expenses. The form may help you complete your tax return.

Form 5498-SA. Your HSA administrator or trustee issues this form by May 31 (because you can contribute against the prior year's limit until your tax return due date – around April 15). Many administrators issue a preliminary form by Jan. 31 to help you complete your tax return. This document sums contributions from all sources and lists the fair market value of your account.

Form W-2. If you have a traditional employment relationship, your employer issues this statement by Jan. 31 each year. Box 12 includes total contributions to your HSA through your company's Cafeteria Plan. Your company's and your contributions show as employer contributions. Don't worry – you still enjoy your full tax savings.

Form 8889. You complete and file this form every year that you receive a contribution, distribute funds, execute a permissible rollover, or inherit an HSA.

Other HSA Information

Trustees, custodians, and administrators. Trustees and custodians are banks and similar companies that hold HSA balances and, in many cases, offer investment platforms. Administrators are recordkeepers who issue debit cards, maintain an online portal, and process contributions and distributions. Your trustee (or custodian) and administrator may be a single company, or they may be two businesses that work together to provide a seamless experience.

Fees. HSA administrators can charge fees for their services. The typical amount is between \$1 and \$3 monthly (and falling). More and more administrators charge no monthly fee. You may be charged fees to receive paper statements or checks. Be sure to understand your terms and consider receiving statements and reimbursements electronically at no charge.

Cash balances. Most HSA administrators offer an FDIC-insured cash option. Yours may also offer the option of earning higher interest rates for funds placed in non-insured accounts.

Owning multiple HSAs. You can own as many HSAs as you choose. Most people own just one. When they switch employers, they usually consolidate balances into the new HSA. But you can own more than one.

Overdraft protection. HSA cannot include a traditional overdraft feature that allows you to spend more than you've deposited. Some administrators have created programs that employers can adopt through which you can borrow against future contributions. These programs are not common. Remember, you can reimburse today's qualified expenses tax-free with future contributions. Thus, a program that mirrors overdraft protection may help with cash flow, but you do not need it to preserve your opportunity to reimburse an expense tax-free when your balance is low.

Investments. Many trustees allow you to invest your HSA balance for long-term growth. These investments are not FDIC-insured and are subject to the same market gains and losses as other investments in stocks, bonds, and mutual funds.

Investment terms. Most administrators require you to maintain a cash balance of \$1,000 to \$2,000 to invest. You may also be charged investment fees, so be sure to understand your trustee's terms.

Investment advice. HSA administrators do not offer investment advice. Your trustee or its investment partner may employ licensed professionals to help guide you for a fee.

Managing investments. Your trustee may have a mechanism that allows you to automatically invest new contributions into investments of your choice. You may also be able to trigger periodic portfolio rebalancing. Learn more through your trustee or administrator.

Your HSA and your death. Your HSA is a trust that does not die when you do. While you are still alive, you determine who receives your balance.

Beneficiaries. You name a beneficiary when you open your account and can change beneficiaries at any time. The distribution of your HSA balances depends on whom you name as beneficiary.

- ✓ **Spouse.** Your spouse inherits your HSA intact, enjoying the same tax benefits as you did when the funds are transferred (without tax liability) from your HSA to your spouse's.
- ✓ **Another person or institution.** Your balances are liquidated and distributed to the beneficiary, who incurs an income tax liability (unless exempt from income taxes).
- ✓ **No beneficiary named.** The HSA is liquidated and the proceeds are distributed according to the laws of the state that governs your estate.

Distribution after death. Your survivors can make distributions up to a year after your death to reimburse your final qualified expenses. These distributions are tax-free.

Be sure to follow MaxHSA on LinkedIn! We deliver regular, relevant content, including HSA strategies, compliance issues, and legislative and regulatory changes.

To become part of the MaxHSA community, dedicated to boosting HSA contributions, go to www.MaxHSA.com, and begin exploring our app. Learn how we can help you reach your financial goals sooner by unlocking the power of Roundups, Cashback Rewards, and Referral Rewards to turbocharge your HSA balances.

Quick Checklist

If you were never HSA-eligible ...

- ✓ You cannot open and fund an HSA.
- ✓ You can own an HSA only if your late spouse designated you as beneficiary or you received a portion of your ex-spouse's balance through divorce settlement.

If you were HSA-eligible, opened and funded an HSA, and are no longer HSA-eligible ...

- ✓ You cannot make additional contributions.
- ✓ You can continue to reimburse qualified expenses tax-free (or non-qualified expenses subject to taxes and possible penalties) for the rest of your life, or until you exhaust your balance.
- ✓ You can execute unlimited trustee-to-trustee transfers among your HSAs and complete a single rollover every 12 months from one HSA that you own to another that you own.
- ✓ You cannot roll over funds from an IRA to an HSA because you must be HSA-eligible to complete this transfer.

If you remain HSA-eligible ...

- ✓ You can contribute to your HSA up to your annual limit, including catch-up contributions if you are age 55 or older.
- ✓ You can reimburse qualified expenses tax-free (or non-qualified expenses subject to taxes and possible penalties) for the rest of your life, or until you exhaust your balance.
- ✓ You can execute unlimited trustee-to-trustee transfers among your HSAs and complete a single rollover every 12 months from one HSA that you own to another that you own.
- ✓ You can exercise your once-per-lifetime opportunity to roll over funds from an IRA to an HSA, subject to annual contribution limits.