Ea$y Money – HSA/FSA

What it is: Healthcare can be expensive and one way to save is through a Health Savings Account (HSA) or a Flex Savings Account (FSA). These accounts are very similar in that; money is deposited in these accounts tax free, and is taken out tax free or tax-deductible. Also, you can use it to pay for qualified medical expenses, such as deductibles and copays.

A health Savings account is like a 401(k) retirement account, but it's for medical expenses. You can only have an HSA if you enroll in an HSA-compatible insurance plan. A Flex Saving Account is set up by your employer. They own the account, but you get to decide which qualified medical expenses to pay for with your FSA.

How it works: Consumers can sign up for HSAs with banks, credit unions, insurance companies and other approved companies. Your employer may also set up a plan for employees as well. Through HSAs participants pay for current health expenses and save for future qualified medical and retiree health expenses on a tax-free basis. HSA is a savings account you can use to pay for certain medical costs. HSAs have many benefits, such as:

- The money you put in your HSA account is tax deductible.
- You don't pay taxes on withdrawals when paying for qualified medical expenses.
- Your HSA balance can be carried over year after year.
- You may be eligible to invest your HSA similar to a 401K or IRA (in an interest bearing account, a mutual fund or stocks or bonds).
- You can use your HSA to help add to your retirement funds. After you turn 65, you can withdraw funds from your HSA for any reason without penalty. (source: Blue Cross Blue Shield)

Why it matters: If you know that your family is going to have substantial medical costs during the year, then an employer sponsored FSA plan can help you save hundreds of dollars on your taxes. First, estimate your out of pocket health care expenses for the coming year; then sign up for the year's FSA account using that amount.

Who should care? One thing that is nice about contributing to a FSA is that you can use your elected funds at any time. For example, if a family had $3000 worth of health care expenses in January, they could submit those expenses to be reimbursed that month. Even though they only made one small payment on their FSA account, they can still spend all $3000 up front.

For more information

- Iowa Insurance Consumer Advocate http://insuranceca.iowa.gov/
- Iowa State University Extension and Outreach Money Blogs tips http://blogs.extension.iastate.edu/moneytips/
- Iowa State University Extension and Outreach website at www.extension.iastate.edu/humansciences/
- National Association of Insurance Commissioners, www.naic.org