



# Health Savings Accounts... Retirement and Medicare

## **Ruste Pontenberg, VP and HSA Sales Manager**

**Ruste.Pontenberg@theHSAauthority.com**  
**260.310.6630**

**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
- Medicare enrollment delayed? Up to 6 month backdate but not earlier than your 65<sup>th</sup> birthday



# 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 65 or older, 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
  - 2022 Individual plan contribution limit increases to \$4,650
  - 2022 Family plan limit increases to \$8,300 (or \$9,300, if both spouses over 55+)
    - Spouse made to a separate HSA in their name.
- Tax Day deadline for prior year contributions (April 15<sup>th</sup>)

# Contributions

## Medicare Enrollment

- IRS Says” Contribution limit becomes \$0 during the month an individual enrolls in Medicare”
- What does that mean?
  - Contribution is prorated
  - All year to make contribution



# Contribution Calculations

## Example 1:

- Person with individual HDHP plan
- Enrolls in Medicare in July 2022.
- HSA eligible 6 months (Jan – June)
- $(\text{Annual contribution} + \text{catch up}) / 2 = \text{prorated contribution}$
- $(\$3,650 + \$1,000) / 2 = \$2,325$
- **Max. contribution for 2022 is \$2,325**



# Contribution Calculations

## Example 2:

- Person with family HDHP plan
- Enrolls in Medicare in July 2022
- HSA eligible 6 of 12 months (Jan – June)
- $(\text{Annual contribution} + \text{catch up}) / 12 \text{ months} = \text{contribution per eligible month}$
- $\text{Contribution per eligible month} \times \text{eligible months} = \text{prorated contribution}$
- $(\$7,300 + \$1,000) / 12 \text{ months} = \$691.66 \text{ per month}$
- $\$691.66 \times 6 \text{ eligible months} = \$4,150$
- **Max. contribution for 2022 is \$4,150**

# Contribution Calculations

## Example 3:

- Both Spouses 55+ and on family HDHP
- Husband enrolls in Medicare April 1, 2022
- Wife not on Medicare and stays on family HDHP

Husband:  $(\$7,300 / 12) \times 3\text{mo} = \$1,825$  (his portion of Family)  
 $(\$1,000 / 12) \times 3\text{mo} = \$250$  (his catch up pro-rated)  
**Husband Total = \$2,075 (his total 2022 contribution)**

Wife:  $\$7,300 - \$1,825 = \$5,475$  (her portion of Family)  
Full Catch-up = \$1,000.00  
**Wife Total = \$6,475 (her total 2022 contribution)**

**Total for Both \$2,075 + \$6,475 = \$8,550.00**



# 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) at age 65 or older



# Q & A

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