Need a reason to save more? Try these HSA tax advantages

You may already know about these three tax advantages, which apply to your Health Savings Account (HSA):

- Contributions aren't subject to federal (or state, in most cases) income taxes
- You can grow the funds in your account through interest and, potentially, through investing. Any earnings are also not subject to taxes provided they are withdrawn for qualified medical expenses.
- Funds spent from an HSA are not taxed as long as they are spent on qualified medical expenses

But did you know that your HSA features a fourth tax advantage?

- Contributions aren't subject to FICA (social security and Medicare) taxes

That means for every contribution you make to your HSA, you'll get an additional 7.65% in your account. The chart below provides a summary of the tax treatment of HSAs and other retirement savings vehicles.

Account type	Taxation of contributions	Taxation upon withdrawal
HSA	No state (in most cases) or federal income tax No FICA tax	Withdrawals for qualified medical expenses are not taxed upon distribution
Traditional (non-Roth) IRA and qualified retirement plans	No income tax on contributions or earnings FICA tax is imposed	Withdrawals are taxed upon distribution
Roth IRA and qualified retirement plans	Income tax is imposed on contributions; any earnings accumulate without being taxed FICA tax is imposed	Withdrawals are not taxed upon distribution provided the distribution is a qualified distribution*

While these tax advantages are worth noting, it's important to also note that HSAs and retirement accounts serve different purposes for saving and retirement planning. Investments in IRAs and qualified retirement plans are intended as long-term investments designed for retirement purposes. Early withdrawals may be subject to an IRS tax penalty unless an exception applies. It has been observed that workers who participate in both HSA and defined contribution plans, like a 401k, tend to save more than workers who use just one vehicle. In fact, recent research showed that 88% of HSA accountholders maintained or increased their 401(k) contributions after enrolling in their HSA.[1]

Consider doing your future-self a favor and join the ranks of those who are saving more today.

Neither Voya® nor its affiliated companies or representatives provide tax or legal advice. Please consult a tax or legal professional regarding your specific circumstances.

Questions?

Contact the Voya Financial Consumer Services Team at (833) 232-4673.

* Qualified distributions are tax-free as long as it is held for at least five years and you are age 59½ or older, or another exception applies.

[1] CNBC, Health savings account contributions can boost your retirement, 2017.

Health Account Solutions, including Health Savings Accounts, Flexible Spending Accounts, Commuter Benefits, Health Reimbursement Arrangements, and COBRA Administration offered by Voya Benefits Company, LLC (in New York, doing business as Voya BC, LLC). HSA custodial services provided by an approved HSA custodian as indicated in the applicable custodial agreement. For all other products, administration services provided in part by WEX Health, Inc.

This highlights some of the benefits of these accounts. If there is a discrepancy between this material and the plan documents, the plan documents will govern. Subject to any applicable agreements, Voya and WEX Health, Inc. reserve the right to amend or modify the services at any time.

The amount saved in taxes will vary depending on the amount set aside in the account, annual earnings, whether or not Social Security taxes are paid, the number of exemptions and deductions claimed, tax bracket and state and local tax regulations. Check with a tax advisor for information on whether your participation will affect tax savings. None of the information provided should be considered tax or legal advice.

Investments are not FDIC Insured, are not guaranteed by Voya Benefits Company, LLC (in New York, doing business as Voya BC, LLC), and may lose value. All investing involves risks of fluctuating prices and the uncertainties of return and yield inherent in investing. All security transactions involve substantial risk of loss.

210274_1122