

Health Savings Account (HSA)

A Health Savings Account (HSA) is a tax-advantaged medical savings account available to taxpayers in the United States who are enrolled in a High-Deductible Health Plan (HDHP). HSAs are designed to help individuals save for medical expenses that HDHPs do not cover. Contributions to an HSA are made with pre-tax dollars, and withdrawals for qualified medical expenses are not taxed.

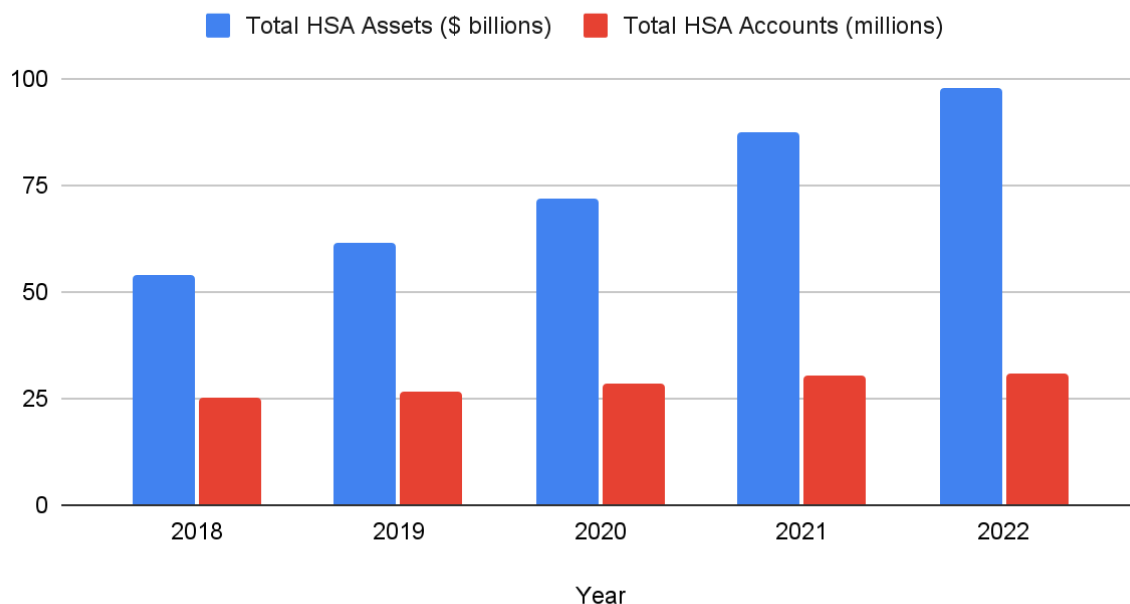
Market Trends and Growth:

The HSA market is experiencing significant growth, highlighting its increasing popularity:

- **Account Numbers:** Over 30 million Americans own HSAs, with the number steadily increasing. (Source: <https://www.ahip.org/>).
- **Asset Value:** Total HSA assets have surpassed \$100 billion, demonstrating their growing role in healthcare savings. (Source: <https://www.ahip.org/>).

Projected Growth: Industry analysts expect the HSA market to continue its upward trajectory due to rising healthcare costs and the tax advantages offered by HSAs.

Total HSA Assets (\$ billions) and Total HSA Accounts (millions)



Inference: The contributions to HSAs have shown significant growth over the years. According to the 2023 report from Devenir, a leading HSA consulting firm, the total HSA assets crossed \$100 billion across 31 million accounts by the end of 2022.

Tax Advantages:

- **Triple tax advantage:** Contributions are made with pre-tax dollars, reducing your taxable income. Earnings on the account grow tax-free, and qualified medical expense withdrawals are not taxed. (Source: <https://www.investopedia.com/terms/h/hsa.asp>)
- **2024 Contribution Limits:** Individuals can contribute up to \$3,850 annually, with a \$7,750 limit for families. (Source: <https://www.irs.gov/publications/p969>)

Account Features:

HSAs function similarly to savings accounts but cater specifically to healthcare needs. Here's a breakdown of key features:

- **Offered by Various Institutions:** Banks, credit unions, and investment firms all offer HSAs.
- **Debit Card Convenience:** HSAs come with debit cards for easy access to funds for qualified medical expenses.
- **Investment Options:** Some HSAs offer investment options for long-term growth potential, allowing you to build a larger healthcare nest egg.

Regulations:

HSAs operate within a specific regulatory framework:

- **Internal Revenue Service (IRS):** The IRS oversees HSAs for tax purposes, ensuring contributions and withdrawals comply with regulations.
- **Department of Labor (DOL):** The DOL regulates health plans, including HDHPs that qualify for HSA compatibility.

HSAs vs. Traditional Banking Products:

While HSAs share some similarities with savings accounts, there are key differences:

- **Restricted Use:** Unlike traditional savings accounts, HSAs are primarily for qualified medical expenses. Non-qualified withdrawals before age 65 are subject to taxes and penalties. After age 65, funds can be withdrawn for any purpose, similar to a regular IRA, but with income tax implications.
- **Tax Advantages:** HSAs offer significant tax benefits for contributions, growth, and qualified withdrawals, making them a valuable tool for healthcare cost management.

Personal Loans in the U.S. Banking System

Personal loans are a type of unsecured loan provided by banks, credit unions, and online lenders that can be used for various personal expenses such as debt consolidation, home improvement, medical bills, or major purchases. Unlike secured loans, personal loans do not require collateral, which makes them accessible to a broader range of consumers but typically comes with higher interest rates.

Key Features of Personal Loans:

- **Loan Amounts:** Personal loan amounts typically range from \$1,000 to \$50,000, depending on the lender and borrower's creditworthiness.
- **Repayment Terms:** Loan terms typically range from 12 to 84 months, with shorter terms leading to higher monthly payments but lower total interest paid.
- **Fixed Interest Rates:** Personal loans typically come with fixed interest rates, which means the interest rate remains constant throughout the loan term, offering predictability in repayments. Rates vary depending on creditworthiness, loan amount, and lender.
- **Unsecured vs. Secured Loans:** Personal loans can be unsecured, meaning they are not backed by collateral, or secured, requiring an asset like a car title as collateral, which can potentially lead to lower interest rates.

Major Lenders in the Personal Loan Market

The market for personal loans is competitive, with both traditional banks and online lenders vying for market share. Major players include:

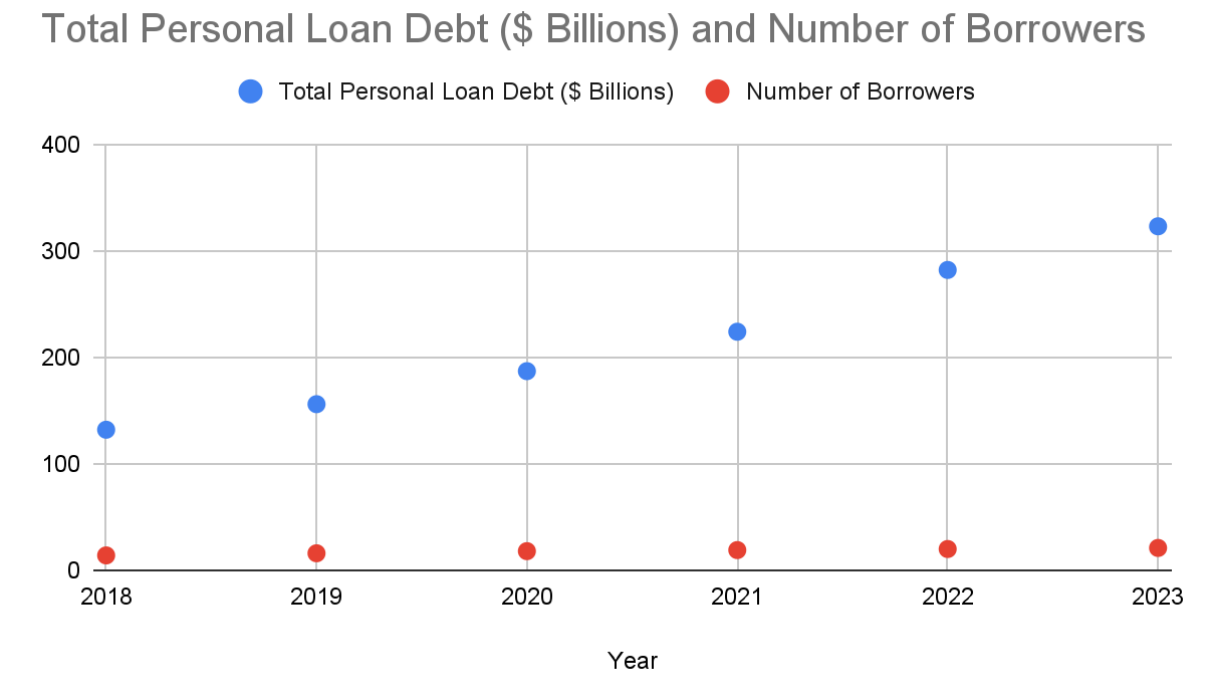
1. **LightStream (Truist)**
2. **Marcus by Goldman Sachs**
3. **SoFi**
4. **Discover Personal Loans**
5. **Avant**

These lenders offer a range of products with varying interest rates, terms, and eligibility requirements, often leveraging online platforms for application and approval processes.

Trends in Personal Loans

The personal loan market has seen significant growth over the past decade, driven by favourable economic conditions, increasing consumer debt, and the rise of fintech lenders. According to Experian's 2023 report, the total outstanding personal loan debt in the U.S. reached \$323 billion, with more than 21 million Americans holding a personal loan.

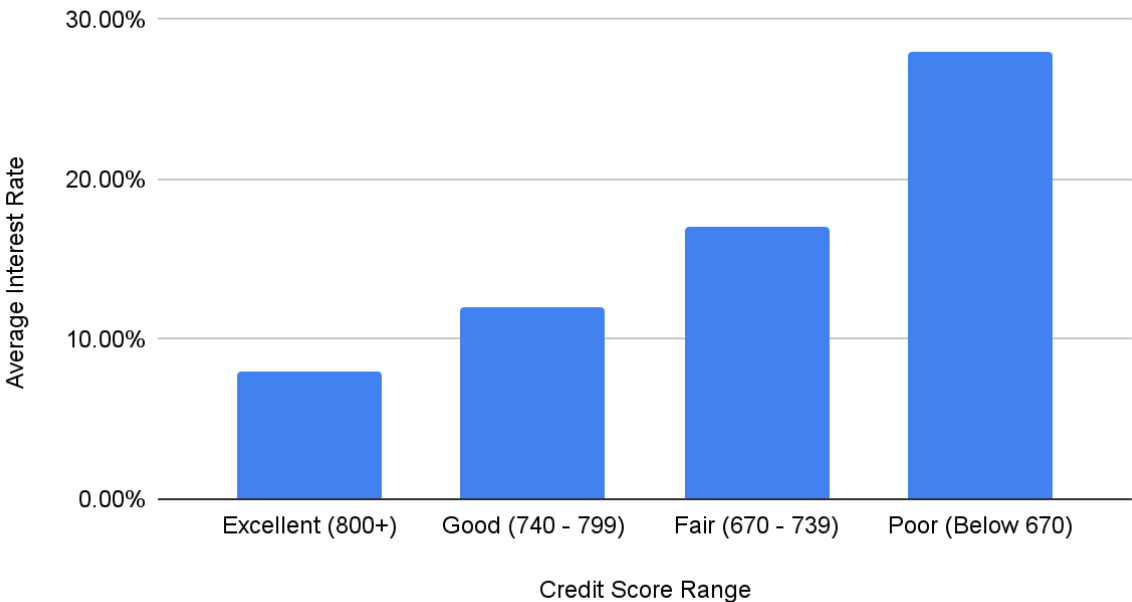
Year	Total Personal Loan Debt (\$ Billions)	Number of Borrowers (millions)
2018	132	14
2019	156	16
2020	187	18
2021	224	19
2022	282	20
2023	323	21



Average Personal Loan Interest Rates by Credit Score (2024):

Credit Score Range	Average Interest Rate
Excellent (800+)	7.99%
Good (740 - 799)	11.99%
Fair (670 - 739)	16.99%
Poor (Below 670)	27.99%

Average Interest Rate vs Credit Score Range



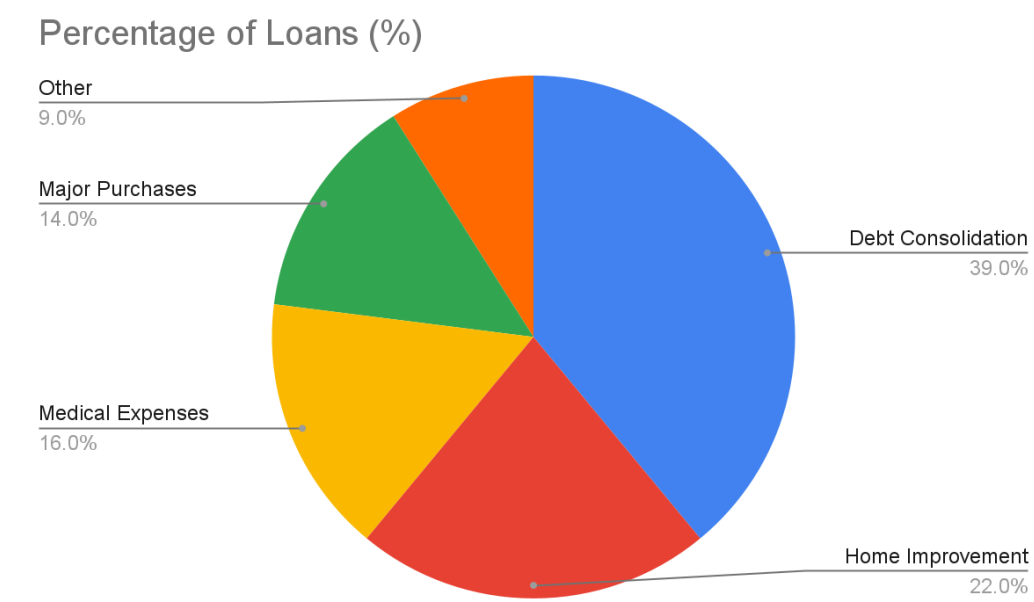
Personal Loans vs. Other Borrowing Options:

- **Credit Cards:** Credit cards offer revolving lines of credit with variable interest rates, making them suitable for ongoing expenses, but interest rates can be higher than personal loans.
- **Home Equity Loans/Lines of Credit (HELOC):** These options leverage your home equity for borrowing, offering potentially lower interest rates but come with the risk of foreclosure if you default.
- **Auto Loans:** Auto loans are specifically for financing vehicles and typically have lower interest rates than personal loans, but the loan is secured by the car itself.

Use Cases of Personal Loans (2023)

Personal loans are used for various purposes, with debt consolidation being the most common, followed by home improvement, medical expenses, and large purchases.

Purpose	Percentage of Loans (%)
Debt Consolidation	39
Home Improvement	22
Medical Expenses	16
Major Purchases	14
Other	9



Impact on the U.S. Banking System

Personal loans contribute significantly to the revenue streams of banks and financial institutions through interest income. They also help diversify the loan portfolios of banks, spreading risk across different types of credit products.

Risks and Considerations

While personal loans offer flexibility and ease of access, they come with certain risks:

- **High Interest Rates:** Particularly for borrowers with lower credit scores.
- **Debt Accumulation:** Potential for increased debt burden if not managed properly.
- **Credit Impact:** Failure to repay can significantly affect credit scores.

