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# How Health Savings Accounts and Voluntary Benefits Plans Can Improve Your Employees' Financial Health

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## Introduction

Health savings accounts (HSAs) are an increasingly important part of benefit plans for employees, allowing individuals to put money aside on a pre-tax basis to cover qualified out-of-pocket medical expense.

HSAs are only available to individuals enrolled in qualifying high-deductible health plans (HDHPs), which have a deductible of at least \$1,350 for individuals and \$2,700 for families, in 2019. More people are taking advantage of the benefits of HSAs; Devenir found that the number of HSAs grew to [21 million in 2017](#), an increase of 16 percent from the prior year.

But HSAs have financial potential beyond just covering near-term health care costs. As an employer, you can educate your employees on the financial benefits of HSAs, including as a tax-protected wealth-accumulation device, rather than seeing them only as a way to cover immediate out-of-pocket health care expenses.

Here are four ways HSAs and voluntary benefits plans can improve your employees' financial health.

## Using HSAs to Accumulate Wealth



Despite the name “health savings account,” your employees shouldn’t necessarily tap their HSA for near-term medical expenses. Instead, encourage them to see an HSA as an investment akin to a retirement savings account.

Individuals can enroll in an HSA either through their health insurance company or through a bank or other financial institution. To maximize the wealth-accumulation potential of these accounts, individuals can contribute up to \$3,500 for an individual health care plan or up to \$7,000 for a family plan in 2019, plus allowable catch-up contributions for those 55 or older. Because this money is contributed pre-tax, it lowers the individual’s taxable income. And because the funds can accrue interest and earnings tax-free and any withdrawals for qualified expenses are also tax-free, the money is triple tax-protected. That makes HSAs unique among all IRS-sanctioned account vehicles.

Also, funds in these accounts can roll over year to year, allowing people using an HSA for wealth accumulation to save in a highly tax-protected account. Over even a few years, significant wealth accumulation can occur.

The benefits to employees enrolled in HSAs are clear, but encouraging your employees to use these accounts to accumulate wealth can have a positive impact on the overall health of your workforce as well. Because enlightened employees will want to keep accumulating wealth in their account, there’s a greater incentive to remain healthy to avoid spending the funds in their HSA.

Recent EBRI data shows there has been an incremental improvement over time in accumulation in these accounts, particularly for employees over 40.<sup>1</sup> Workers increasingly realize they are being presented with an opportunity to accumulate an asset base in a tax-protected account and are taking advantage of that benefit.

<sup>1</sup> Paul Fronstin, “[Health Savings Account Balances, Contributions, Distributions, and Other Vital Statistics, 2015: Estimates from the EBRI HSA Database](#)”;  
“[Health Savings Account Balances, Contributions, Distributions, and Other Vital Statistics, 2016: Statistics from the EBRI HSA Database](#).” Employee Benefit Research Institute.

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## A Unique Opportunity for Younger Workers



For young people who are still on their parents' health insurance, HSAs offer an even greater opportunity for wealth accumulation. You can help these younger employees understand how to use these accounts to build wealth.

Those under 26 are in a unique position because they are still eligible to be covered under their parents' health plans even if they're no longer dependents under tax law. They can set up an individual HSA, but if they're enrolled in family health coverage they can contribute up to the family maximum of \$7,000, maximizing the potential for their HSA to act as an avenue for tax-protected wealth accumulation.

In addition, parents or grandparents can also help contribute to the yearly maximum of the young employee's HSA with the same tax-protected aspects, until the individual turns 26. This is an important benefit for young employees, but it's also a great opportunity for employees who have children in this age group to help them generate wealth.

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## Leveraging Supplemental Health Benefits to Mitigate Risk



Supplemental health insurance products – typically voluntary and paid by the employee – play a vital part in the overall benefits plan for employees, and they can also help workers protect and grow their HSA balances.

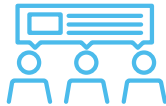
Supplemental health products cover participants for major health events such as cancer, heart attacks, strokes, prolonged hospitalization or serious accidents. If an employee has a significant out-of-pocket medical expense, supplemental policies – which include critical illness, hospital indemnity or accident products – can be bundled into a supplemental health plan that provides the coverage your employees need to cover their deductibles and out-of-pocket costs.

This supplemental coverage means that when employees meet an unexpected exposure, they don't have to tap their HSA, so they can continue to use it as a savings vehicle.

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## Finding the Right Approach to HSAs



Of course, using HSAs as a wealth-accumulation tool isn't a strategy that works for all employees. For individuals with high out-of-pocket annual health care costs or with chronic conditions that may not be addressed by supplemental health insurance arrangements, an HSA might be better used to help defray expenses while still garnering the account's tax benefits.

You can educate your employees on the benefits of HSAs while still understanding that their individual circumstances will play a large role in how they choose to use these types of accounts. Offering them a range of benefits and options helps ensure that your employees are able to take the approach that's right for them.

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## About Aon

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