

## HEALTH SAVINGS ACCOUNTS OFFER TRIPLE TAX ADVANTAGE

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***“The HSA is the most  
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vehicle in the tax code.”***

*McCarthy Asset Management, Inc. is an independent, fee-only investment advisory firm that has been helping people invest wisely for over fifteen years. Our mission is to help you better understand and improve your financial situation. We specialize in Retirement Planning, Portfolio Management and Tax Planning.*



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The use of Health Savings Accounts (HSAs) has grown tremendously in the last ten years. It is estimated that such accounts now have over \$42 billion in assets, a 23% increase from last year. The increased popularity is not surprising. While they are primarily used to cover current medical bills, they can also provide retirement benefits. In fact, they are the only savings vehicle of its kind that has triple tax-advantages:

- Contributions into the accounts are tax deductible.
- Earnings grow tax-free.
- Withdrawals used to pay for qualified health care expenditures are tax-free.

Many people overlook HSAs as a retirement-savings vehicle. Left untouched, funds in an HSA can grow tax-free until and during retirement. Saving in an HSA for future medical costs is prudent as health care costs are a major expense in retirement. According to Fidelity, the average 65-year-old couple will pay approximately \$280,000 in out-of-pocket costs for health care during retirement. This estimate does not include potential long-term care costs.

The HSA “is the most tax-favored savings vehicle in the tax code” says Leo Acheson, a senior analyst at Morningstar Inc. who wrote a recent report on HSAs. As with a traditional 401(k) or IRA, an HSA allows you to set aside money without paying income taxes on it. Money in HSAs grows tax-free and, if used now—or later—for medical expenses, can be withdrawn tax free. In contrast, with a traditional 401(k) or IRA, income tax is paid on withdrawals.

**MAM Recommendation:** Because of an HSA's triple tax advantage, we recommend contributing the maximum to both an HSA and 401(k) for those who have them available. Personally, I have been very pleased with the HSA that Joanie and I established in 2009.

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## Our Services

### Investment Management Services:

- MAM creates and manages customized investment portfolios based on each client's investment objectives, timeframe and risk tolerance.

### Financial Planning Services:

- The Net Worth Analysis (NWA) tracks the accumulation of Invested Assets for pre-retirees and the retention of Invested Assets for retirees. Updated annually.
- "Retirement Analysis" a comprehensive analysis of your retirement goals, which produces easy-to-read, interactive working plan, stored in the cloud. Updated as needed for life events.

### Tax Services:

- Clients have the option of utilizing the income tax services provided through the firm Stephen P. McCarthy, CPA. These services are offered at an hourly rate and may include:
  - Tax Return Preparation
  - Income Tax Projections
  - Tax Minimization Ideas
  - Tax Authority Representation

### Other Services:

- MAM has retained several outside experts, whose services are available at no cost to our clients:
  - Medicare Planning— Eileen Hamm of Superior LTC Planning Services, Inc.
  - Long Term Care Planning— Allen Hamm of Superior LTC Planning Services, Inc.

**Qualification and Annual Contributions:** Contributions to an HSA can only be made by those who are covered by an HSA-qualified, high-deductible health-insurance plan. Maximum contributions for 2018 are \$3,450 for individuals and \$6,900 for families, plus an extra \$1,000 for those 55 or older. Once you are covered by Medicare, you are no longer eligible to contribute to an HSA (although you can still retain and withdraw from an existing HSA account).

**CA Doesn't Recognize HSAs:** California does not recognize Health Savings Accounts. Therefore contributions are not tax-deductible and earnings are taxable for CA tax purposes.