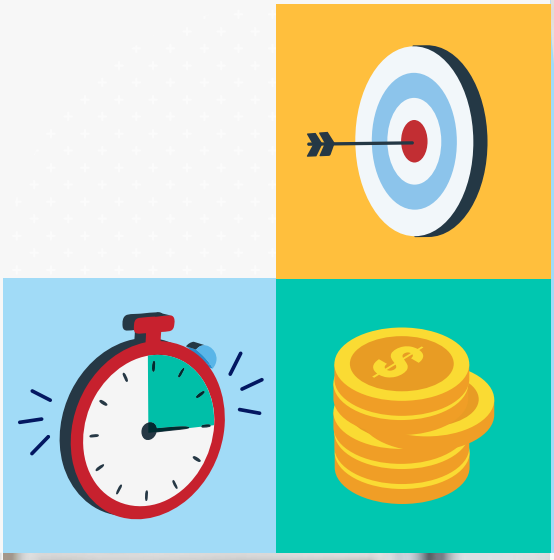
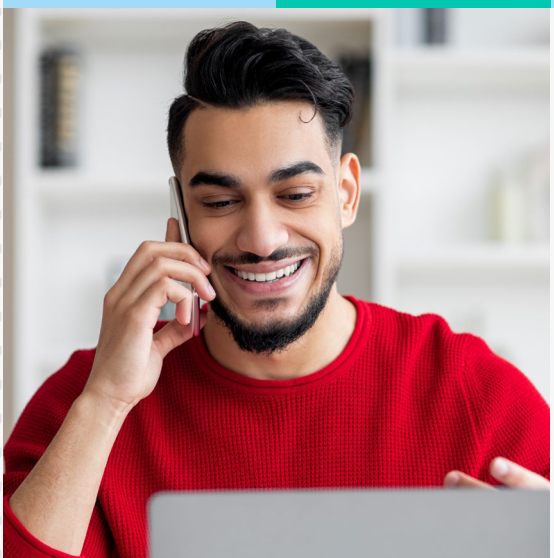
Clearing the air

5 HSA misconceptions many employees believe





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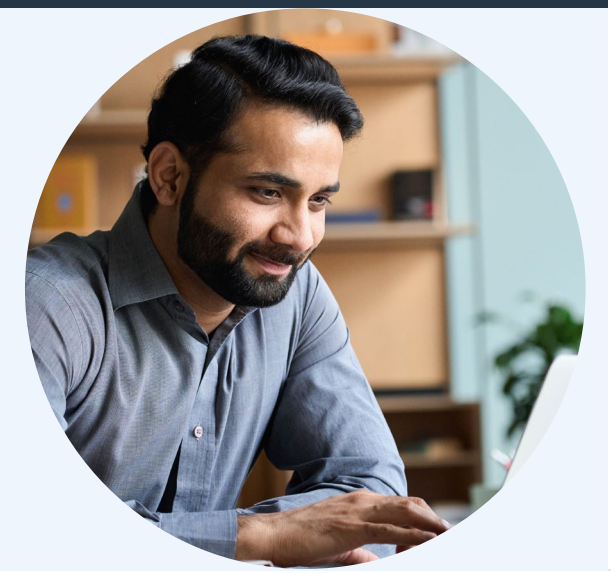


HSA made easy

Health savings accounts (HSAs) offer employers the opportunity to better support their employees' evolving health and wellness needs, but many employers struggle with HSA participation in their workplace.

One of the reasons why employees are not enrolling in and engaging with HSAs is due to the misconceptions they have about how HSAs operate and how they are meant to be used.

HSA education for employees is key to debunking these misconceptions because it helps individuals:

- **Understand the benefits of using these accounts to save for healthcare expenses**
- **Effectively manage and invest these funds for future retirement needs**
- **Feel empowered to make decisions and get the most from their benefits**

Let's explore five common misconceptions we've found employees believe about HSAs.

Misconception #1

HSAs are employer-owned

Employees may assume that HSAs are owned by their employer, similar to flexible spending accounts (FSAs). They're concerned about not having control over their account and losing their HSA funds if they change jobs.

Truth

HSAs are employee-owned

Although employers may contribute to their employees' HSAs, all HSAs are employee-owned. Since the account belongs to the employee, they have control over how they spend their HSA funds and they retain ownership of their funds even if they change jobs.

Employees will be more encouraged to enroll in an HSA when they understand the account is employee-owned and stays with them through any job change.

Helpful Resource!

To help your employees understand the differences between HSAs and FSAs, take a look at our **comparison chart.**

Scenario #1

Alex

Alex opened an HSA when he started his first job five years ago, but he just accepted a job offer at a new company. He's worried he'll lose his HSA funds, but then his employer tells him about HSA transfers. Alex decides to leave his current HSA open to use for long-term saving and open an HSA with his new company to use for his day-to-day medical spending needs. He's excited to have the opportunity to save for his retirement and have funds to spend on his current medical expenses and prescriptions.

Misconception #2

HSAs are only for the wealthy

Since an employee needs to be enrolled in a high-deductible health plan (HDHP) to open an HSA, there is a common belief that HSAs are only for people with higher incomes who can afford these higher deductibles.

Truth

Anyone enrolled in a qualifying HDHP (or HSA-eligible health plan) can open an HSA, regardless of income level

In fact, HSAs can be particularly helpful for those with lower incomes because they provide a tax break for healthcare expenses. Participants are able to deposit money into their HSA tax-free and their money is not taxed when they spend it on eligible expenses, helping them lower their overall healthcare costs.

Once employees understand that HSAs benefit everyone, regardless of income level, HSAs won't seem as intimidating. Your employees will want to take advantage of the opportunity HSAs offer to receive a tax break on their everyday healthcare expenses.

Helpful Resource!

Your employees can learn about the wide variety of eligible expenses they can use their HSA funds on **here**.

Scenario #2

Emily

Emily used to think HSAs were only for wealthy people, but after learning about the HSA tax break, she decided to open an HSA. After having her first baby, she's more grateful than ever to have an HSA account that provides a tax break on newborn baby medical expenses like thermometers and baby first-aid kits.

Examples of HSA eligible expenses

- After school care
- Blood pressure monitor
- OTC products
- Prescription drugs & medicine
- Summer day camp
- Sunscreen
- Vaccines and vaccinations

Misconception #3

HSAs are not a retirement savings tool

Many employees think HSAs can only be used for immediate healthcare expenses and that HSA funds can't grow over time. In fact, data from Fidelity discovered that:

51% of Americans don't think HSA's can be invested

Truth

HSAs are a powerful retirement tool

Funds roll over from year to year and participants can invest their funds. If employees choose to invest their HSA funds, they can potentially achieve faster tax-free growth and build long-term savings for their retirement needs.

Unfortunately, most individuals with HSAs fail to take advantage of these investment opportunities. The Employee Benefit Research Institute (EBRI) found that in 2021 only 12% of HSA account holders invested their HSAs in assets other than cash.

Helpful Resource!

Share our whitepaper on **HSAs and retirement** with your employees.

Scenario #3

Arthur

Arthur contributes to a 401(k) and an IRA, but until recently he didn't realize the HSA his company offers can also be used as a retirement savings and investment tool. He decides to open an HSA and contributes $4,000 into each of these accounts: his family HSA, 401(k), and IRA. He invests his funds as well, with the return-on-investment being 5 percent annually for each account. His combined federal and state tax rate is 25 percent, and his tax rate at the time he distributes funds is 15 percent. After 20 years, these were the balances in each account:

HSA: $206,000
401(k): $157,000
IRA: $139,000

He's thrilled to find that the tax advantages of an HSA combined with his 401(k) and IRA have helped him save thousands of dollars for his retirement.

Misconception #4

HSAs are use-or-lose accounts

Some participants think HSA and FSA rules are the same, since they're both used to pay for healthcare expenses. This is especially true when it comes to the use-or-lose rule. Fidelity discovered that 44% of people who don't have an HSA think HSA participants **need to spend all of their HSA funds** by the end of the year or those unused funds will be forfeited to the plan.

Truth

HSAs are not subject to the "use it or lose it" rule

HSA funds can be carried over from year to year. Because HSAs can accumulate year-over-year and even be invested, the savings potential of HSAs is a major benefit for all participating employees. And since you don't risk losing funds at the end of the plan year, employees should consider maxing out their HSA contributions (in line with the IRS limits), to take full advantage of these accounts.

It's important to communicate the distinction between the FSA and HSA rules with your employees.

Helpful Resource!

Check out our **toolkit** to help your employees prepare for open enrollment and learn more about HSAs.

Scenario #4

Lillian

Lillian has been contributing to both an FSA and an HSA for a few years. She's always kept her HSA contribution on the lower end since she assumed she'd lose unused HSA funds at the end of the year. But after reading some educational materials on HSAs during open enrollment, she realized the use-or-lose rule only applies to her FSA. Now she contributes the maximum amount to her HSA each year and is excited to see the significant growth in her savings.

Misconception #5

HSAs are only for chronic health conditions

Some people may assume that HSAs are only for individuals with chronic health conditions because they require frequent medical care and therefore have an increase in healthcare expenses.

Truth

Anyone with a qualifying HDHP can benefit from an HSA

By contributing to an HSA, individuals can lower their taxable income and save money on healthcare expenses. And if unexpected medical expenses do come up in the future, HSA participants will have extra funds set aside for these new needs.

If the message that HSAs can be beneficial for all individuals, regardless of their health status, is communicated to employees, they will be more interested in opening and contributing to an HSA account for both current and future medical expenses.

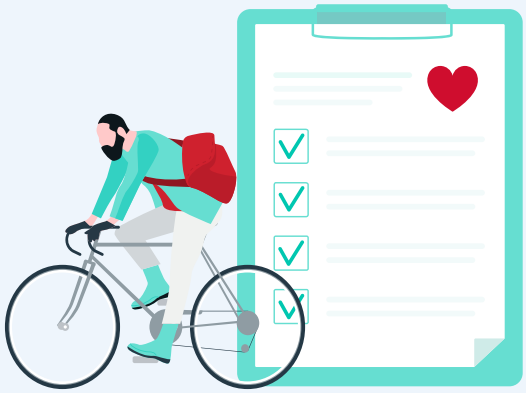
Helpful Resource!

Share these **HSA insights** with your employees.

Scenario #5

Manuel

Manuel used to think HSAs were only helpful to people with poor health, but after learning about the triple-tax advantage of HSAs, he decided to open an account to use for everyday medical expenses and save for retirement healthcare. And when an unplanned minor surgery came up, he was relieved to have extra funds set aside to use towards his surgery expenses.



WEX takes HSA education off employers' plates

Consumer Pathways delivers personalized HSA education that is timely, effective, and tailored to the unique needs of each participant. Our goal is to empower individuals with the knowledge they need to make informed decisions and optimize the use of their HSA. And we minimize your workload by consistently engaging participants through tailored messaging delivered through various channels.

The WEX benefits platform consists of one of the largest HSA databases in the industry, giving us access to a vast data pool for conducting a powerful statistical analysis of HSA participant behaviors. By using this data, we're able to customize messaging for your participants and increase their HSA engagement.

Consumer Pathways perks for employers	Consumer Pathways perks for employees
Year-round automated messaging	Personalized guidance to help maximize value of their HSA
Increased adoption in HDHP/HSAs	Greater HSA understanding
Analytics to help you understand employee behaviors	Increased confidence in ability to pay for healthcare
Employees understand their benefits, meaning fewer questions for you	Enhanced portal and mobile usage resulting in increased self-service

Transform your HSA experience

By putting your HSA education on autopilot with WEX, you'll save time, reduce administrative costs, and ensure that your employees are getting the most out of their HSAs.

Let's get started

wex™