Wespath
BENEFITS | INVESTMENTS

a general agency of The United Methodist Church

Maximizing Your Tax Savings—When to Contribute to a Flexible Spending Account (FSA) Along with Your Health Savings Account (HSA)

It may only make sense to contribute to a health care FSA if you have already contributed the maximum to your HSA.

Reminder:

When you are contributing to an HSA, any additional health care FSA or HRA dollars are limited-use. This means you can only use the FSA or HRA for dental or vision expenses until you pay a certain amount toward your deductible as defined by the IRS. The deductible applies to medical, prescription drug and behavioral health expenses. This is called the "IRS Defined Deductible." For 2024 the IRS Defined Deductible is: $1,600 if you have single coverage and $3,200 if you cover more than one person.

Contributing to both a health care FSA and an HSA may be a good match if at least one of these scenarios applies to you:

- You have dental and vision expenses that you know will be reimbursable from your FSA. You can use your FSA for dental and vision expenses beginning on January 1.
  - If you use your FSA funds for dental and vision, you will be able to save your HSA funds for medical, prescription drugs, and behavioral health expenses, or you can roll over these dollars for future savings or investing.
- You expect your total medical, prescription drug, or behavioral health expenses to exceed the IRS Defined Deductible ($1,600/$3,200) in the calendar year.
  - Once you reach $1,600/$3,200 in out of pocket expenses, complete a form (in your account on the HealthEquity® website, select the Health Care FSA tab and then look for the HSA High Deductible Health Plan Form) and notify HealthEquity that you have reached the IRS Defined Deductible. You must provide proof (an Explanation of Benefits that lists your total out-of-pocket (OOP) costs to date or a letter from your Wespath care coordinator. Once that form is approved, you can use your FSA for any medical, prescription drug, or behavioral health expenses.

Example: Participant with Family Coverage

Let's say you have family coverage and are expecting $3,000 in orthodontic expenses and minimal other expenses for the year. If you can afford to contribute $7,750 to your HSA and $2,250 to your FSA, you can pay all but $750 of the orthodontic expense out of your FSA. Then you can save $7,000 pre-tax funds in your HSA to grow or invest for the future rather than saving only $4,750 if you didn't choose the FSA.

Participant with family coverage:

Contributions	$7,750	HSA
	→ $2,250	FSA
	= $10,000	in health accounts

$2,250 paid from FSA
$ 750 paid from HSA → $7,000 saved or invested in HSA