

Name _____

HSA Adventures: Your Guide to Health Savings Accounts

Short Answer Key

1. The triple tax advantage of HSAs refers to three tax benefits. First, contributions are tax-deductible, reducing taxable income. Second, any interest or investment earnings in the HSA grow tax-free. Third, withdrawals for qualified medical expenses are also tax-free. This unique combination of tax benefits makes HSAs a powerful tool for healthcare savings.
2. One advantage of HSAs is their tax benefits, including tax-deductible contributions and tax-free withdrawals for qualified expenses. One disadvantage is that HSAs may have limited investment options compared to traditional savings accounts, potentially affecting the growth of savings.
3. When choosing the right HSA, you should consider factors such as fees, investment options, accessibility (online tools and mobile apps), and the reputation of the HSA provider.
4. Yes, you can use HSA funds for non-qualified expenses after age 65 without facing penalties. However, you may be required to pay regular income tax on the withdrawals, similar to traditional retirement account distributions. The penalty exemption after age 65 encourages flexibility in using HSA funds for various purposes in retirement.
5. The portability of HSAs benefits individuals who change jobs by allowing them to retain and continue using their HSA funds even if they switch employers or health insurance plans. This means that the money saved in the HSA remains accessible and can continue to grow, providing a consistent way to manage healthcare expenses regardless of employment changes.

