Benefits 101

Health Spending Accounts

There are several different types of tax-free health spending accounts that can help you save money on healthcare expenses:

First is the HSA, or health savings account. This account can be used for qualified medical expenses, which means you can use the money to pay for things like doctor's visits and prescriptions. Any money you and your employer put in will roll over year to year so that you can save up for future expenses. Plus, if you leave the company, the money goes with you without penalty. But remember, to be eligible for an HSA, you must be enrolled in a high-deductible health plan, aka HDHP.

Next is the HRA, or Health Reimbursement Arrangement, which is a benefit that an employer can offer to help you pay for medical expenses. This is different from an HSA. Your employer sets aside money, and you can use it to pay for eligible expenses. However, you cannot contribute to an HRA on your own; the account is funded by your employer. And, you cannot take it with you if you leave the company.

Now let's look at an FSA, or Flexible Spending Account. This is another account used to pay for medical expenses. It's similar to the HSA, but the catch is that you must use the money within the year, or you lose it. So, plan ahead and estimate how much you'll need for medical expenses. Just know that this account does not work with an HDHP.

If you do have an HDHP and HSA plan, then you may be able to also use the Limited FSA. This is like a regular FSA, but it's limited to certain types of expenses, like dental and vision costs.

And lastly, we have Dependent Care, which is an account that you can use to pay for childcare expenses for children under 13 or dependents with disabilities. The money you contribute is pre-tax, which can help you save some money on your taxes.

Remember, each account has its own rules, so choose the right one for your needs, and don't forget to save those receipts.

McGohan Brabender



Scan the QR code to learn more.