HSAs, Medicare, and Social Security
How to Make them Work Together

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SECTION 1
While You’re Working
Maximize Your HSA While Working

**Tip #1:** Increase contributions up to the **IRS maximum**

**Tip #2:** Add the **catch-up contribution** when you turn 55+

**Tip #3:** Make contributions through **payroll** to receive maximum tax breaks

**Tip #4:** Keep your money invested until you need it

**Tip #5:** Only use account for **healthcare** expenses to avoid penalties and taxes
More Information
hr.iu.edu/benefits/medical-plans/hsa-qa.html
SECTION 2

Retirement Preparation
Retirement Preparation

• Verify your **IU Retiree Status** eligibility date by contacting AskHR at askhr@iu.edu or 812-856-1234

• Determine prorated HSA **contribution maximum** based on your retirement date:
  – Prorate to only reflect the months you are eligible
  – Employee contributions are split out evenly over paychecks
  – IU contribution posted with 2nd paycheck in January

• Review other **retirement savings** opportunities
  – IU’s Tax Deferred Account (TDA) & 457(b) Plans
  – Deferment of Final Pay and Paid Time Off opportunities
Retirement Preparation

Review IU Human Resources Retiree website for:

- IU Retirement Checklist
- Benefits After Separation guide
- Retiree Benefits Options brochure
- Retirement planning & guidance
- Retiree resources and tools

hr.iu.edu/benefits/retirees.html
Medical Coverage Options

- COBRA coverage
- IU Retiree Plan: Under Age 65 Plan (Anthem HDHP)
- Spouse’s employer coverage
- Marketplace coverage

Learn more by attending:

Road to Retirement: IU Retiree Status & Benefits
September 23, 2021, 3:00 – 4:30 p.m. ET
Register at hr.iu.edu/benefits/road-to-retire.html
HSA Eligibility After You Leave

• Enroll in a **non-HDHP** medical plan
  – No longer eligible to make contributions to an HSA

• Enroll in **another HDHP**
  – Can continue making contributions to your HSA
  – Transfer contributions online from personal bank account
  – Claim contributions on federal tax return to receive tax credit
Your HSA When You Leave

• Transition to an “individual account”

• Will not receive IU contributions

• Review IRS contribution rules based on new coverage
  – Self-only vs. Family contribution limits
  – Catch-up contributions
SECTION 3

Working Past Age 65
Medicare Enrollment

**OPTION 1**
Enroll at age 65

**OPTION 2**
Postpone & enroll after retirement
(or age 70 when you *start* drawing Social Security)

Those receiving Social Security Income payments will be automatically and mandatorily enrolled in Medicare Part A.
Medicare Enrollment

**OPTION 1** Enroll at age 65

- Enrollment in Medicare makes you **ineligible for tax-free contributions** to an HSA.
  - Based on your Medicare enrollment
  - Not based on eligibility

- Your Medicare **effective date** will determine how much you can contribute to your HSA:
  - Prorated if partial year
  - May result in excess contributions
  - Any excess contributions would be taxable and could be subject to a 6% excise tax penalty
Medicare Enrollment

**OPTION 2** Postpone & enroll after retirement
(or age 70 when you *start* drawing Social Security)

- **Retain eligibility** for tax-free HSA contributions
- Must be in an **active group plan** (IU medical plan)
- Use **special enrollment period** once retired (8-month period after employment ends)
- Medicare Part A enrollment is **backdated 6 months or to your 65th birthday**, whichever is closest, from the date you **apply** for Medicare or Social Security
Dealing with Excess Contributions

If you make excess contributions:

• Complete *Distribution Request Form*
  – Available at [iu.nyhart.com](http://iu.nyhart.com)
  – Submit to Nyhart prior to December 31
  – Must have full amount available in account

• Report on income taxes:
  – Included on IRS Form 1099-SA from Nyhart
  – Report on IRS Form 8889 included with 1040

• Pay regular income tax rate on excess
• Recommend consulting a tax advisor
Retiring from IU

Your HSA stays with you

- IU notifies Nyhart of your retirement
  - New account will be created
  - Brief blackout period
  - New debit/Visa cards
  - New login information
  - Monthly account maintenance fee ($2.75/month)

- Account can remain with Nyhart or later be transferred to another HSA account vendor (if you choose)
Using Your HSA in Retirement

NO penalty / NO income taxes

• Hearing aids (batteries, repair, maintenance)
• Home improvements for safety (ramps, widening doorways, installing railings or support bars)
• Medical equipment (wheelchairs, walkers, shower chairs)
• Premiums for:
  – Long Term Care
  – COBRA (medical & dental)
  – IU under 65 Retiree Plan
  – Medicare (Parts B & D) – Medicare Advantage
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List of HSA eligible expenses
iu.nyhart.com
Additional Uses for HSA at 65 & Up

NO penalty / PAY income taxes

• Rent or mortgage payments
• Groceries or dining
• Recreational activities
• Vacations and travel
• Everyday living expenses
IU Human Resources

hr.iu.edu/benefits

- Plan provisions and documents
- Frequently asked questions
- Special HSA considerations
  - Eligibility
  - Turning Age 65 & Medicare
  - Leaving the University
  - Excess Contributions
  - Beneficiaries

Find this presentation at:
hr.iu.edu/benefits/retiree-resources.html
Register and log in to:

- View account activity
- Find common forms
- IRS Qualified Expense List
- Use the Expense Tracker function
- Transfer funds online to/from a personal bank account
- Pay your healthcare expenses directly from account
- Manage investment account
- Annual tax forms (1099-SA & 5498-SA)
Health Savings Accounts and Other Tax-Favored Health Plans

Publications:

- IRS Pub 969 – Health Savings Accounts and Other Tax-Favored Health Plans
- IRS Pub 502 – Medical and Dental Expenses

Tax Forms:

- IRS Form 8889 (filed with your 1040)
- Instructions for Form 8889
SECTION 6

Additional Retirement Savings Opportunities
Supplemental Retirement Plans at IU

Two plans for employee voluntary contributions:

- Start or stop contributions any time
- Pre-tax and Roth (after-tax) contributions
- Percent of earnings or flat-dollar
- Catch-up contributions starting at age 50
- In-service distributions after age 59 ½

Learn more at:
hr.iu.edu/benefits/retirement.html
Thank You!

Questions?