Retirement Planning Using Your HSA & Considerations At Age 65

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Housekeeping

- **Session will not be recorded**: however, a PDF of the slides is available on the Road to Retirement website at [hr.iu.edu/benefits/road-to-retire.html](http://hr.iu.edu/benefits/road-to-retire.html).

- **All attendees have been placed on mute**. If you have technical issues, please message an IUHR representative in the chat for assistance.

- Watch the **chat** for helpful links to additional information.

- Please **put all questions in the Q&A box**. Do not put any questions related to a personal situation in the Q&A.

- At the end of today’s session, you will be asked to complete a **brief survey**.
Today’s Agenda

• Maximizing Your HSA While Working
• HSA Options if You Retire **Before** Age 65
• HSA Options if You Work **Past** Age 65
• Using your HSA in Retirement
• HSA Resources
• Other Retirement Savings Opportunities
SECTION 1
Maximizing Your HSA While Working
Maximize Your HSA While Working

Tip #1: Increase contributions up to the IRS maximum

Tip #2: Add catch-up contribution when you are 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
SECTION 3

HSA Options if You Retire Before Age 65
Medical Coverage Options

Under 65 medical coverage options:

• COBRA coverage
• Anthem Under 65 PPO HDHP (for those with retiree status)
• Spouse’s employer coverage
• Marketplace coverage

Learn more about benefits for retirees: hr.iu.edu/benefits/retirees.html
HSA Eligibility After You Leave

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

• Enroll in IU HDHP COBRA or U65 plan or another HDHP
  – Can continue making tax-free contributions to your HSA
  – Transfer contributions online from personal bank account
  – Claim contributions on federal tax return to receive tax credit
Your HSA After You Leave

• Transitions to an “individual account”

• Will not receive IU contributions

• Account can remain with Nyhart (monthly fee of $2.75) or transfer to another HSA account vendor

• Review IRS contribution rules based on new coverage:
  – Self-only vs. family contribution limits
  – Catch-up contributions
SECTION 4

HSA Options if You Work Past Age 65 (Medicare Eligibility)
Medicare Enrollment

**OPTION 1**
Enroll at age 65
Not recommended for IU employees

**OPTION 2**
Draw Social Security Benefits
Automatic enrollment in Medicare

**OPTION 3**
Postpone & enroll after retirement (or at age 70 when you start drawing Social Security)
Enroll at Age 65

OPTION 1  Enroll at age 65 Not recommended for IU employees

• Voluntary enrollment

• Makes you ineligible for tax-free HSA contributions (both yours & IU’s)
  – Based on your Medicare Part A effective date
  – Not based on your Medicare eligibility

• Spouse’s Medicare enrollment does NOT affect your HSA eligibility
Draw Social Security Benefits

OPTION 2

Draw Social Security Benefits

• Automatic Medicare Part A enrollment
  – At age 65+
  – Whether you are drawing your or your spouse’s SS benefit

• Makes you **ineligible for tax-free HSA contributions** (both yours & IU’s)
  – Ineligibility is based on your Medicare Part A *effective* date
  – Can not postpone Medicare enrollment once drawing Social Security
Postpone Medicare Enrollment

**OPTION 3** Postpone & enroll after retirement
(or at age 70 when you start drawing Social Security)

- **Retain eligibility** for tax-free HSA contributions while working
- Must be enrolled in an active group health plan (IU medical plan)
- No penalty for postponing enrollment
  - Use Medicare 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.
Example: Age 65+ Postponed Medicare

Medicare effective date

Backdated 6 months

January February March April May June July

Ineligible for tax-free HSA contributions – both yours & IU’s

Retirement

Medicare App
Example: Age 65+ Postponed Medicare

Medicare effective date

Jan – Aug 2022
Tax-Free HSA

Sept 2022
Oct 2022
Nov 2022
Dec 2022
Jan 2023
Feb 2023
Mar 2023
Apr 2023
May 2023

Backdated 6 months

Medicare App

Retirement

Ineligible for tax-free HSA contributions – both yours & IU’s
Dealing with Excess Contributions

- Calculate excess contributions
- Your **Medicare effective date** determines how much you can contribute to your HSA for the year:
  - Includes both yours and IU’s contributions
  - Prorated if only eligible for part of a year
  - May result in excess contributions
  - Any excess contributions would be taxable and could be subject to a 6% excise tax penalty
Dealing with Excess Contributions

If you make excess contributions:

• Complete *HSA Distribution Request Form*:
  – 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

Download from [iu.nyhart.com](http://iu.nyhart.com)
Retirement and your HSA

Your HSA stays with you

• IU notifies Nyhart of your retirement
  – New individual 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 transfer to another vendor (if you choose)
Using Your HSA in Retirement

NO penalty / NO income taxes on qualified healthcare expenses

Premiums for:

- Medicare (Parts B & D)
- Medicare Advantage Plans (Part C)
- Group Medicare Supplement Plans such as IU Blue Retiree (NOT commercial Medicare Supplement Plans)
- IU Anthem Under 65 Retiree Plan
- COBRA (medical & dental)
- Long-Term Care

- Hearing aids (batteries, repair, maintenance)
- Home improvements for safety (ramps, widening doorways, installing railings or support bars)
- Medical equipment (wheelchairs, walkers, shower chairs)

List of HSA eligible expenses: iu.nyhart.com
SECTION 6

HSA Resources
IU Human Resources

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

hr.iu.edu/benefits
Create an account 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 expenses directly from account
- Manage investment account
- Annual tax forms (1099-SA & 5498-SA)
- View and update beneficiaries

iu.nyhart.com
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 7

Other Retirement Savings Opportunities
Supplemental Retirement Plans at IU

Two plans for voluntary employee 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
- Rollovers allowed from IRA’s or other plans
- Learn more at [hr.iu.edu/benefits/retirement.html](http://hr.iu.edu/benefits/retirement.html)
## Supplemental Retirement Plans at IU

### IU Tax Deferred Account (TDA)
<table>
<thead>
<tr>
<th>Roth Option</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rollovers</td>
<td>Yes</td>
</tr>
<tr>
<td>Default Election</td>
<td>Yes. Auto enrolled at 5% pre-tax contribution rate.</td>
</tr>
</tbody>
</table>
| IRS Annual Contribution Limit | $22,500 for 2023  
Age 50+ catch-up contribution: $7,500 for 2023 |
| Withdrawals | In-Service: Withdraw funds at age 59½ while still working.  
After separation: 10% penalty if withdrawn prior to age 59½ |

### IU 457(b) Plan
<table>
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| IRS Annual Contribution Limit | $22,500 for 2023  
Age 50+ catch-up contribution: $7,500 for 2023; OR up to additional $22,500 for age 63, 64, 65 catch-up (special rules apply) |
| Withdrawals | In-Service: Withdraw funds at age 59½ while still working.  
After separation: NO penalty if withdrawn prior to age 59½ |
Name HSA & retirement plan beneficiaries with the vendor, NOT through IU Employee Center:

Nyhart [iu.nyhart.com](http://iu.nyhart.com)
- Health Savings Account (HSA)

Fidelity [netbenefits.com/indiana](http://netbenefits.com/indiana)
- Base retirement plan (except PERF)
- Each supplemental retirement plan

INPRS [in.gov/inprs](http://in.gov/inprs)
- PERF base retirement plan

**Common mistake to avoid:**
Naming minors as beneficiaries. There are strict laws regarding the payment of benefits to minors, so you should consult a legal advisor to determine the best way to accomplish this under state law.
IUHR Events Calendar

events.iu.edu/iuhumanrescal

Explore and register for upcoming HR-related events from:

- Benefits
- Healthy IU
- Training & Organization Development
- Vendors such as Fidelity and Care.com

Updated frequently, so check often!