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 2

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 3

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
Example: Age 65+ Postponed Medicare

- Jan – Aug 2022: Tax-Free HSA
- Sept 2022 – May 2023: Backdated 6 months
- 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)
SECTION 4

Using your HSA in Retirement
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](http://iu.nyhart.com)
• 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
Internal Revenue Service (IRS)

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

www.irs.gov
SECTION 6

Other Retirement Savings Opportunities
Two plans for voluntary employee contributions:

- TDA 403(b)
  - 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
- 457(b)
  - Learn more at hr.iu.edu/benefits/retirement.html
# Supplemental Retirement Plans at IU

<table>
<thead>
<tr>
<th></th>
<th>IU Tax Deferred Account (TDA)</th>
<th>IU 457(b) Plan</th>
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</thead>
<tbody>
<tr>
<td>Roth Option</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Rollovers</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Default Election</td>
<td>Yes. Auto enrolled at <strong>5% pre-tax</strong> contribution rate.</td>
<td>Waive</td>
</tr>
<tr>
<td>IRS Annual Contribution Limit</td>
<td><strong>$22,500</strong> for 2023</td>
<td>$22,500 for 2023</td>
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<td><strong>Age 50+ catch-up contribution:</strong> <strong>$7,500</strong> for 2023</td>
<td><strong>Age 50+ catch-up contribution:</strong> <strong>$7,500</strong> for 2023; OR up to additional <strong>$22,500</strong> for age 63, 64, 65 catch-up (special rules apply)</td>
</tr>
<tr>
<td>Withdrawals</td>
<td><strong>In-Service:</strong> Withdraw funds at <strong>age 59½</strong> while still working.</td>
<td><strong>In-Service:</strong> Withdraw funds at <strong>age 59½</strong> while still working.</td>
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<td><strong>After separation:</strong> <strong>10% penalty</strong> if withdrawn prior to age 59½</td>
<td><strong>After separation:</strong> <strong>NO penalty</strong> if withdrawn prior to age 59½</td>
</tr>
</tbody>
</table>
Beneficiaries

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.
Upcoming Road to Retirement Sessions

Register at: hr.iu.edu/benefits/road-to-retire.html

- **October 4 & 5** – PERF—Understand the Two Parts of the Plan
- **October 6** – Fundamentals of Retirement Income Planning
- **October 17** – Prepare for the Reality of Healthcare in Retirement
- **November 9** – PERF—Understand the Two Parts of the Plan
- **December 6** – Social Security Overview
- **December 8** – Fundamentals of Retirement Income Planning
- **December 14** – Preserving Your Savings for Future Generations
IU Human Resources

askHR

askhr@iu.edu | 812-856-1234
hr.iu.edu
IUHR Events Calendar

Register for upcoming HR-related events from:

- Benefits (healthcare, retirement)
- Healthy IU
- Training & Organization Development
- Vendors (SupportLinc EAP, Fidelity, Care.com)

Updated frequently, so check often!

events.iu.edu/iuhumanrescal