HSAs, Medicare & Social Security: How to Make them Work Together

Cindy Buchtman

Sr. Healthcare Specialist, IU Human Resources

September 16, 2022

ROAD TO RETIREMENT

PLANNING YOUR RETIREMENT FROM INDIANA UNIVERSITY

Today's Agenda

- Maximizing Your HSA While Working
- Preparing for Retirement
- 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 the **catch-up contribution** when you turn 55+

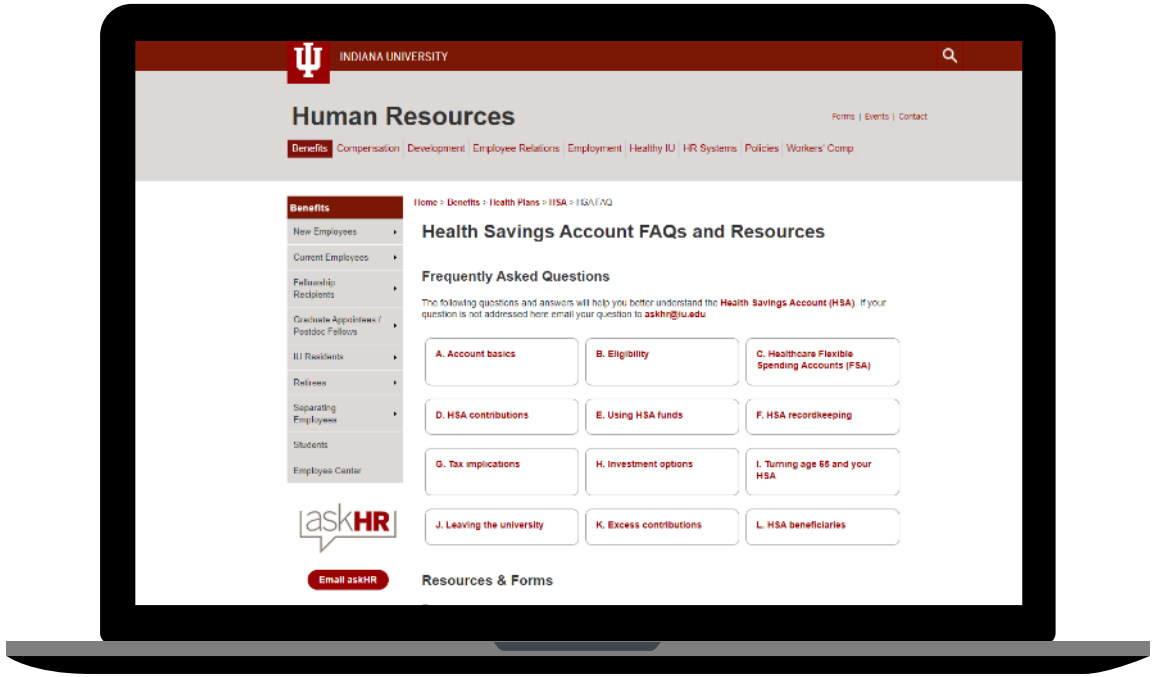
Tip #3: Make contributions **through payroll** to receive maximum tax breaks

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

Preparing for Retirement

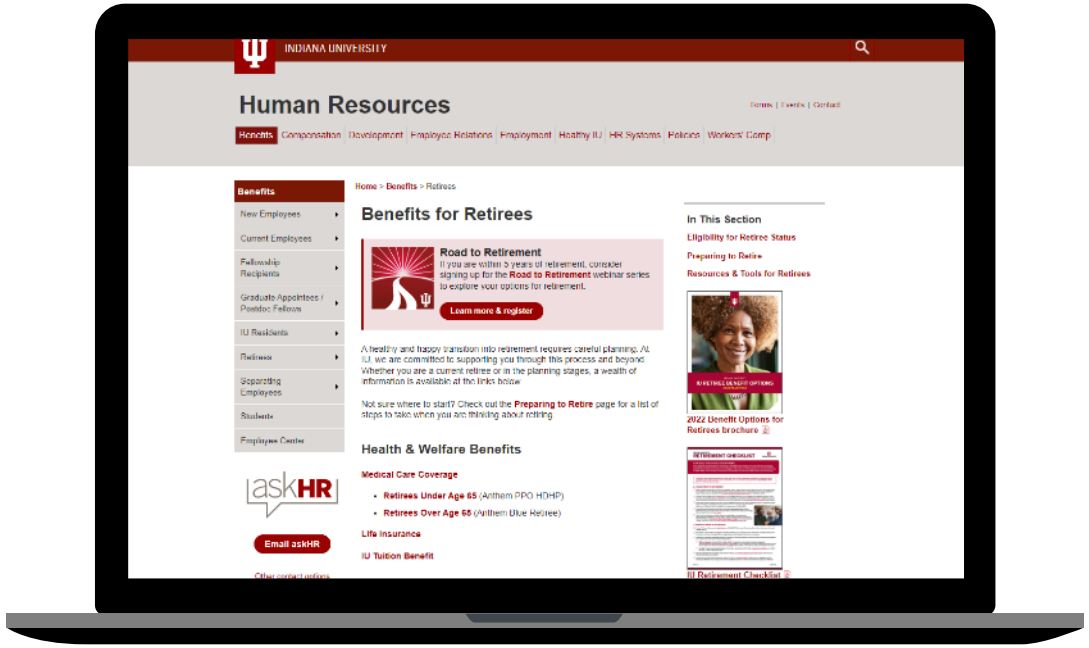
Retirement Preparation

- Sept. 30, 12pm ET – **Attend IU Retiree Status & Benefits presentation**
- 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
  - Meet with IU Dedicated Financial Consultants at Fidelity

Retirement Preparation

Review IU Human Resources Retiree website for:

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



hr.iu.edu/benefits/retirees.html

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 (IU retiree plan)
- 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 **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

- Transition 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 if you choose
- 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 Eligible)

Medicare Enrollment

OPTION 1 **Enroll at age 65**

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

Those receiving Social Security Income payments are 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 HSA contributions** (both yours & IU's)
  - Based on your Medicare *enrollment*
  - Not based on your Medicare *eligibility*
- 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 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 at age 70 when you *start* drawing Social Security)

- **Retain eligibility** for tax-free HSA contributions
- Must be in an **active group health plan** (IU medical plan)
- 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

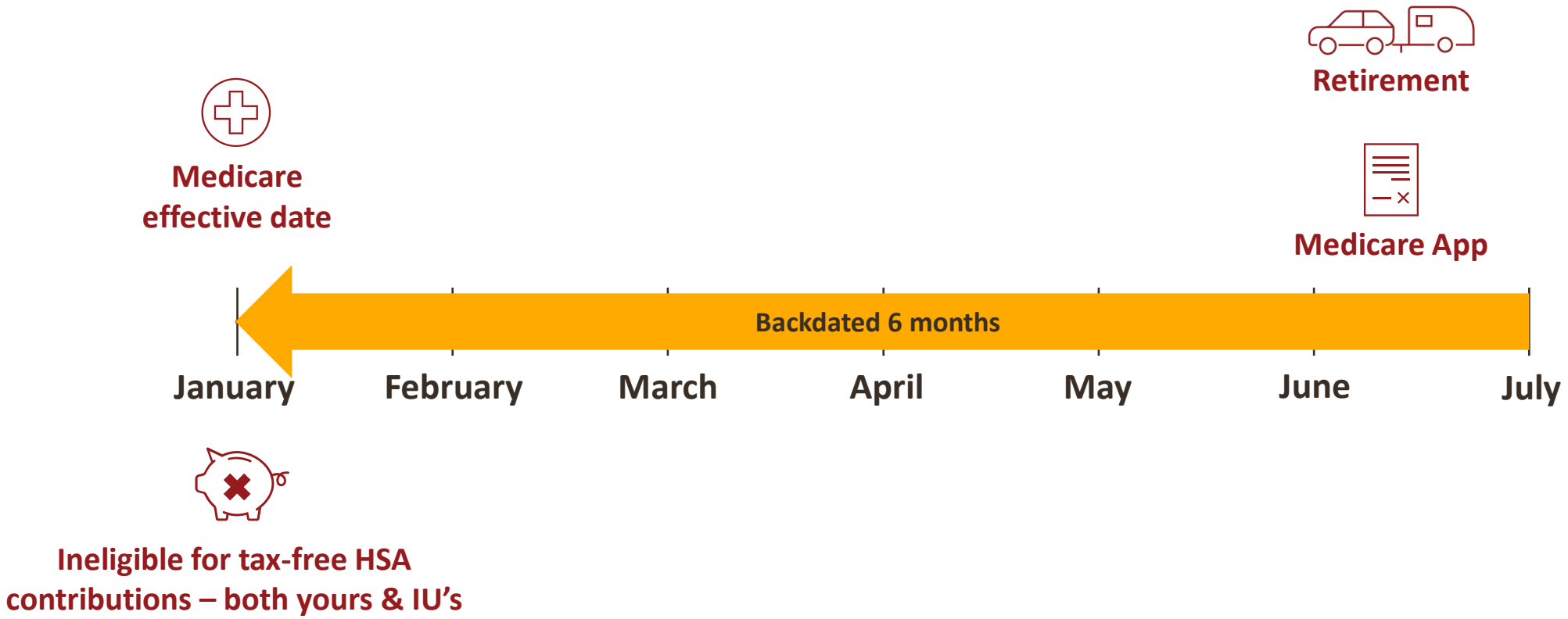
Social Security

Enrollment in Social Security will automatically enroll you in Medicare Part A

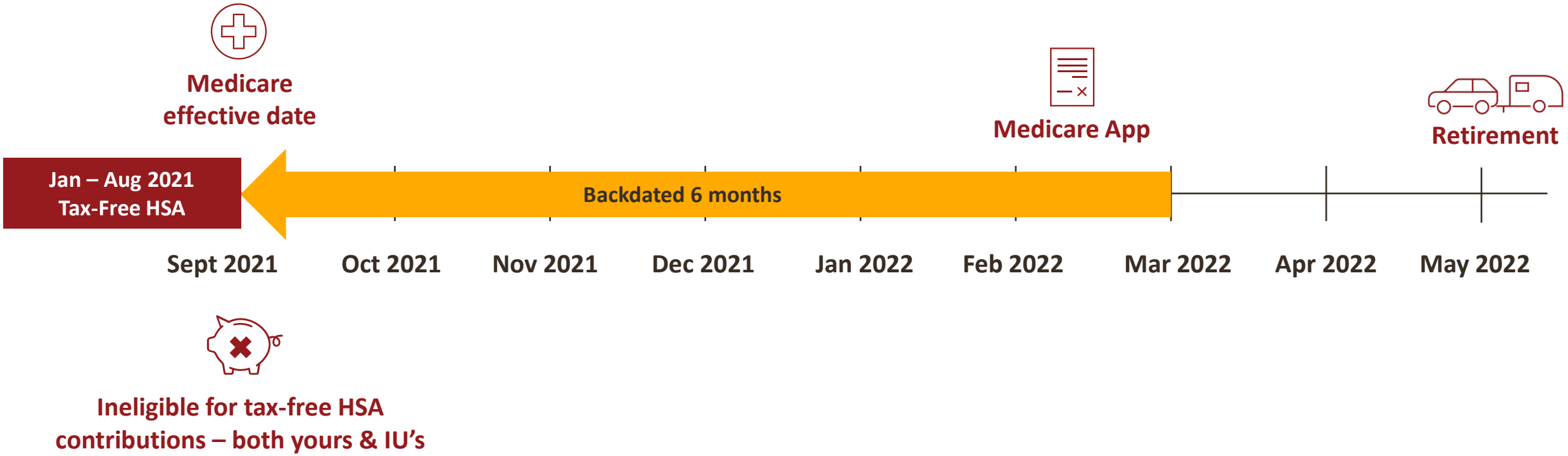
- You cannot postpone enrollment in Medicare once enrolled in Social Security
- You will be ineligible for tax-free contributions to an HSA (yours and IU's) once enrolled in Medicare

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.

Age 65+ Postponed Medicare



Age 65+ Postponed Medicare



Dealing with Excess Contributions

If you make excess contributions:

- Complete *HSA Distribution Request Form*:
  - Available at **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

SECTION 5

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 HSA account 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

Additional Uses for HSA at Age 65 & Up

NO penalty / PAY income taxes on other expenses

- Rent or mortgage payments
- Groceries or dining
- Recreational activities
- Vacations and travel
- Everyday living expenses

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

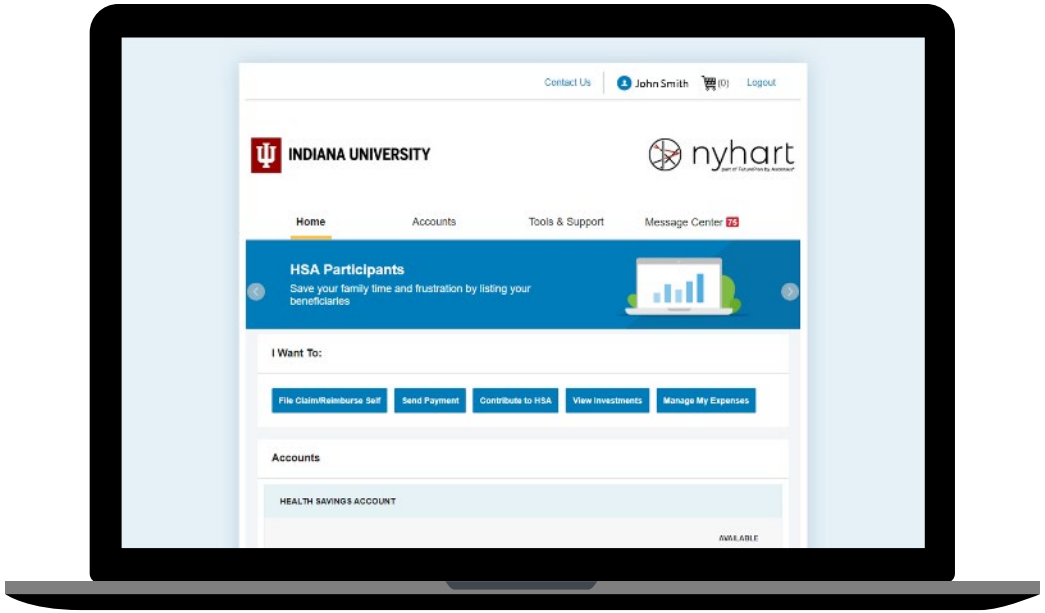
hr.iu.edu/benefits

Nyhart

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 expenses directly from account
- Manage investment account
- Annual tax forms (1099-SA & 5498-SA)
- View and update beneficiaries

iu.nyhart.com



Internal Revenue Service (IRS)

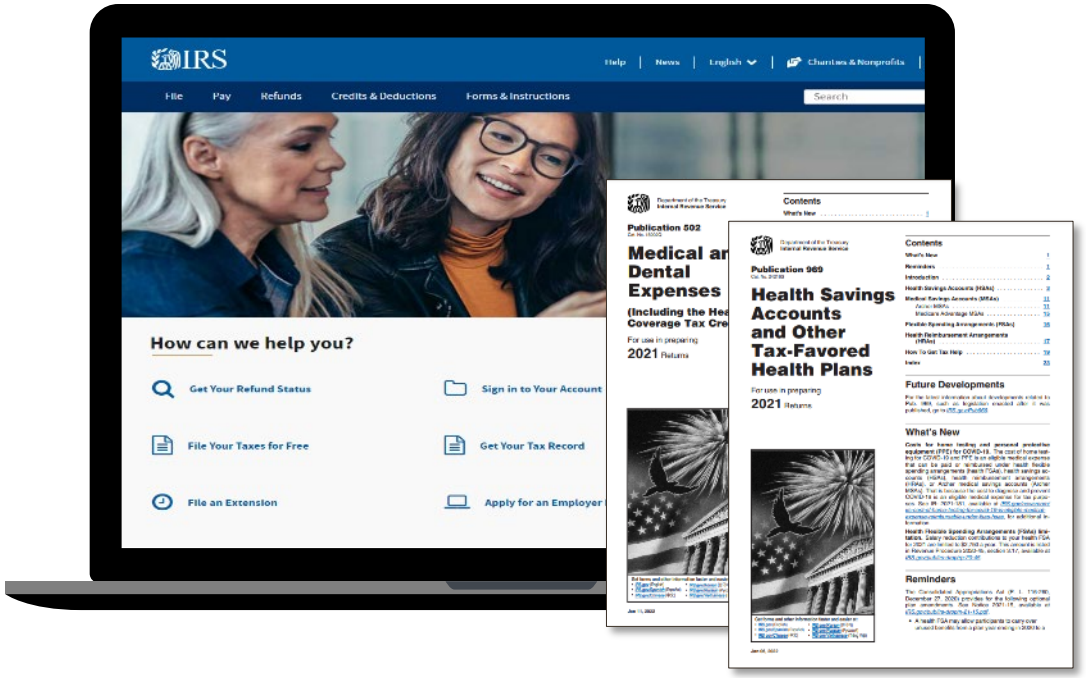
Publications:

- **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 7

Other Retirement Savings Opportunities

Supplemental Retirement Plans at IU

TDA
403(b)

457(b)

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**

Rollovers

IU TDA and IU 457(b) plans can accept funds rolled over from your:

- 401(a), 401(k), 403(b), Governmental 457(b), or IRA

Advantages of consolidating your accounts:

- Manage all your accounts and investments in one place
- Potential for fee reductions
- Easier for your beneficiaries to manage in the future

Beneficiaries

Name beneficiaries with the vendor, NOT in the IU Employee Center:

Nyhart (iu.nyhart.com)

- Health Savings Account (HSA)

Fidelity (netbenefits.com/indiana)

- Base retirement plan (except PERF)
- Each supplemental retirement plan

INPRS (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.

IU Human Resources

askHR

askhr@iu.edu | 812-856-1234

hr.iu.edu

ROAD TO RETIREMENT

PLANNING YOUR RETIREMENT FROM INDIANA UNIVERSITY

Thank You!

Questions?

ROAD TO RETIREMENT
PLANNING YOUR RETIREMENT FROM INDIANA UNIVERSITY