

The logo consists of the text 'Fi360' in a white, sans-serif font, centered within a white square border. The background of the entire image is a gradient from light orange at the top to dark red at the bottom.

Fi360

A Broadridge® Company

HSAs: How Advisors Can Help Connect Health and Wealth

Moderator:

Shelby George, JD, CEBS; CEO, Perspective Partners

Presenters:

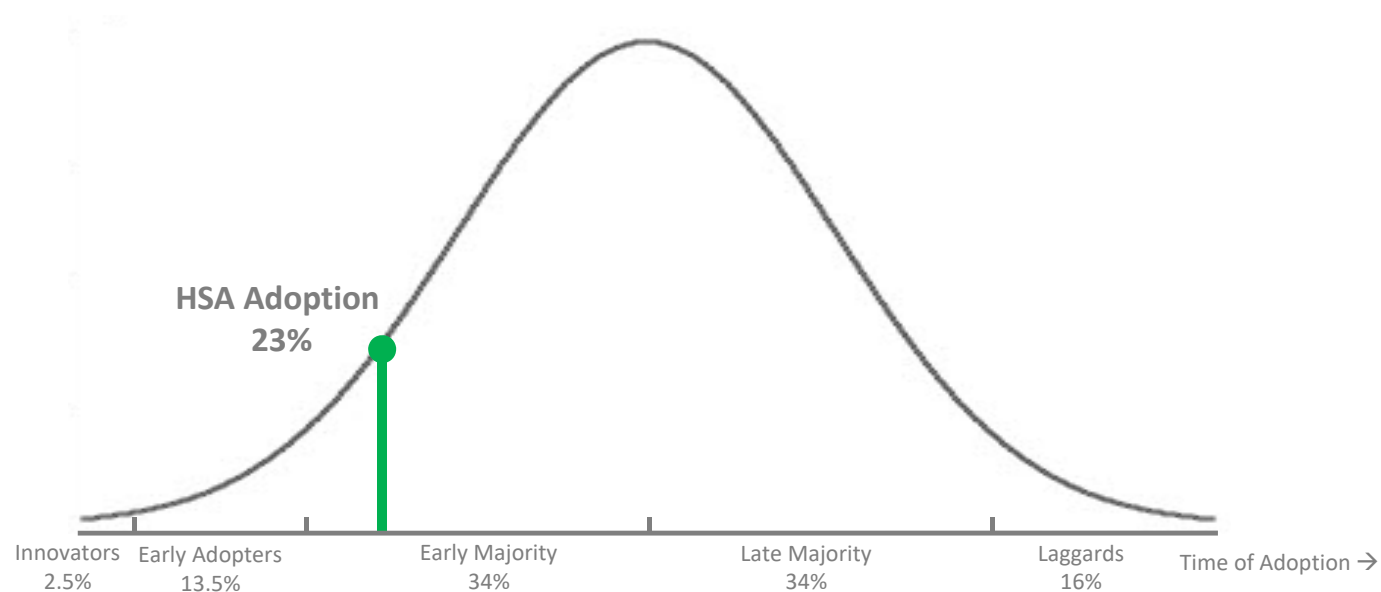
Kevin Robertson, Senior Vice President, HSA Bank
John Young, Senior Vice President, HSA Bank
Ann Brisk, Senior Vice President, HSA Bank

Agenda

- HSAs have hit the tipping point
- Real value of the HSA
- Current state of employer health insurance market
- Investments are an integral component of the HSA
- Future state of HSAs and HDHP

HSAs have hit the tipping point

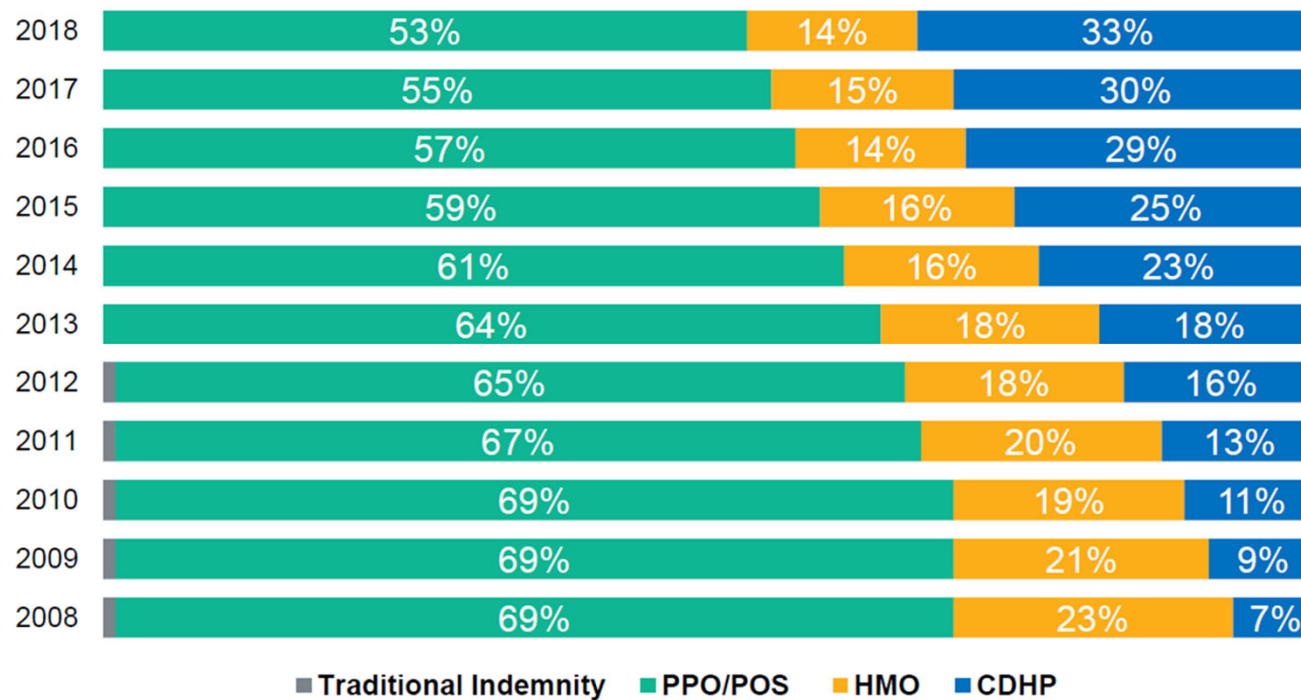
Adoption of HSAs



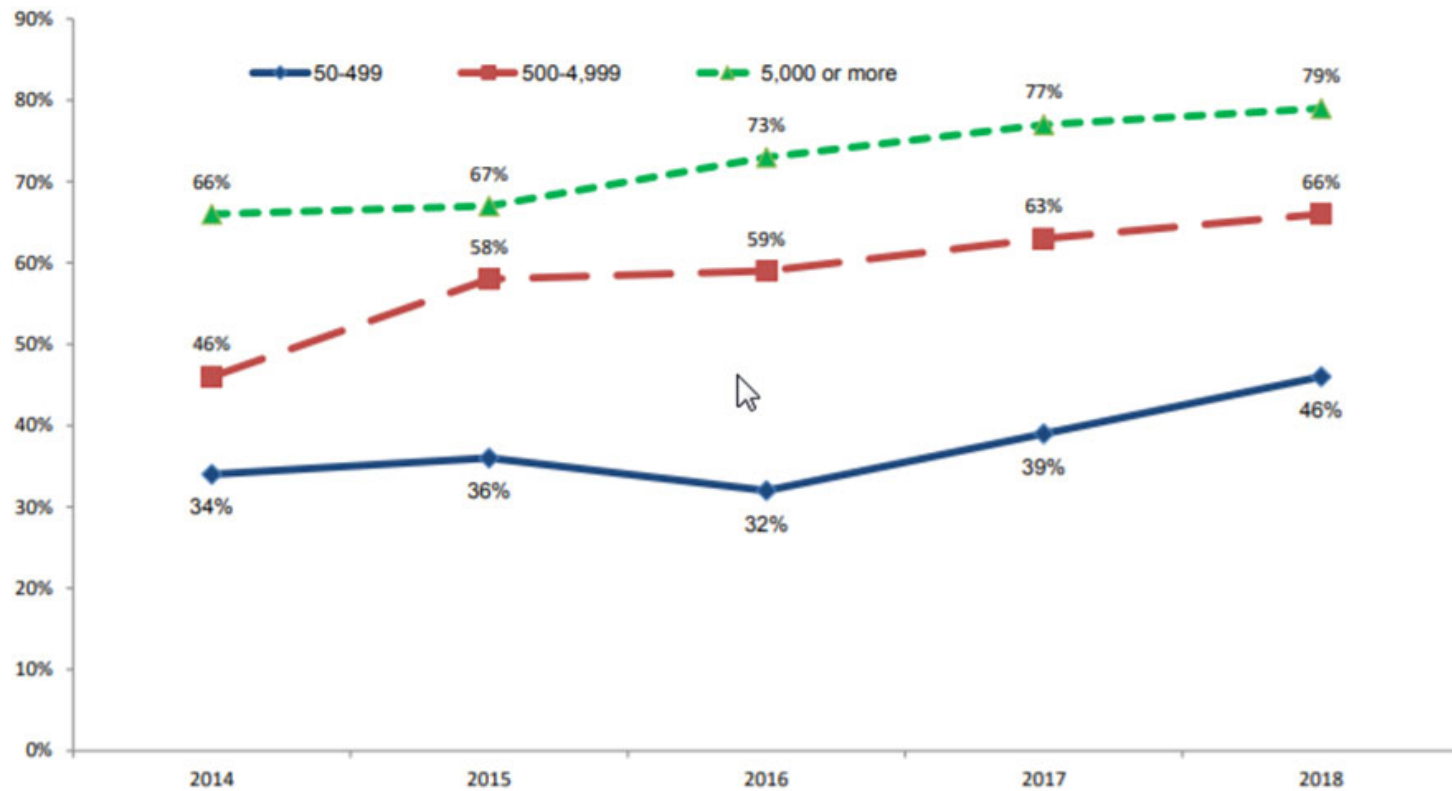
Source: The Kaiser Family Foundation and Health Research & Educations Trust. Employer Health Benefits 2019 Annual Survey. September 2019.

Mercer: Medical plan enrollment, 2008 – 2018

- Percent of all covered employees enrolled in each plan type:

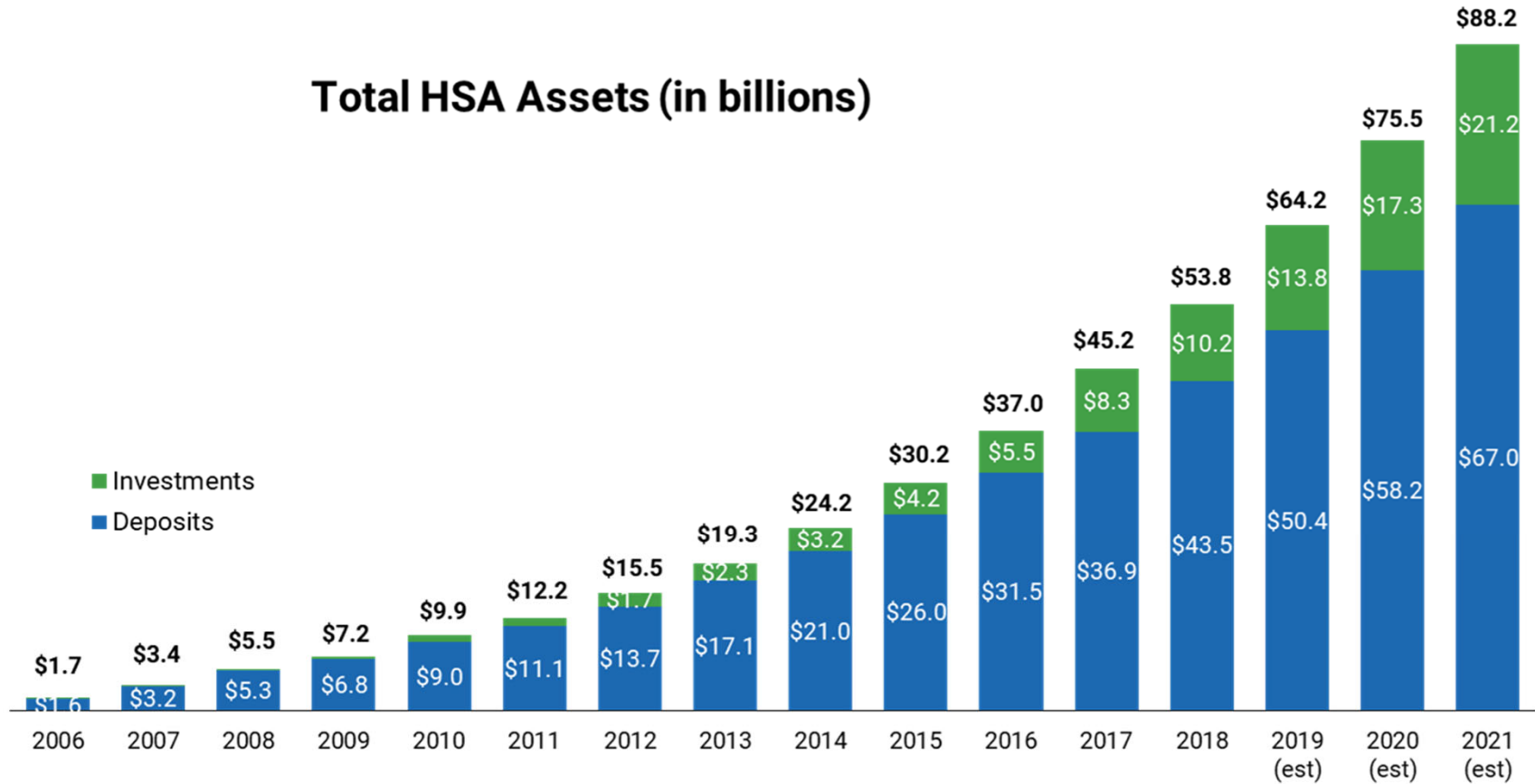


Employers Offering HSA-Eligible Health Plans or Health Reimbursement Arrangement, by Firm Size



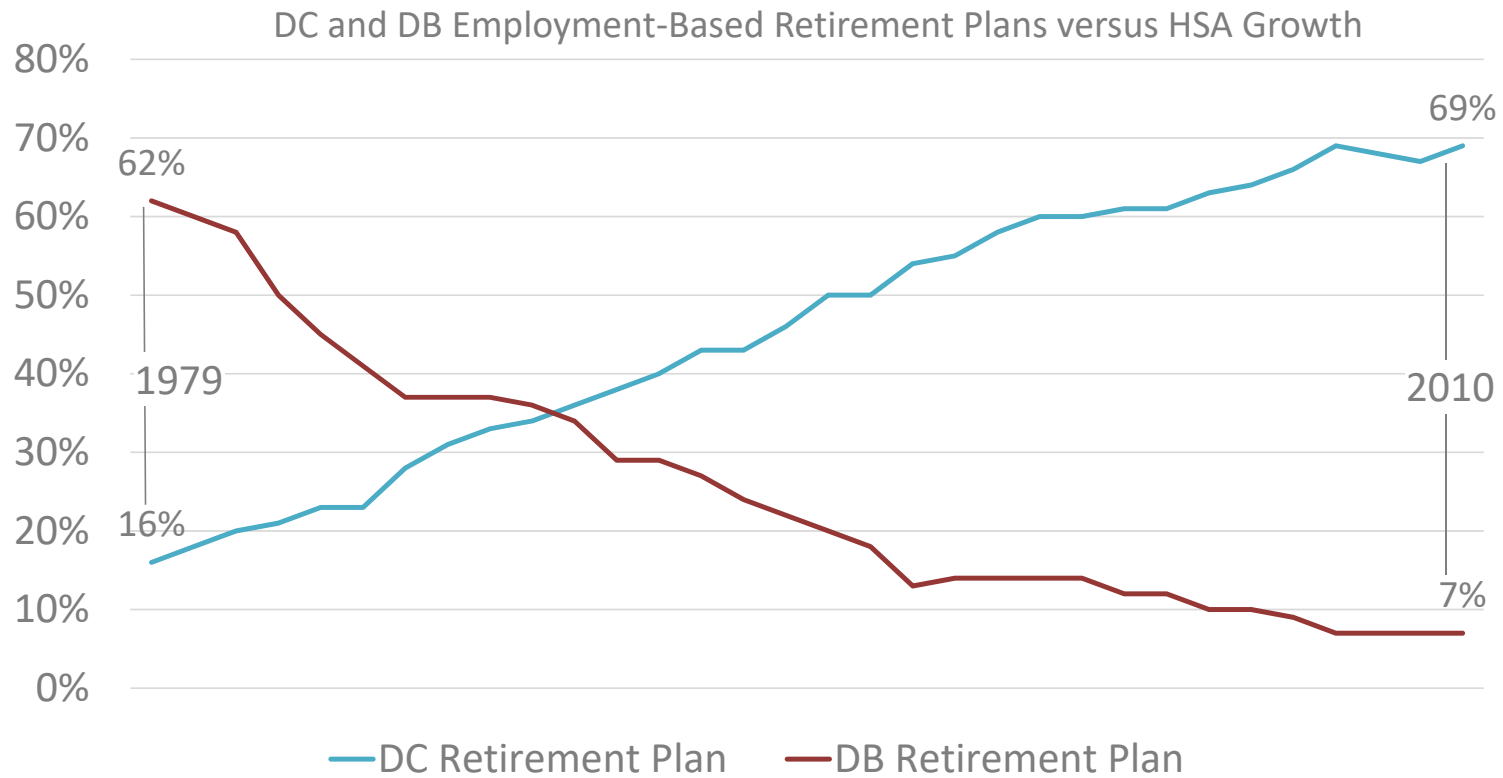
Source: Mercer.

Trending HSA data



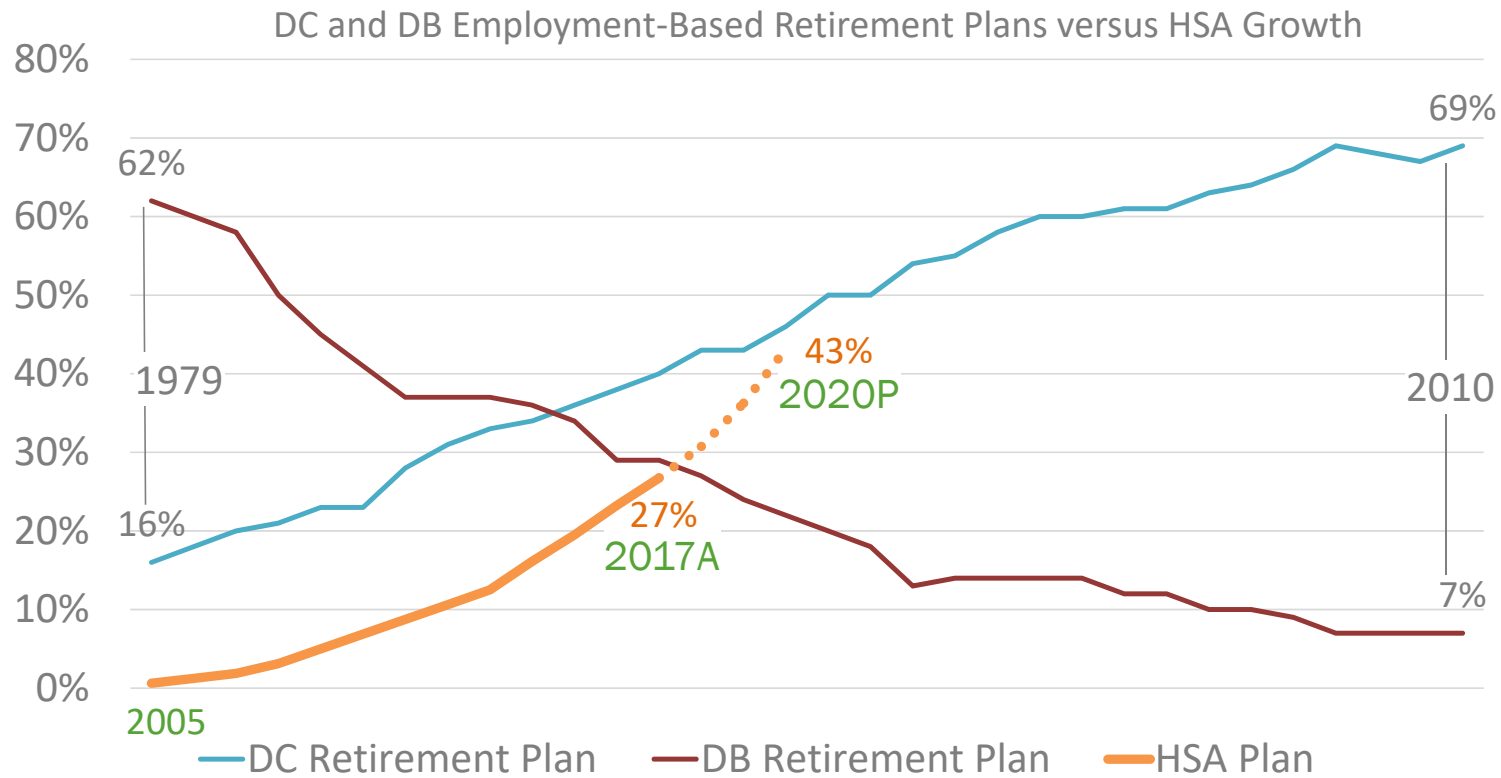
Source: Devenir Research

How fast are HSAs growing?



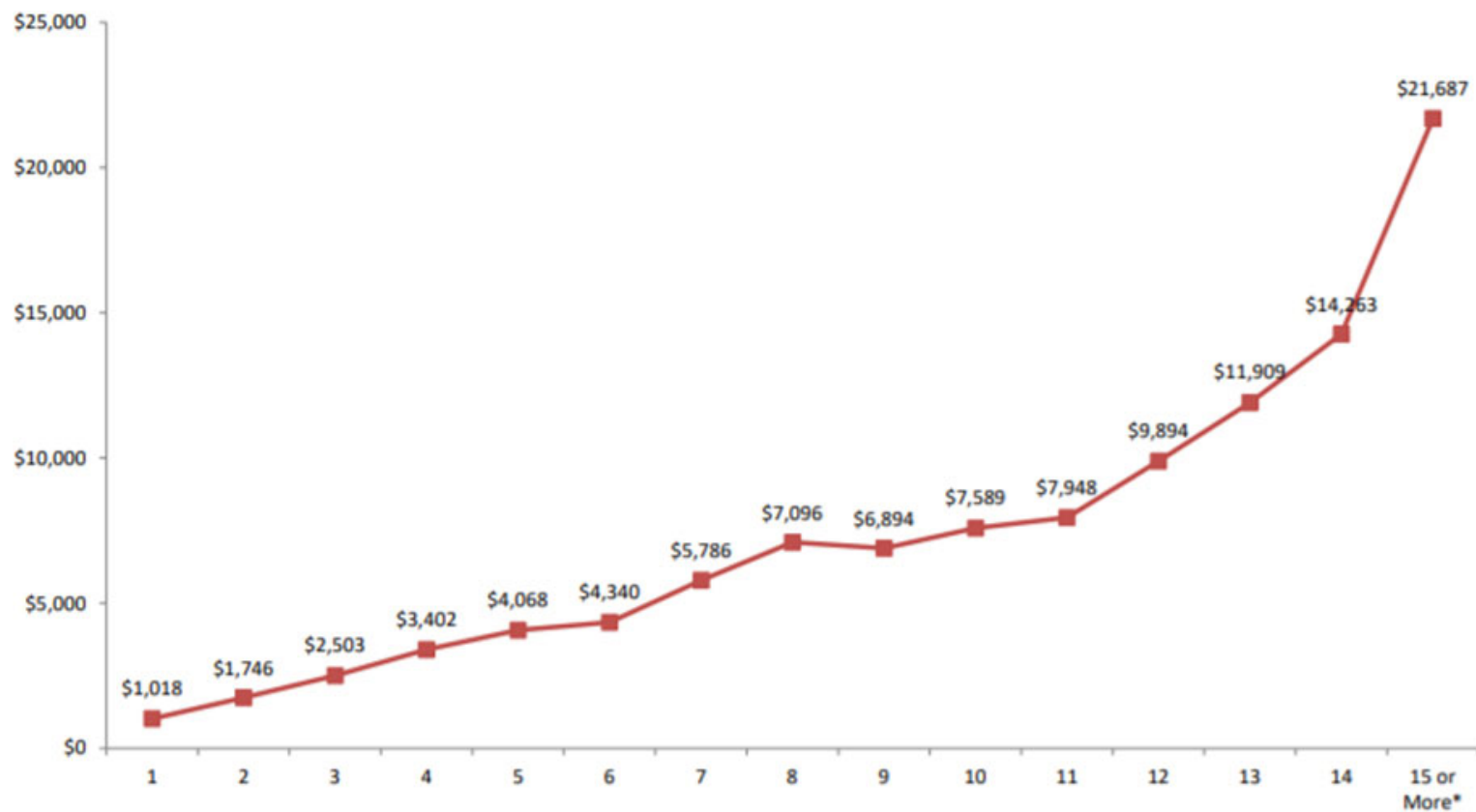
U.S. Department of Labor, Pension Benefit Guaranty Corp., EBRI, Aite Group

How fast are HSAs growing?



U.S. Department of Labor, Pension Benefit Guaranty Corp., EBRI, Aite Group

Average End-of-Year Account Balance, by Number of Years Account Was Opened, 2018



Source: EBRI HSA Database.

*Includes Archer Medical Savings Account (MSA) rollovers.

Real value of the HSA



THE HSA TRIPLE-TAX ADVANTAGE

Who is eligible to open an HSA?

If employees have a qualified High-Deductible Health Plan (HDHP) — either through their employer, through their spouse, or one they've purchased on their own — chances are they can open an HSA. Additionally:



They cannot be covered by any other non-HSA-compatible health plan, including Medicare Parts A and B.



They cannot be covered by TriCare.



They cannot have accessed their VA medical benefits in the past 90 days (to contribute to an HSA).



They cannot be claimed as a dependent on another person's tax return (unless it's their spouse).



They must be covered by the qualified HDHP on the first day of the month.

Powerful attributes of the HSA



Pay for Medicare premiums on a tax-qualified basis



Pay for qualified long-term care insurance premiums tax-free



Reimburse yourself for qualified medical expenses at any time (even years after the expense occurred)



Not subject to Required Minimum Distributions (RMDs)



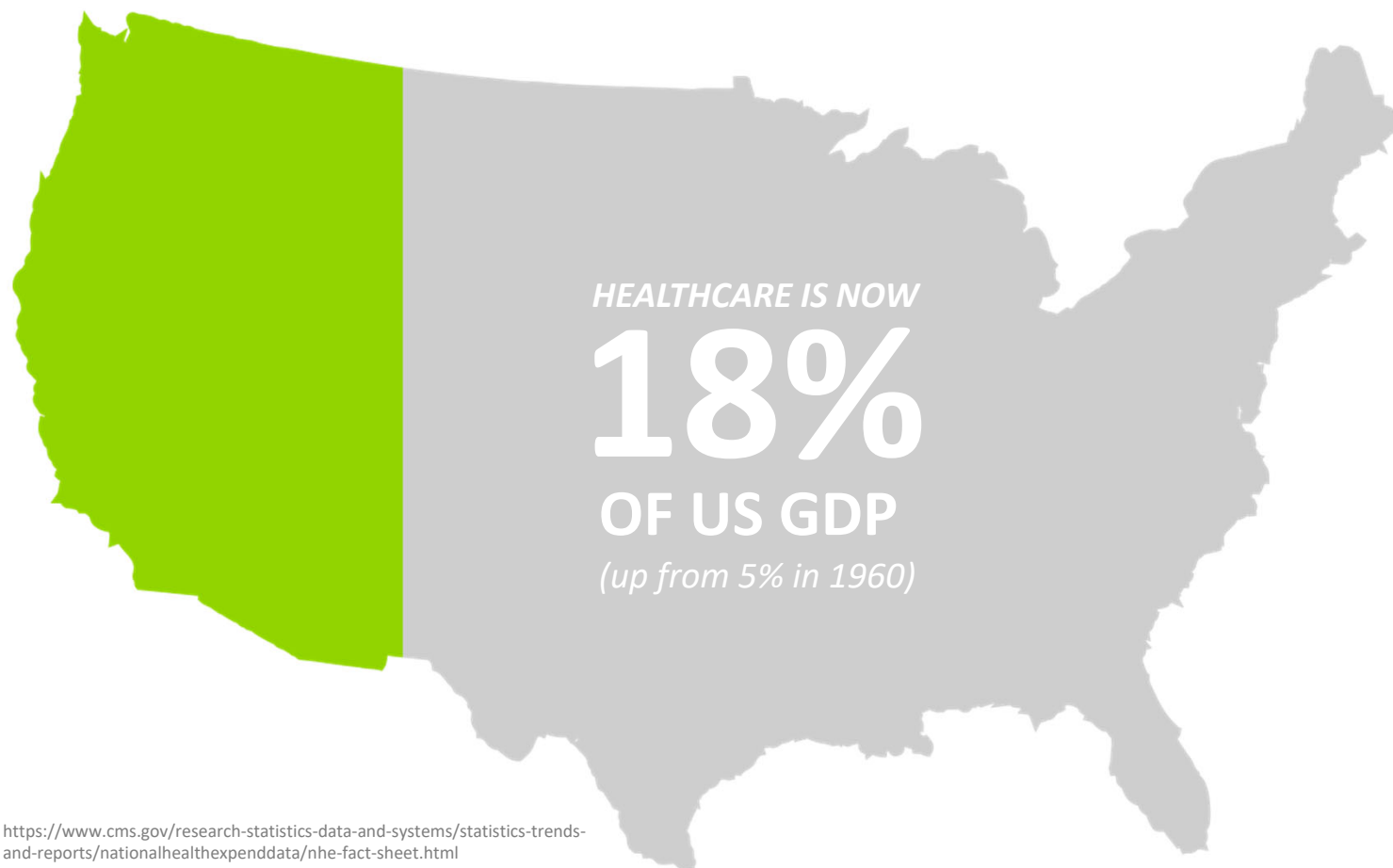
Funds not factored into income for Medicare means testing



2018 tax law changes = HSAs one of the only tax breaks left

Current state of employer health insurance market

Background – Macro healthcare trends



<https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nhe-fact-sheet.html>

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WHO IS PAYING FOR IT:

28.1% *Federal Government*

.....

28.0% *Households*

.....

19.9% *Private Business*

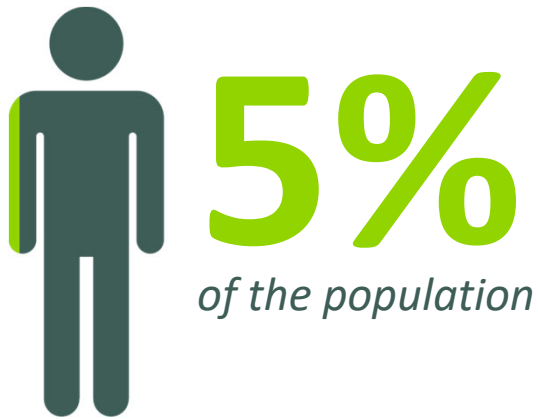
.....

17.1% *State and local governments*

.....

6.8% *Other private revenues*

Background – Macro healthcare trends



 **Healthiest 50% of population consumes only 3% of HC costs**

 **Emergency Room (ER) use: 20% of Americans each year**

 **Preventative engagement/utilization remains low**

 **17% of population has chronic condition; yet majority are asymptomatic**

<https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nhe-fact-sheet.html>

Background – Macro healthcare trends

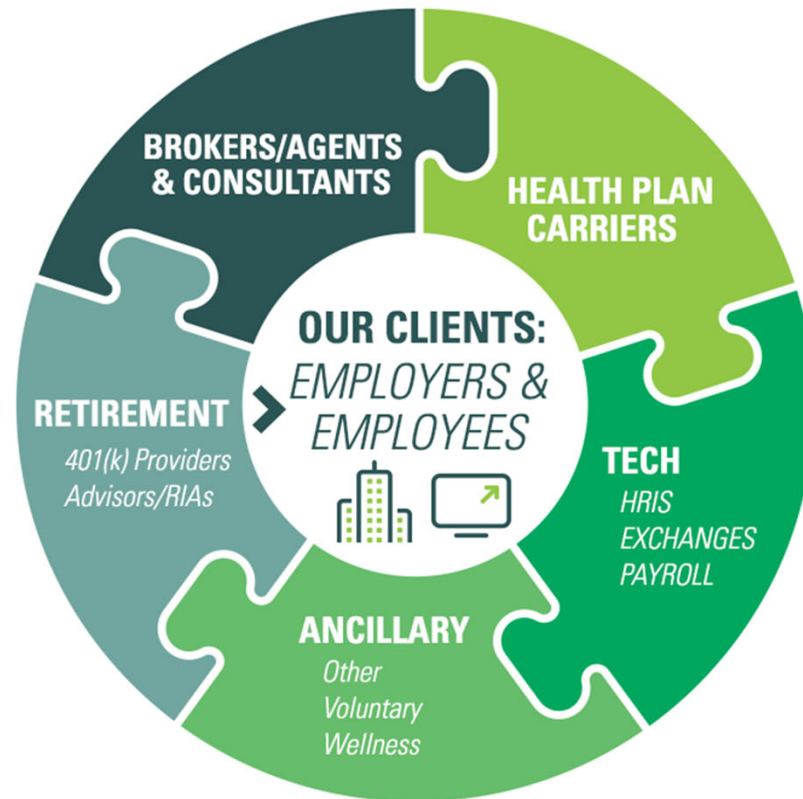
Generational and consumer engagement differences

- ✓ **Significant differences in engagement across board**
- ✓ **Nutritional habits, smoking, and obesity are top drivers of health and related costs**
- ✓ **Vast majority of US population are not economically prepared for retirement**



<https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nhe-fact-sheet.html>

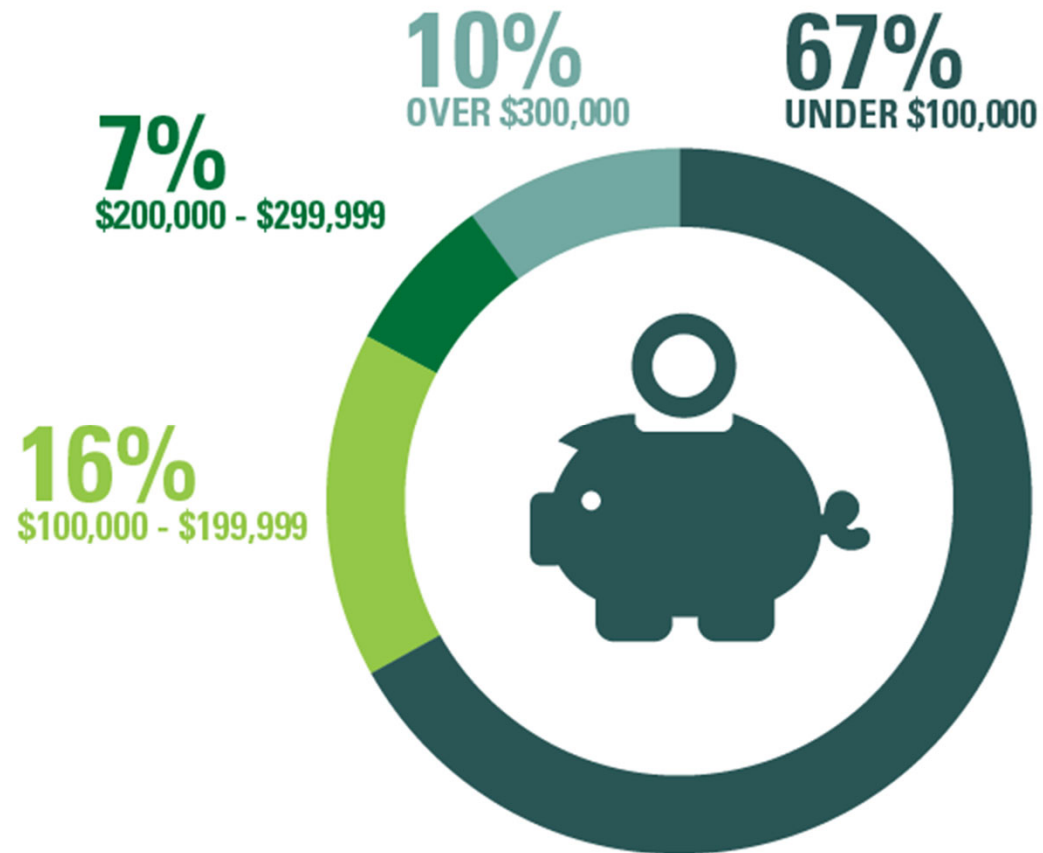
Employee benefits landscape



75%
OF EMPLOYERS
*view HSAs as part of
their retirement benefits*

“Health Savings Accounts and Retirement Plans.” *Plan Sponsor Council of America*. 2017. *Plan Sponsor Council of America*. 18 July 2017.
https://www.psc.org/survey_HSA_2017

Consumers underestimate retirement healthcare needs



The retirement savings gap

\$360,000
NEEDED IN RETIREMENT
TO COVER HEALTHCARE COSTS¹

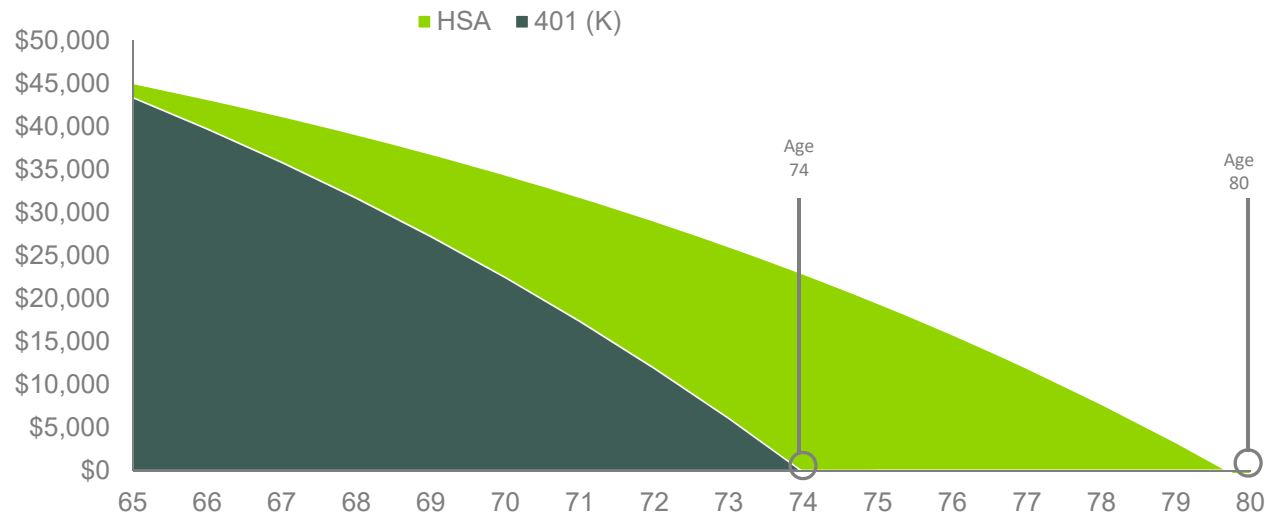
40% **OF CONSUMERS NEVER SAVE**
MONEY SPECIFICALLY FOR
FUTURE HEALTHCARE EXPENSES²

¹ "HealthView Services 2018 Retirement Healthcare Costs Data Report." *HealthView Services*. 9 May 2019. <http://www.hvsfinancial.com/wp-content/uploads/2018/09/2018-Retirement-Health-Care-Costs-Data-Report.pdf>

² "HSA Bank Health and Wealth IndexSM." *HSA Bank*. March 19, 2019. <http://www.hsabank.com/hsabank/learning-center/index2019>

HSA money lasts longer in retirement: Impact of tax-free withdrawals

WITHDRAWING \$5,000/YEAR, STARTING AT 65, FROM A \$50,000 BALANCE



Assumes 7% annual return, 25% tax bracket, and that distributions are used for health care expenses

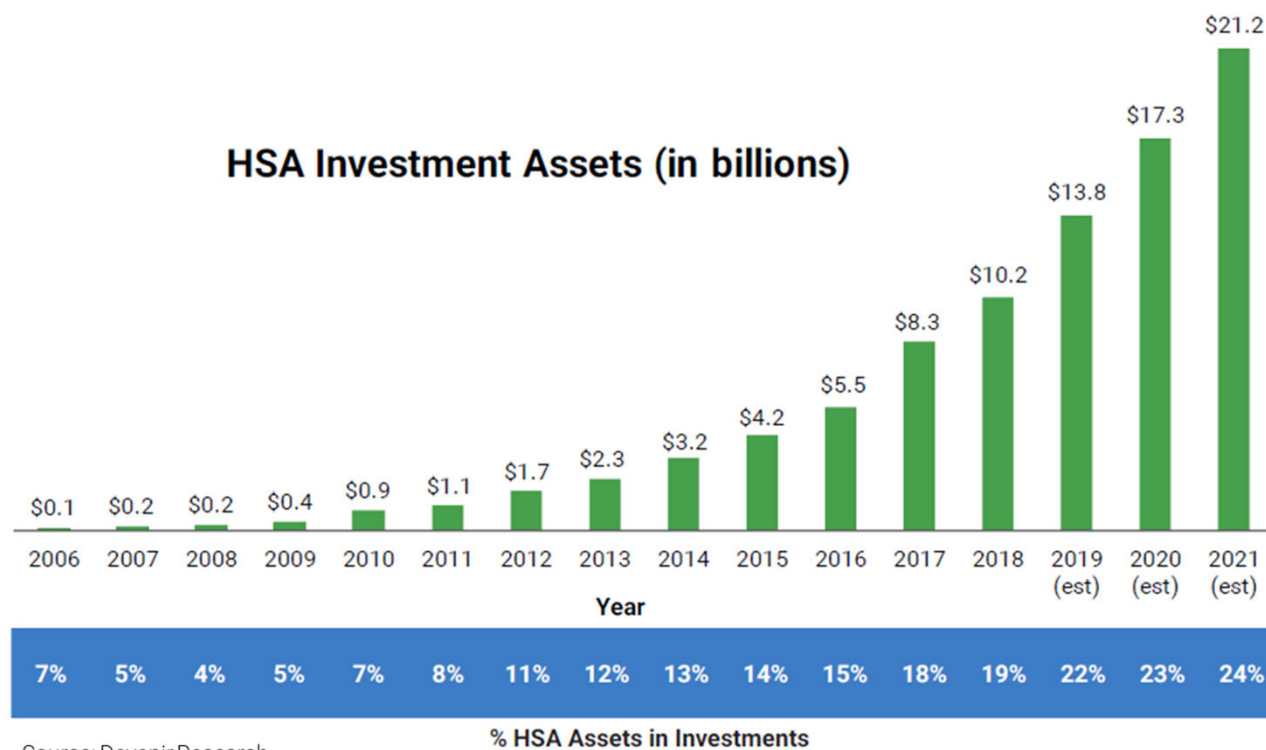
Investments are
an integral component
of the HSA

Average account balances



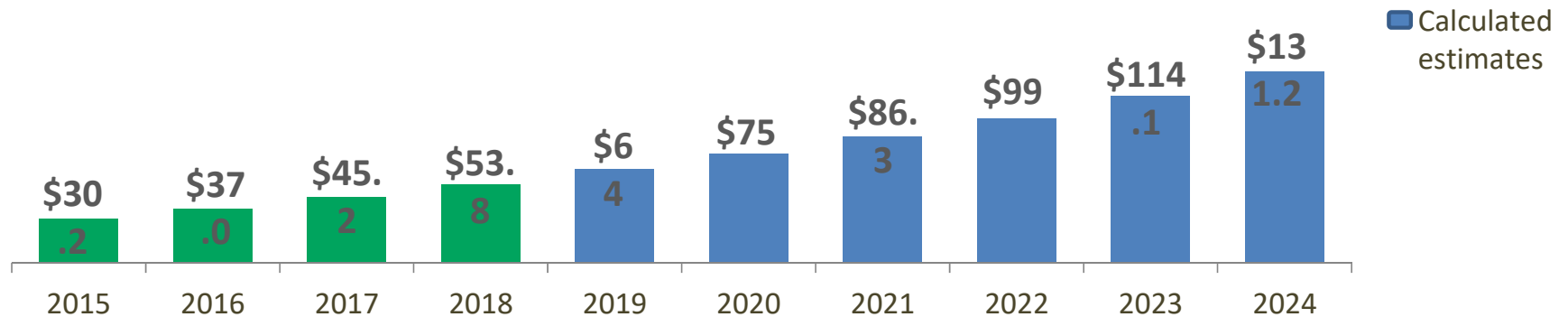
“2018 Year-End HSA Market Statistics & Trends.” *Devenir Research*. February 27, 2019.

Investment data



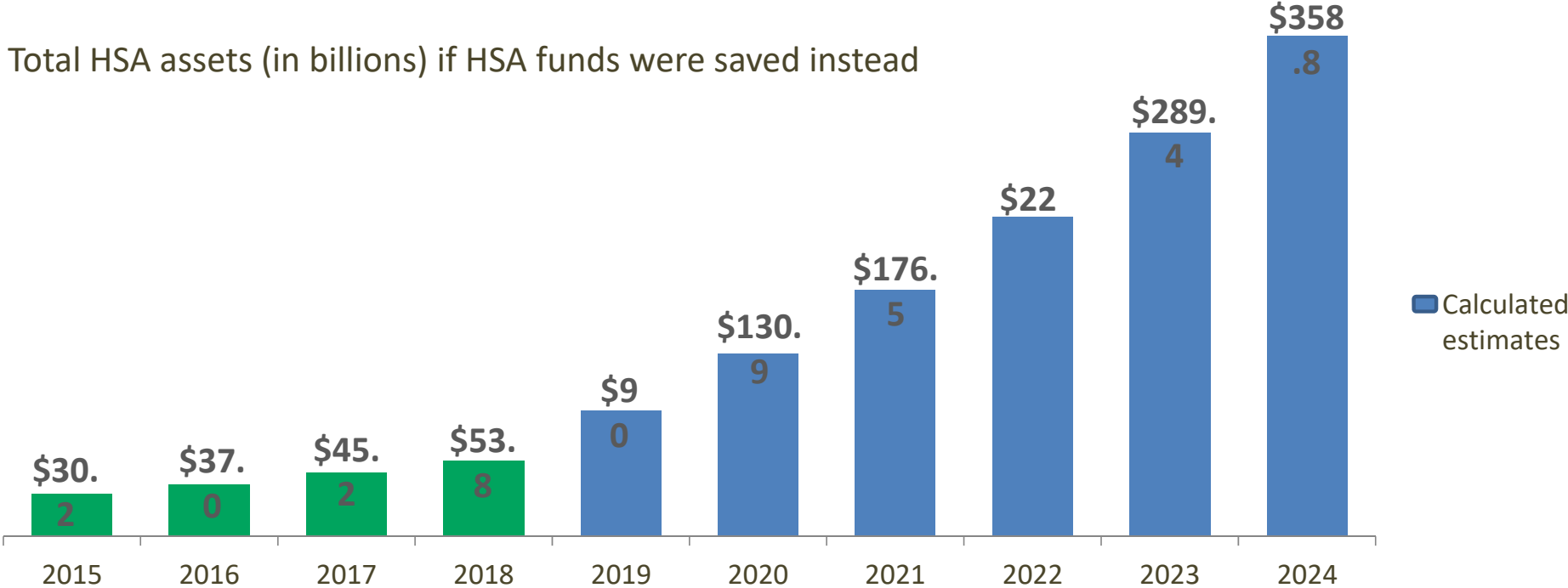
The power of saving vs. spending

Total HSA assets (in billions) if current spending trends continue



The power of saving vs. spending

Total HSA assets (in billions) if HSA funds were saved instead



HSAs and 401(k)s paired together

For tax-year 2020, when combining a 401(k) and an HSA, a 55-year-old with family medical coverage would be able to save up to \$33,600 per year.



Increased savings with HSA and 401(k)

88%

of HSA participants who started contributing to their HSA maintained or increased their 401(k) savings after their HSA enrollment.

2.4%

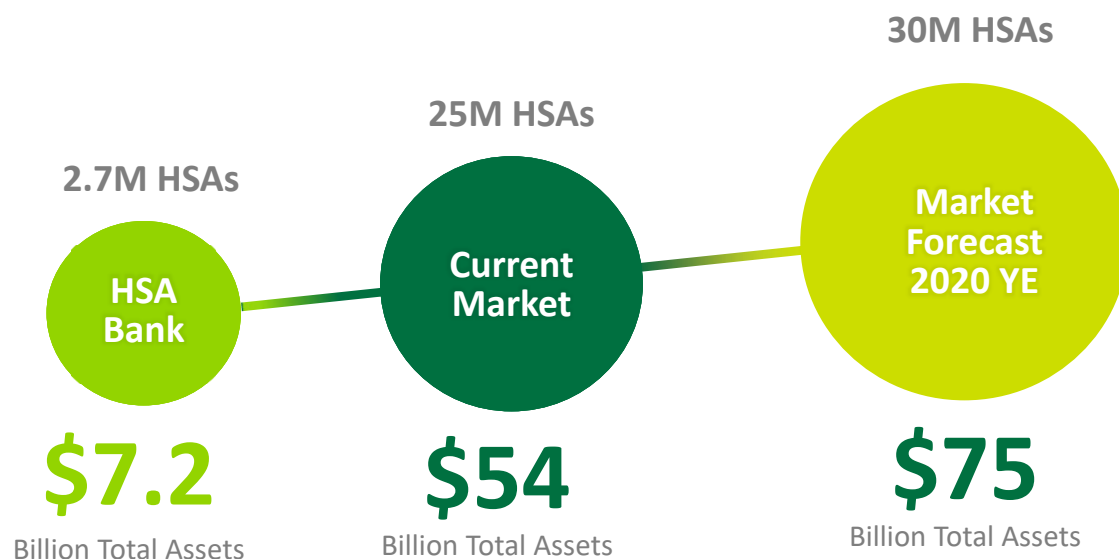
higher savings rates for employees with both a 401(k) and HSA.

21%

more employees contributed to both a 401(k) and HSA in 2016, compared to 2014.

Future state of HSAs and HDHP

Trends and opportunities in 2020 and beyond



Additional potential for growth

155
million privately insured
Americans

43
million Medicare
participants

Source: 2018 Year-End Devenir HSA Research Report, Kaiser Family Foundation, HSA Bank January, 2018 data

Summary and Wrap Up

- HDHPs and HSAs are here to stay – these plans are not a fad
- Your employer clients want and need help with their HSA plans
- Participants need education on the long term benefits of the HSA and better investment solutions
- The sooner you start talking to your clients about their HSA program, the sooner you will be comfortable talking to them about these valuable accounts
- HSA Bank can help you with all aspects of offering an HSA program to your clients
- Now get out there and get started!

Contact us

Visit us at:

www.hsabank.com/advisorwebinar

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Q & A

Please submit any questions using the GoToWebinar interface

Additional questions can also be sent to support@fi360.com

THANK
YOU
