THE COMPLETE HSA CHEAT SHEET

How Health Savings Accounts work—today, over time, and in retirement

Updated for 2026 federal rules

The one-sentence explanation

An HSA is your individually owned, tax-advantaged account for eligible healthcare expenses. Unused money stays yours, can be invested, and can support healthcare costs for the rest of your life.

Why people love HSAs

Benefit	What it means
Tax-deductible or pre-tax contributions	Eligible contributions may reduce taxable income; payroll contributions generally also avoid Social Security and Medicare taxes.
Tax-deferred growth	Interest, dividends, and investment growth are not federally taxed while in the account.
Tax-free qualified withdrawals	Pay eligible medical expenses for yourself, your spouse, and tax dependents without federal income tax.
No use-it-or-lose-it rule	The balance rolls over every year, with no federal deadline to spend it.
Portable and individually owned	The account stays with you if you change jobs, insurers, health plans, or retire.
Long-term flexibility	After age 65, nonmedical withdrawals avoid the 20% penalty and are taxed like traditional IRA withdrawals.

1. HSA basics: account vs. insurance plan

An HSA is a bank or investment account—not health insurance. To put new money into an HSA, you generally must have qualifying HSA-compatible health coverage and meet the other eligibility rules. The health plan determines what insurance pays; the HSA is your money to save, spend, or invest.

Feature	HSA	Health FSA
Who owns it?	You	Usually the employer plan
Does money roll over?	Yes—entire balance	Only if the employer plan permits a limited carryover or grace period
Portable?	Yes	Generally no
Can it be invested?	Often, depending on custodian	No
Must you remain eligible to spend it?	No	Plan rules control
Typical funding access	Only money already contributed	Annual election may be available up front

2. Who may contribute?

For a particular month, you are generally HSA-eligible if, on the first day of that month, all of the following are true:

- You are covered by an HSA-qualified high-deductible health plan (HDHP)—or another plan treated as HSA-compatible under federal law.
- You have no disqualifying health coverage. Certain permitted insurance and coverage, such as dental, vision, accident, disability, and specified-disease coverage, may coexist with an HSA.
- You are not enrolled in Medicare. Being eligible for Medicare is not the same as being enrolled.
- You cannot be claimed as another person's tax dependent for that year.

2026 expansion

Beginning January 1, 2026, Bronze and catastrophic plans in the individual market are treated as HSA-compatible—even when they do not meet the traditional HDHP design rules. Qualifying direct primary care arrangements may also coexist with HSA eligibility, and eligible fees may be paid from an HSA. Telehealth and remote-care coverage may be provided before the deductible without disrupting HSA eligibility.

Coverage that commonly causes trouble

- A spouse's general-purpose health FSA that can reimburse your expenses—even if you never use it.
- A general-purpose HRA or other non-HDHP medical coverage that pays benefits before the HDHP deductible.
- Medicare Part A, B, C, or D enrollment, including retroactive Part A coverage.
- TRICARE coverage. VA benefits require special review; rules may differ for service-connected care.
- Changing plans midyear. Eligibility and contribution limits are usually calculated month by month.

3. 2026 numbers at a glance

2026 federal amount	Self-only	Family
Maximum HSA contribution	$4,400	$8,750
Minimum HDHP deductible*	$1,700	$3,400
Maximum HDHP out-of-pocket*	$8,500	$17,000
Age 55+ catch-up	$1,000 extra per eligible person	$1,000 extra per eligible person

**Traditional HDHP design limits. Special 2026 treatment applies to qualifying individual-market Bronze and catastrophic coverage. Your insurer's plan documents should state whether a plan is HSA-compatible.*

The family limit is shared

All contributions made for one eligible person—including employer money, payroll contributions, and personal deposits—count toward that person's annual limit. Married spouses with family HDHP coverage share the family limit. Each spouse age 55+ must place their own $1,000 catch-up contribution in an HSA in that spouse's own name.

4. Putting money into the HSA

Ways to contribute

- Employer payroll: Often the most tax-efficient route because qualifying cafeteria-plan payroll contributions generally avoid federal income tax, Social Security tax, and Medicare tax.
- Employer contribution: Tax-free to you, but it counts toward your annual limit.
- Direct personal contribution: Generally deductible on your federal return even if you do not itemize, subject to eligibility and limits.
- One-time qualified HSA funding distribution from an IRA: Allowed only under strict lifetime and testing-period rules; it counts toward the annual HSA limit. Get tax guidance first.

Timing and partial-year eligibility

- You may generally make contributions for a tax year through the federal tax-filing deadline for that year, excluding extensions. Tell the custodian which tax year the deposit applies to.
- If eligible for only part of the year, your limit is usually prorated by eligible months.
- The last-month rule may allow a full-year contribution if you are eligible on December 1, but you must remain eligible through the testing period (generally through the following December 31). Losing eligibility may make part of the contribution taxable and subject to an additional tax.
- Excess contributions can trigger a 6% excise tax for each year they remain uncorrected. Contact the custodian and a tax professional promptly.

Simple contribution example

Family coverage

Maria has family HSA-compatible coverage for all of 2026. Her employer contributes $1,500. The family maximum is $8,750, so Maria and/or her spouse may generally add a combined $7,250 more for 2026. If Maria is 55 and her spouse is 53, Maria may also add her own $1,000 catch-up to an HSA in her name.

5. Using HSA money tax-free

A distribution is federally tax-free when it pays or reimburses qualified medical expenses incurred after the HSA was established, for you, your spouse, or qualifying tax dependents. The person receiving care does not generally need to be covered by your HDHP.

Commonly eligible	Usually not eligible
Deductibles, copays, coinsurance	Health insurance premiums, except specific federal exceptions
Doctor, hospital, urgent care, lab and imaging	General fitness or wellness expenses without a qualifying medical purpose
Dental care, orthodontia, dentures	Cosmetic procedures that do not treat disease, injury, or deformity
Vision exams, glasses, contacts, LASIK	Vitamins and supplements for general health

Prescription drugs, insulin, and eligible OTC medicines	Childcare, household help, or personal-use items
Menstrual-care products and many medical supplies	Expenses already reimbursed by insurance, an FSA/HRA, or another source
Mental-health treatment and substance-use treatment	Expenses claimed as an itemized medical deduction
Qualified long-term-care services and limited eligible premiums	Expenses incurred before the HSA was established

Not an exhaustive list. Eligibility depends on federal tax law and the purpose of the expense. IRS Publication 502 is a useful starting point, but HSA rules contain important differences—including eligible over-the-counter medicines and menstrual-care products.

Insurance premiums: the important exceptions

HSA money generally cannot pay ordinary health insurance premiums tax-free. Federal exceptions include:

- COBRA continuation coverage.
- Health coverage while receiving federal or state unemployment compensation.
- Qualified long-term-care insurance premiums, up to age-based federal limits.
- After the HSA owner reaches age 65: Medicare premiums and other health coverage premiums, but not Medicare Supplement (Medigap) premiums. Special rules apply to employer-sponsored premiums and a spouse’s Medicare premiums.

6. Receipts, reimbursement, and taxes

The receipt strategy

There is no federal requirement to reimburse yourself in the same year as the medical expense. If the expense occurred after the HSA was established, you can pay out of pocket, keep proof, let the HSA grow, and reimburse yourself later—under current law.

Keep	Why
Itemized receipt or provider statement	Shows what care or item was purchased, for whom, and when
Explanation of Benefits (EOB)	Shows insurance responsibility and your patient responsibility
Proof of payment	Shows you actually paid the expense
Reimbursement log	Prevents accidental double reimbursement
Letter of medical necessity, when applicable	Supports items that qualify only when treating a diagnosed condition

Three rules prevent double-dipping

The expense must not have been reimbursed elsewhere, claimed as an itemized medical deduction, or previously reimbursed from the HSA. Your HSA custodian usually does not determine whether each purchase is qualified—you are responsible for substantiation.

Tax reporting

- Form 5498-SA reports HSA contributions. It may arrive after you file because contributions can continue through the tax deadline.
- Form 1099-SA reports distributions from the HSA.
- Form 8889 is generally filed with your federal return to report eligibility, contributions, deductions, and distributions.
- Nonqualified withdrawals are included in federal taxable income and generally face an additional 20% tax before age 65. After age 65—or upon disability or death—the 20% additional tax generally does not apply, though income tax may still apply.

7. Saving and investing for the future

You do not have to choose between "spend now" and "save forever." Many people keep a cash cushion for near-term medical costs and invest amounts they are unlikely to need soon. Investment options, minimum cash balances, fees, and risks vary by HSA custodian.

Approach	Best fit	Tradeoff
Spend as needed	Cash flow is tight or medical costs are frequent	Immediate tax-free help, but less time for growth

Cash reserve + invest the rest	Want flexibility and long-term growth	Requires choosing a reserve and accepting investment risk
Pay out of pocket + save receipts	Can comfortably cover today's costs	Maximizes potential compounding; requires excellent records

Illustration—not a promise

If $4,400 were contributed at the end of every year for 20 years and earned a hypothetical 6% annually, the account could grow to about $161,800. Actual returns, fees, contribution limits, tax laws, and investment performance will vary; investments can lose value.

Why an HSA can be powerful in retirement

- No federal required minimum distributions during the owner's lifetime.
- Qualified medical withdrawals remain tax-free at any age.
- After 65, Medicare premiums (but not Medigap premiums) may generally be reimbursed tax-free.
- After 65, nonmedical withdrawals are taxable but no longer carry the 20% additional tax—similar to a traditional IRA withdrawal.
- Saved receipts from earlier qualified expenses can create future tax-free reimbursement opportunities under current law.

8. Medicare: stop contributions at the right time

You may keep and use your HSA after Medicare begins, but you cannot contribute for months you are enrolled in Medicare. This includes Part A, even when premium-free.

- If you apply for Medicare after age 65, Part A coverage may be retroactive up to six months, but not earlier than the month you turned 65. To avoid excess HSA contributions, many people stop contributions at least six months before applying for Social Security or Medicare. Individual timing can differ—coordinate before acting.
- If you delay Medicare because you have qualifying active-employer coverage, you may remain HSA-eligible if all other rules are met. COBRA and retiree coverage do not protect you from Medicare late-enrollment penalties in the same way active-employer coverage may.
- Enrolling in Social Security at or after 65 generally triggers Medicare Part A enrollment, including possible retroactive coverage.

Plan ahead

Talk with us several months before retirement, Social Security enrollment, or Medicare enrollment. HSA contribution timing and Medicare effective dates need to be coordinated—not guessed.

9. Moving an HSA and naming beneficiaries

Transfers and rollovers

- Trustee-to-trustee transfer: Money moves directly between HSA custodians. It is generally not limited to once per year and is not a taxable distribution.
- 60-day rollover: You receive the money and redeposit it into another HSA within 60 days. Generally limited to one HSA rollover in a 12-month period. Missing the deadline can make it taxable.
- Moving money does not create extra contribution room. Compare fees, cash requirements, investment choices, and service before switching.

Death and beneficiaries

- Spouse beneficiary: The HSA generally becomes the spouse’s HSA and keeps its tax-advantaged status.
- Nonspouse beneficiary: The account generally stops being an HSA at death, and its fair market value becomes taxable income to the beneficiary, subject to special rules and possible reduction for certain medical bills paid after death.
- Estate beneficiary: The account value is generally included on the owner’s final income-tax return.
- Review beneficiary designations after marriage, divorce, death, or estate-plan changes.

10. Common mistakes to avoid

Mistake	Better move
Assuming every high-deductible plan is HSA-qualified	Confirm HSA compatibility in the official plan materials.
Forgetting employer deposits count toward the limit	Track all employer, payroll, and personal contributions together.
Contributing after Medicare starts	Coordinate the stop date, including retroactive Part A.
Ignoring a spouse's FSA or HRA	Ask whether it can reimburse your expenses; a limited-purpose FSA may be compatible.
Using the HSA card without keeping records	Save receipts, EOBs, proof of payment, and a reimbursement log.
Paying ordinary premiums from the HSA	Use only a permitted premium exception.
Treating an HSA like use-it-or-lose-it money	Let unused funds roll over; spend only when it fits your strategy.
Choosing investments without a cash buffer	Keep enough accessible cash for the deductible and near-term needs.

11. Your annual HSA checklist

- ☐ Confirm your plan is HSA-compatible and check for other coverage that affects eligibility.
- ☐ Add employer, payroll, and personal contributions; stay within your prorated federal limit.
- ☐ If age 55+, confirm catch-up contributions are placed in the correct person's HSA.
- ☐ Review the account's fees, interest rate, cash threshold, and investment choices.
- ☐ Download receipts and statements; update your reimbursement log.
- ☐ Review beneficiaries.
- ☐ Before Medicare or Social Security enrollment, coordinate contribution timing.
- ☐ Check the new year's IRS limits and any federal or state tax-law changes.

Questions? We're here to help.

Anthony Insurance Group

We can help you compare HSA-compatible health plan options and understand how the insurance and account work together. For individualized tax, legal, or investment advice, consult the appropriate licensed professional.

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Official federal resources

- IRS Publication 969 — Health Savings Accounts and Other Tax-Favored Health Plans — https://www.irs.gov/publications/p969
- IRS Publication 502 — Medical and Dental Expenses — https://www.irs.gov/publications/p502

- IRS Form 8889 and instructions — https://www.irs.gov/forms-pubs/about-form-8889
- IRS Revenue Procedure 2025-19 — 2026 HSA and HDHP limits — https://www.irs.gov/pub/irs-drop/rp-25-19.pdf
- IRS Notice 2026-05 — 2026 HSA eligibility expansions — https://www.irs.gov/pub/irs-drop/n-26-05.pdf

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