



Wespath

BENEFITS | INVESTMENTS

a general agency of The United Methodist Church

Maximizing Your Tax Savings—When to Contribute to a Flexible Spending Account (FSA) Along with Your Health Savings Account (HSA)

You should only consider contributing to a health care FSA if you have already contributed the maximum to your health savings account (HSA)!

Reminder:

When you are contributing to an HSA, any additional health care FSA or HRA dollars are limited-use. This means you can only use the FSA or HRA for dental or vision expenses until you pay a certain amount toward your deductible as defined by the IRS. This is called the “IRS Defined Deductible.” For 2021 the IRS Defined Deductible is: \$1,400 if you have single coverage and \$2,800 if you cover more than one person.



Contributing to both a health care FSA and an HSA may be a good match if:

- You have dental and vision expenses that you know will be reimbursable from your FSA. You can use your FSA for dental and vision expenses beginning on January 1.
 - If you use your FSA funds for dental and vision, you will be able to save your HSA funds for medical, prescription drugs, and behavioral health expenses, or you can roll over these dollars for future savings.
- You expect your total medical, prescription drug, or behavioral health expenses to exceed the IRS Defined Deductible (\$1,400/\$2,800) in the calendar year.
 - Once you reach \$1,400/\$2,800 in out of pocket expenses, complete a form and notify Health Equity (formerly WageWorks) that you have reached the IRS Defined Deductible. You must provide proof (an Explanation of Benefits that lists your total out-of-pocket (OOP) costs to date or a letter from your medical insurer). Once that form is approved, you can use your FSA for any medical, prescription drug, or behavioral health expenses.



Example: Participant with Family Coverage

Let’s say you have family coverage and are expecting \$3,000 in orthodontic expenses and minimal other expenses for the year. If you can afford to contribute \$7,200 to your HSA and \$2,700 to your FSA, you can pay all but \$300 of the orthodontic expense out of your FSA. Then you can save \$6,900 pre-tax funds in your HSA to grow or invest for the future rather than saving only \$4,200 if you didn’t choose the FSA.

Participant with family coverage:

Contributions **\$7,200 HSA**
 ➔ **\$2,700 FSA**
 = **\$9,900 in health accounts**

\$2,700 paid from FSA ➔ **\$6,900 saved or invested in HSA**
\$ 300 paid from HSA

