

## Federal Benefits and your HSA



If you are approaching retirement age, you are also at the age you need to consider when to apply for Medicare, Social Security Retirement, Social Security Disability, Tricare, and/or Railroad Retirement.

**When you apply for Medicare** there are important considerations and actions you need to take regarding your HSA due to IRS rules.

- In general, IRS rules require that once you enroll in Medicare (or Tricare) you stop contributing to any HSA.
- You will be able to continue to spend the funds in your HSA account.

**When you apply for Social Security Retirement at age 65 or later** you should consider discontinuing your HSA contributions at least six months before you apply for Social Security retirement benefits to avoid any adverse tax consequences.

- You may continue to use your HSA for allowable expenses tax-free until your account is depleted. These guidelines also apply to those receiving Railroad Retirement and Social Security Disability.
- When you sign up for Social Security retirement benefits, and if you're already six months beyond your full retirement age, Social Security will give you six months of "back pay" in retirement benefits. This means that your enrollment in Part A will also be backdated by six months. Under IRS rules, that leaves you liable to pay six months of tax penalties on your HSA.
- If you apply for early Social Security Retirement (not Social Security Disability) more than six months before your 65th birthday you may continue to contribute to your HSA until six months prior to applying for Social Security Retirement or accepting Medicare.

## **When you apply for Social Security Disability at any age.**

- You are allowed to contribute to an HSA as long as you remain in a qualifying health plan for the first 24 months from the date the Social Security Administration determines is your eligibility date. After that time, you may no longer contribute to an HSA. 25 months following your disability eligibility date you become automatically enrolled in Medicare.
- If you return to work, you will continue to be entitled to Medicare for an extended period and therefore not eligible to contribute to an HSA until you have verified you are no longer receiving Medicare.

## **HSA Considerations for older adults**

- If you and your spouse share an HSA and only one of you enrolls in Social Security, Medicare, and/or Railroad Retirement, the other person may continue to contribute to an HSA as long as they are covered by a qualifying high deductible health plan.
- Your eligibility to make HSA contributions ends the month you enrolled in Medicare, Social
- Security, or Railroad Retirement. Your annual HSA contribution limit is prorated based on the number of months you were eligible to contribute.
- [Medicare.gov](https://www.medicare.gov) offers a variety of additional information for older workers making decisions about working impacts on health coverage and your HSA.
- If you are over the age of 55 and you are eligible to contribute to your HSA, your contribution limits are \$1000 higher than younger workers. For 2024 the age 55+ contribution limits are \$5,150 for individuals and \$9,300 for families.

### **HSA contributions end when Medicare, Social Security (age 65 or older), or Railroad Retirement begins.**

According to IRS rules, HSA contribution limits must generally be prorated by the number of months you are eligible to contribute. Use the [BenefitWallet Medicare Calculation Worksheet](#) worksheet to determine what your contribution limit is for the year you will begin receiving Medicare or Tricare.

## HSAs and Social Security

Electing Social Security retirement benefits automatically enrolls you in Medicare Part A (also known as Hospital Insurance). Currently, there is no process within the Social Security Administration to waive this automatic coverage. If you meet Medicare's eligibility requirements, you may have the option to voluntarily enroll in Medicare without electing to receive Social Security retirement benefits. More information about your transition to social security and/or Railroad Retirement benefits is available from the Social Security Administration.

If you are beyond your full retirement age when you sign up for Social Security retirement benefits, your enrollment in Part A could be retroactively effective by as much as six months. Under IRS rules that retroactive coverage makes you ineligible to make HSA contributions during the retroactive period. If you contribute to your HSA during this time, those contributions must be included in your taxable income and may be subject to tax penalties.

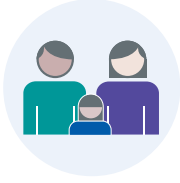
## Paying for qualified health care expenses after receiving Medicare

Once you've enrolled in Medicare, continue to use the tax-free funds from your HSA for the same qualified expenses you've always used HSA funds for, plus these additional expenses:

- Medicare Part A deductible and premiums
- Medicare Part B premiums and co-insurance
- Medicare Part D prescription drug premiums
- Medicare out-of-pocket expenses
- Some Long-Term Care Insurance premiums.  
Current limits may be found on [irs.gov's](https://www.irs.gov) Instructions for Schedule A

**You cannot use your HSA to pay premiums for a Medicare supplemental policy.**

# Additional Considerations for Your HSA



## Designate your beneficiary

If you haven't done so already, designate a beneficiary for your HSA. This determines how your HSA funds will be distributed when you pass away.

[Learn how to designate a BenefitWallet HSA Beneficiary.](#)

The tax consequences differ depending on your whether your beneficiary is your spouse, your estate, or another person or entity. Your financial advisor can provide guidance for your selection.



## At age 65 use of your HSA changes

At age 65, you can use your HSA for non-qualified expenses with no tax penalty. You will need to pay income tax, which is typically lower in retirement.



## If you begin working again for an employer

If your employer offers you an HSA qualifying health plan, you may not enroll in the HSA benefit.

If you are enrolled in any part of Medicare or Tricare, including Medicare Part A you are not eligible to contribute to an HSA. Once you enroll in Medicare Part A and/or B, you can no longer set up or contribute pre-tax dollars to an existing HSA.



## Consequences of contributing funds to my HSA while enrolled in Medicare or Tricare

Medicare beneficiaries who continue to contribute funds to an HSA may face IRS penalties including payment of back taxes on their tax-free contributions and account interest, excise taxes and additional income taxes.