

Retirement Planning Using Your HSA & Considerations At Age 65

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ROAD TO
RETIREMENT

PLANNING YOUR RETIREMENT
FROM INDIANA UNIVERSITY

Housekeeping

- **Session will not be recorded**; however, a PDF of the slides is available on the Road to Retirement website at hr.iu.edu/benefits/road-to-retire.html.
- **All attendees have been placed on mute**. If you have technical issues, please message an IUHR representative in the chat for assistance.
- Watch the **chat** for helpful links to additional information.
- Please **put all questions in the Q&A box**. Do not put any questions related to a personal situation in the Q&A.
- At the end of today's session, you will be asked to complete a **brief survey**.

Today's Agenda

- Maximizing Your HSA While Working
- 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 I

MAXIMIZE YOUR HSA WHILE WORKING

Maximize Your HSA While Working

Tip #1: Increase contributions up to the **IRS maximum**

Tip #2: Add **catch-up contribution** at age 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





SECTION II

**HSA OPTIONS IF YOU RETIRE
BEFORE AGE 65**

Medical Coverage Options

Under 65 medical coverage options:

- COBRA coverage
- Anthem Under 65 PPO HDHP (for those with retiree status)
- 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 **IU HDHP COBRA or U65 plan or 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 IU

- Transitions 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
- Review IRS contribution rules based on new coverage:
 - Self-only vs. family contribution limits
 - Catch-up contributions





SECTION III

**HSA OPTIONS IF YOU WORK
PAST AGE 65**

Medicare Eligibility

Medicare Enrollment

OPTION 1

Enroll at age 65

Not recommended for IU employees

OPTION 2

Draw Social Security Benefits

Automatic enrollment in Medicare

OPTION 3

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



Enroll at Age 65

OPTION 1

Enroll at age 65 *Not recommended for IU employees*

- Voluntary enrollment
- Makes you **ineligible for tax-free HSA contributions** (both yours & IU's)
 - Based on your Medicare Part A *effective* date
 - Not based on your Medicare *eligibility*
- Spouse's Medicare enrollment does **NOT** affect your HSA eligibility

Draw Social Security Benefits

OPTION 2

Draw Social Security Benefits

- Automatic Medicare Part A enrollment
 - At age 65+
 - Whether you are drawing your or your spouse's SS benefit
- Makes you **ineligible for tax-free HSA contributions** (both yours & IU's)
 - Ineligibility is based on your Medicare Part A *effective* date
 - Can not postpone Medicare enrollment once drawing Social Security

Postpone Medicare Enrollment

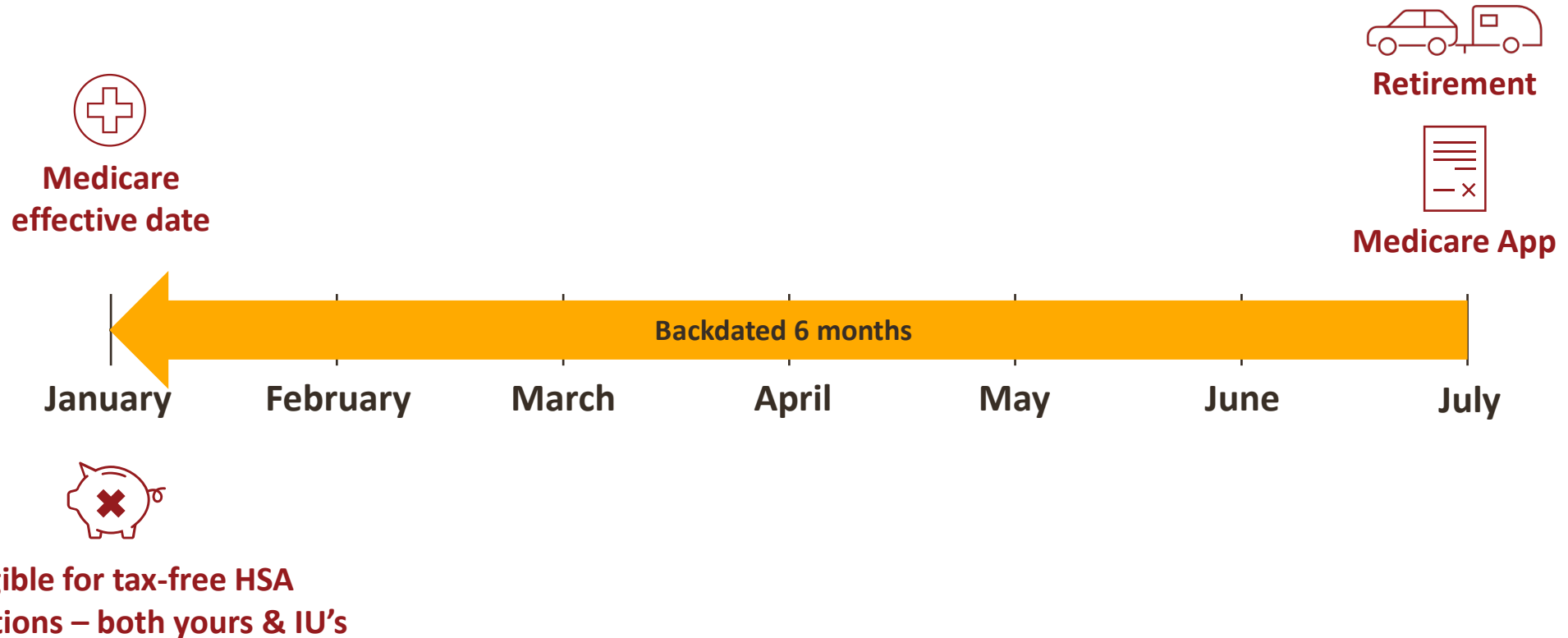
OPTION 3

Postpone & enroll after retirement

(or at age 70 when you start drawing Social Security)

- **Retain eligibility** for tax-free HSA contributions while working
- Must be enrolled in an active group health plan (IU medical plan)
- No penalty for postponing enrollment
 - 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.

Example: Age 65+ Postponed Medicare



Example: Age 65+ Postponed Medicare



Medicare
effective date



Medicare App



Retirement

Jan – Aug 2023
Tax-Free HSA

Backdated 6 months

Sept 2023

Oct 2023

Nov 2023

Dec 2023

Jan 2024

Feb 2024

Mar 2024

Apr 2024

May 2024



Ineligible for tax-free HSA
contributions – both yours & IU's



Dealing with Excess Contributions

- Calculate excess contributions
- 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 only eligible for part of a year
 - May result in excess contributions
 - Any excess contributions would be taxable and could be subject to a 6% excise tax penalty



Dealing with Excess Contributions

If you make excess contributions:

- Complete *HSA Distribution Request Form*:
 - 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

The image shows a screenshot of the 'nyhart HSA DISTRIBUTION REQUEST FORM' from Indiana University. The form is titled 'nyhart AN Accountant COMPANY HSA DISTRIBUTION REQUEST FORM' and 'INDIANA UNIVERSITY'. It includes instructions for requesting a distribution, account holder information fields (Last Name, First Name, Middle Initial, Social Security Number, Employee ID and Employer, Address, Phone #), and sections for 'NORMAL/DISABILITY/PROHIBITED TRANSACTION DISTRIBUTION', 'EXCESS CONTRIBUTION REMOVAL', and 'ROLLOVER/TRANSFER'. The 'EXCESS CONTRIBUTION REMOVAL' section includes a field for 'Amount of Excess Contribution' and a note: '*To calculate the amount of Excess Contributions, total any employer or employee contributions in excess of your maximum contributions for the tax year. Nyhart will determine any earnings on this amount.' The 'ROLLOVER/TRANSFER' section includes checkboxes for 'Rollover' and 'Transfer' with detailed instructions for each.

Download from iu.nyhart.com



SECTION IV

**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 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



A close-up photograph of a hand holding a red piggy bank with white polka dots. The piggy bank is positioned in the upper right quadrant of the frame. The background is a dark, out-of-focus surface with a white and blue striped pattern at the top. The overall lighting is soft, highlighting the texture of the piggy bank and the skin of the hand.

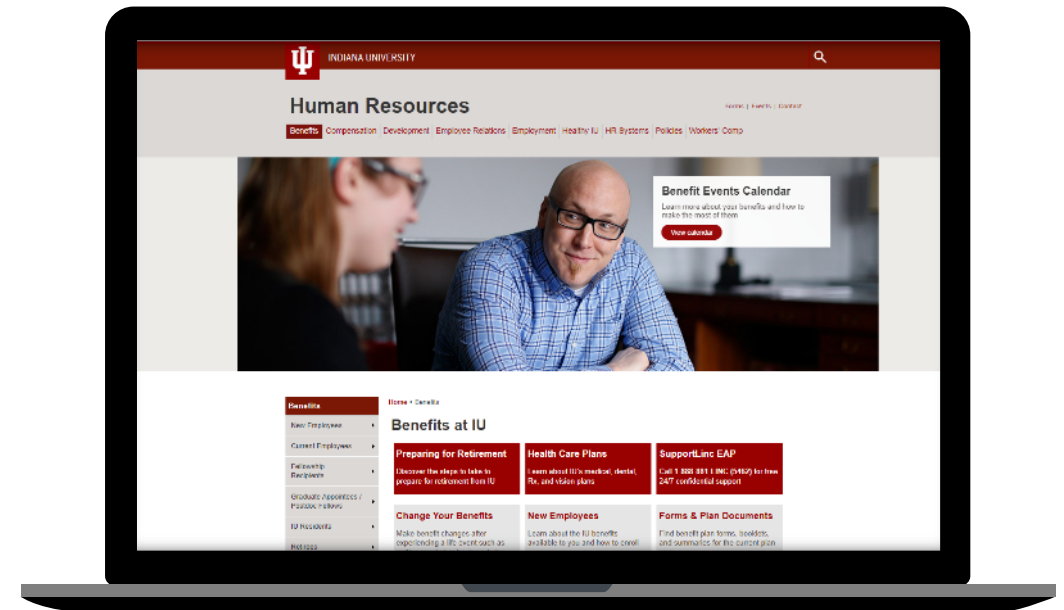
SECTION V

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

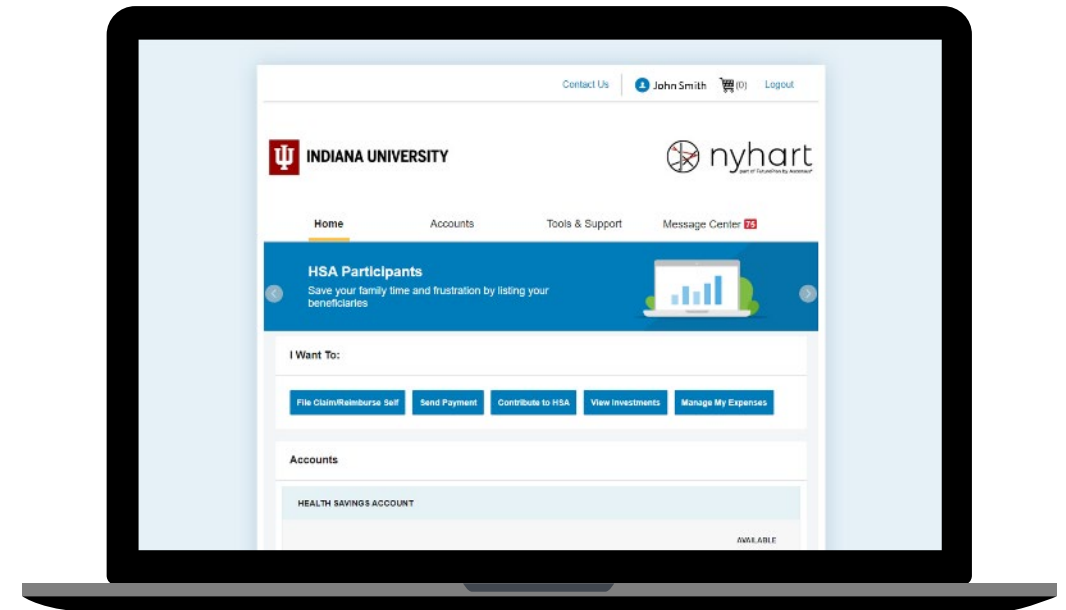


Nyhart

Create an account 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)

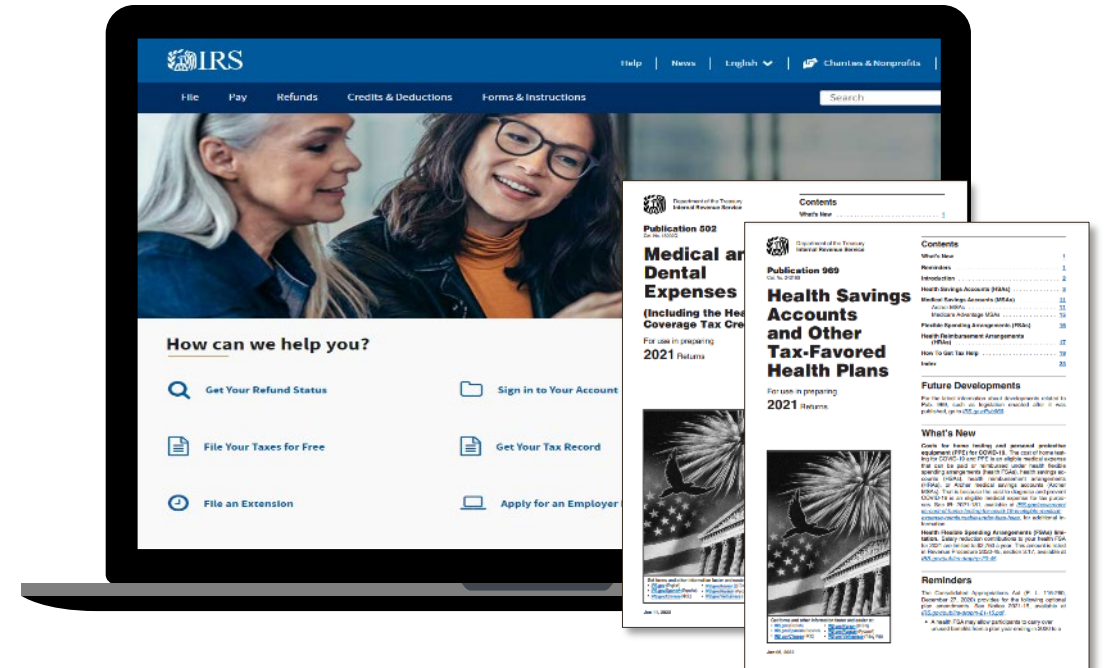
Publications:

- 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 VI

**OTHER RETIREMENT SAVINGS
OPPORTUNITIES**

IU Supplemental Retirement Plans

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



IU Supplemental Retirement Plans

| | IU Tax Deferred Account (TDA) | IU 457(b) Plan |
|-------------------------------|---|---|
| Roth Option | Yes | Yes |
| Rollovers | Yes | Yes |
| Default Election | Yes. Auto enrolled at 5% pre-tax contribution rate. | Waive |
| IRS Annual Contribution Limit | \$23,000 for 2024 Age 50+ catch-up contribution: \$7,500 for 2024 | \$23,000 for 2024 Age 50+ catch-up contribution: \$7,500 for 2024; <u>OR</u> up to additional \$23,000 for age 62, 63, 64 catch-up (special rules apply) |
| Withdrawals | In-Service: Withdraw funds at age 59½ while still working. After separation: 10% penalty if withdrawn prior to age 59½ | In-Service: Withdraw funds at age 59½ while still working. After separation: NO penalty if withdrawn prior to age 59½ |

Beneficiaries

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

Fidelity or PERF

- Base Retirement Plan
- Each Supplemental Retirement Plan

Nyhart

- Health Savings Account (HSA)

Common mistake to avoid is naming minors as your beneficiaries. There are strict laws regarding payment of benefits to minors. Consult a legal advisor to determine the best way to accomplish this under state law.



Upcoming Road to Retirement Sessions

February 23 – Navigating Medicare Part D Coverage

March 1 – Prepare for the Reality of Health Care in Retirement

March 7 – Social Security Overview

March 8 – IU Faculty: All You Need to Know about Phased Retirement, Supplemental Retirement Plans, and the Roth in-plan Option

March 22 – Fundamentals of Retirement Income Planning

April 5 – The Psychology of Retirement

May 15 – PERF – Understanding the Two Parts of the Plan

Register at: hr.iu.edu/benefits/road-to-retire.html



IUHR Events Calendar

Register for upcoming HR-related events from:

- Benefits (healthcare, retirement)
- Healthy IU
- Training & Organization Development
- Vendors (SupportLinc EAP, Fidelity, Care.com)

Updated frequently, so check often!

events.iu.edu/iuhumanrescal



Contact IU

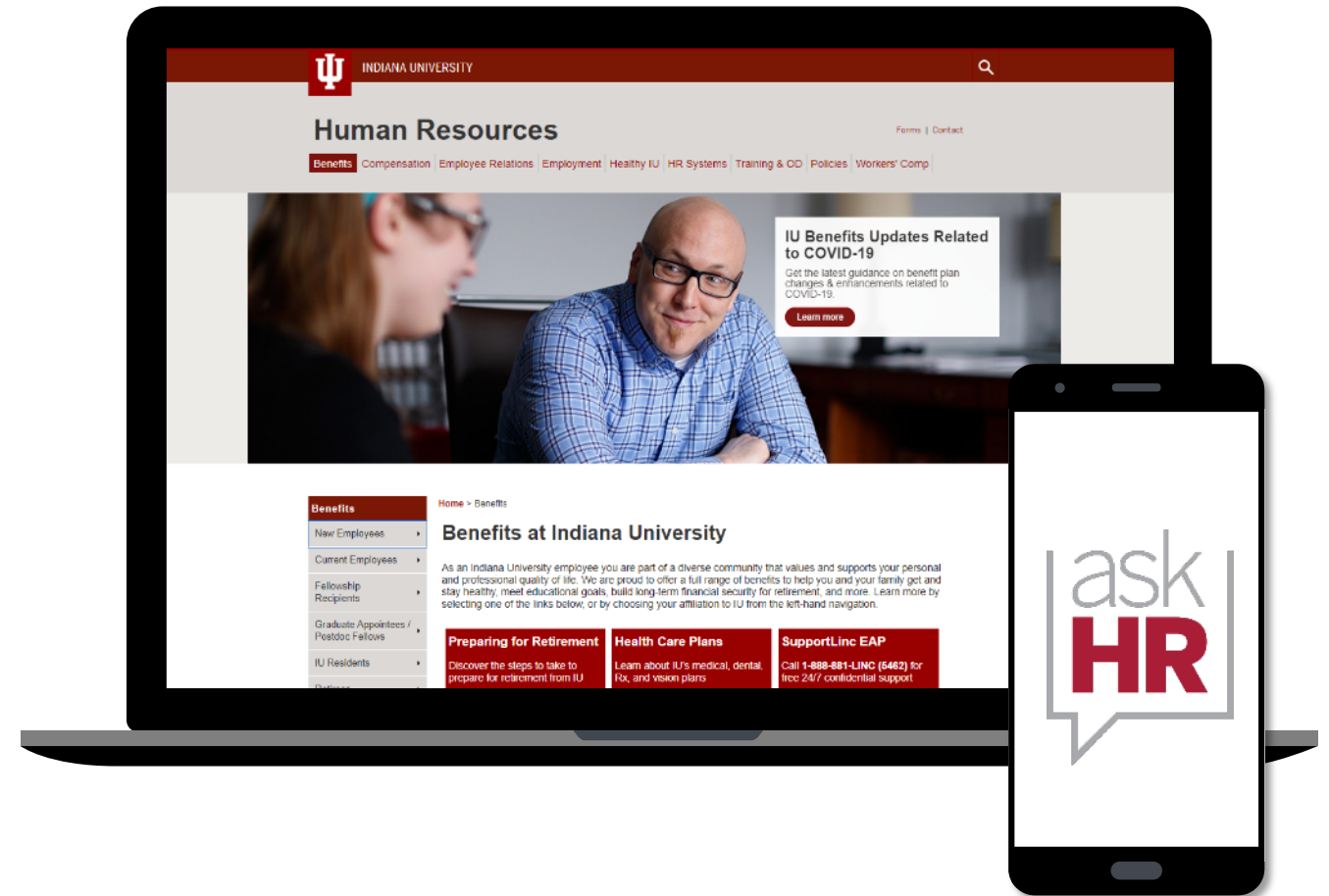
IU Human Resources



AskHR Customer Care:

askhr@iu.edu

812-856-1234



Thank You!

Questions?



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