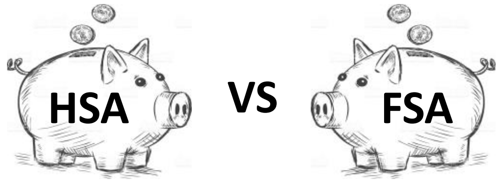
Knueven, Schroeder & Co.
CERTIFIED PUBLIC ACCOUNTANTS
Jerome B. Schroeder, CPA
Douglas E. Schleucher, CPA
Ann E. Woolum, CPA/ABV, CBA
Timothy J. Gephart, CPA
Mark L. Schroeder, CPA
Richard D. Hillabrand, CPA
Angela L. Bursby, CPA
Jeffrey C. Quinlan, CPA

Balance *sheet*

Health Savings versus Flexible Spending Accounts

By Roger Maag

Health savings plans and flexible spending accounts become available to you based on what kind of health plan you sign up for, but both let you put away pretax dollars for future medical costs. While there are benefits to both types of savings accounts, there are also important differences to keep in mind. You have to be enrolled in a high deductible plan (cannot be covered under any other non-high deductible plan or entitled to Medicare) to be eligible for a health savings account. That means your health insurance has a minimum deductible of $1,300 for an individual or $2,600 for a family plan. If you meet these requirements, then you will be able to opt into a health savings plan. Health savings plans lets you designate a certain amount of your paycheck to be deposited into the account pretax. An individual can contribute up to $3,400 a year while a family can contribute up to $6,750 per year. Plus, once you turn 55 you can contribute an extra $1,000 a year into the account. Your employer can also make a contribution to the account as long as the total contributions made by the employee and employer does not exceed the maximum amount for the year. The funds can then be used for any qualifying medical expense, from prescriptions to doctor visits and hospital stays, also for dental and vision expenses. Health savings accounts can rollover from year to year, so you will never lose the money. This is a way to save pretax dollars to accumulate funds for medical expenses during retirement; but keep in mind, it still has to be used for medical expenses.



There’s a 20% penalty for using health savings or flexible spending accounts funds for non-qualified medical expenses.

Flexible spending accounts offers the same savings and pretax benefits as a health savings account with no annual deductible requirement, but only for employees of a company that offers the benefit. It works the same as a health savings account but the maximum contribution amount is $2,550 per year and the funds do not rollover from year to year – use them or lose them. Determining how much to contribute requires a more calculated assessment of your medical expenses for the year.

Unlike flexible spending accounts, a health savings account has more flexibility built in. You can contribute money to the account after taxes in addition to the deductions from your paycheck on a pretax basis as long as it does not go over the limit for the year. You will still get the tax savings by being able to take the after-tax contributions as a deduction on your tax return. This is a way to put more money away than expected at the end of the year. Or if a medical expense comes up and you do not have enough money in your health savings account to cover the expense, you can immediately add and then withdraw funds and still get the tax savings.

If you have any questions on these plans, please contact our office.

1035 N. Main Street
Findlay, OH 45840
(419) 422-8111

2453 W. Market Street
Tiffin, OH 44883
(419) 448-8555

ksc@knuevenschroeder.com
www.knuevenschroeder.com