# 5 HSA Facts and Myths

Established in 2003, health savings accounts (HSAs) offer individuals a tax-friendly way to set aside money for medical expenses. They are an innovative, flexible way to save money and pay for health care expenses now and in the future. If you have a high deductible health plan (HDHP), an HSA can be a valuable companion, offering important tax advantages and long-term savings potential.

An HSA is a tax-advantaged savings account that individuals can use to pay for qualified medical expenses. These accounts are available to those enrolled in an HDHP, and many HDHPs offer the option to open and contribute to an HSA. Funds in an HSA can be used for various eligible health care expenses, such as copays, prescriptions, dental care and vision-related costs. The accounts are often used to help offset the higher deductibles and out-of-pocket costs that come with HDHPs.

If you are enrolled in an HSA or will consider enrolling in one next year, understanding common facts and myths can help you make educated decisions about plan enrollment and health care spending.

## Overview of 2026 HSA Limits

The IRS recently announced new limits for HSAs in 2026:

- Individual coverage—$4,400 (up from $4,300 in 2025)
- Family coverage—$8,750 (up from $8,550 in 2025)
- Catch-up contribution (age 55+)—$1,000 (unchanged)

These adjustments reflect the IRS's annual inflation updates, allowing you to contribute more toward your health care savings.

## 5 Facts About HSAs

The following are five key facts that help explain how HSAs work and what makes them a unique part of a benefits package:

1. **HSAs offer tax advantages.** HSA contributions are made pre-tax (or are tax-deductible if made outside of payroll), which can lower your taxable income. The money in your account can grow tax-free, and when used for qualified medical expenses, withdrawals are also tax-free.
2. **Funds roll over from year to year.** Unlike flexible spending accounts (FSAs), HSA funds don't expire at the end of the year. In 2025, FSAs will have a $660 carryover amount, while unused HSA funds will remain in your account and continue to accumulate, which can make HSAs a longer-term savings tool.
3. **You own the account.** An HSA is individually owned, which means it stays with you even if you change jobs, switch health plans, or retire. It's not tied to your employer or your insurance provider.
4. **You may be able to invest your balance.** Some HSA providers allow you to invest funds once your balance reaches a certain threshold. This can help your savings grow over time, similar to a retirement account, but with the added benefit of tax-free health care spending.
5. **You can use HSA funds for eligible family expenses.** You can use your HSA to pay for qualified medical expenses for your spouse and dependents, even if your HDHP does not cover them. It's a great way to manage out-of-pocket health care costs for your entire family.

## 5 Common Myths About HSAs

HSAs are packed with advantages but are also widely misunderstood. Misinformation can lead people to avoid enrolling in a plan that could save them money and give them more control over their health care spending. The following can clear up some of the most common myths:

1. **Myth:** "If I don't use the money, I lose it."
   **Reality:** Unlike an FSA, you won't lose the value of your HSA if you haven't spent it by the deadline. Any unused funds simply roll over from year to year, and they keep growing. You can build a significant health care fund over time.

2. **Myth:** "I can use my HSA only for myself."
   **Reality:** Even if your spouse or dependents aren't covered under your HDHP, you can use your HSA to pay for their qualified medical expenses, as long as they're claimed on your tax return.
3. **Myth:** "I can't contribute to an HSA if my spouse has other health coverage."
   **Reality:** This depends on the type of coverage your spouse has. If your spouse is covered under a separate plan and that plan is not an HDHP, it could affect your eligibility to contribute to an HSA, especially if it also covers you. However, if your spouse has separate non-HDHP coverage that doesn't cover you, it typically won't disqualify you from contributing to an HSA. The key factor is whether you are enrolled in a qualifying HDHP and don't have disqualifying coverage yourself.
4. **Myth:** "Once I retire or enroll in Medicare, I can't use my HSA anymore."
   **Reality:** You can't contribute to your HSA after you enroll in Medicare, but you can still use the funds you've already saved. In fact, you can use your HSA to pay for Medicare premiums, copays and other qualified out-of-pocket expenses, making it a valuable retirement resource.
5. **Myth:** "HSAs are only helpful if I have a lot of medical expenses."
   **Reality:** Even if you're healthy and rarely go to the doctor, your HSA is still a smart savings tool. You can let the money grow year over year—tax-free—and use it later in life when medical needs often increase. Some people even treat their HSA like a secondary retirement account dedicated to health care. You can still access those funds if you end up with more money than you need for medical expenses. However, if you're under age 65 and use HSA dollars for nonmedical purposes, you'll owe income taxes and a 20% penalty for nonqualified withdrawals. After age 65, the penalty no longer applies, although you'll still owe regular income taxes on nonmedical withdrawals. At that point, your HSA functions similarly to a traditional retirement account.

## Conclusion

An HSA can be one of the most powerful tools in your benefits package. It helps you save money on health care today while planning wisely for the future. With the 2026 contribution limits increasing, now is a great time to think about how much you want to set aside for the coming year.

Check with your employer to learn more about HDHP and HSA offerings.