

HEALTH & BENEFIT ACCOUNTS

# Health Savings Account midyear enrollment



## About the HSA

A Health Savings Account (HSA) is a personal savings and investment account that works in combination with a qualified high-deductible health plan to let you set aside money on a pre-tax basis to help save for health care expenses.<sup>1</sup> Your HSA can be used now, next year or even when you're retired.

## Enrolling in your HSA midyear

HSA contribution limits are based upon a calendar year starting January 1. However, there are some instances when you would enroll in your HSA and start contributing to your account midyear, including:

- You start a new job and enroll in a high-deductible health plan.
- Your company's benefits renew midyear.
- You need to update your enrollment during the year based on a change in personal status, like getting married or starting Medicare.

In these cases, you will need to prorate your contributions based on the number of months you are HSA-eligible to ensure you are not exceeding the annual limit.

For 2024, you can reference this chart to find the prorated contribution that applies to your situation.

# of months	12	11	10	9	8	7	6	5	4	3	2	1
Family	\$8,300	\$7,608	\$6,916	\$6,225	\$5,533	\$4,841	\$4,150	\$3,458	\$2,766	\$2,075	\$1,383	\$691
Individual	\$4,150	\$3,804	\$3,458	\$3,112	\$2,766	\$2,420	\$2,075	\$1,729	\$1,383	\$1,037	\$691	\$345

Annual maximum

### Example

You start a new job on March 10 and enroll in an HSA-eligible health care plan. You become eligible to start contributing to your account on April 1, meaning that you will be making contributions only nine months of that calendar year. *Using the chart above*, you determine that you are able to contribute up to \$3,112 for individual plan coverage or \$6,225 for family coverage through the end of the year.

Investment products:

<b>Are Not FDIC Insured</b>	<b>Are Not Bank Guaranteed</b>	<b>May Lose Value</b>
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## The last-month rule offers another option

If you are eligible to contribute to your HSA on the first day of the last month of your tax year (December 1), you are considered eligible for the entire year and can contribute the full amount allowed. However, there is one condition: *You need to stay enrolled in a high-deductible health plan through the end of the following calendar year.* If you don't, you could owe income tax and an additional tax penalty on contributions in excess of the prorated amount.

## Catch-up contributions

If you are 55 and older and your HSA eligibility changes during the year, you will also need to prorate your catch-up contribution.

### Example

Let's say you enroll in Medicare on June 1 and are no longer eligible to contribute to your HSA. Start with the total available catch-up contribution amount (\$1,000 for 2024), divide by 12 and multiply by the number of months you are eligible to contribute:

$$\begin{matrix} (\$1,000 & \div & 12) & \times & 5 & = & \$416 \\ \text{catch-up} & & & & \text{months} & & \\ \text{amount} & & & & \text{eligible} & & \end{matrix}$$

## Changes in coverage

Changes in status, such as marriage or a birth of a child, could change your coverage from individual to family or, in the cases of divorce or death of a spouse, from family to individual. Let's look at an example to understand how this might affect your contribution limit.

### Example

You have a life change event on May 1 and change your coverage from individual to family. You are eligible to contribute at the individual rate from January through April and up to the family contribution limit from May through December. *Using the chart on page 1, you can easily calculate your prorated contribution for the year as follows:*

$$\begin{matrix} \$1,383 & + & \$5,533 & = & \$6,916 \\ \text{4 months individual} & & \text{8 months family} & & \end{matrix}$$

Under the last-month rule, you could decide to contribute the family maximum of \$8,300 in 2024, as long as you maintain family coverage through December 31, 2025.



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### Download the app

Get the "MyHealth BofA" app<sup>2</sup> directly from the App Store<sup>SM</sup> or Google Play.<sup>TM3</sup>



### We're here to help

If you have questions, please call the number on the back of your debit card.

<sup>1</sup> Pre-tax payroll contributions to your HSA may be exempt from federal and most state taxes or you may be able to claim a tax deduction for after-tax contributions you, or someone other than your employer, make to your HSA, as long as you continue to be an eligible individual. Eligibility is defined by IRS Code 223 and is described in your Bank of America Health Savings Account Custodial Agreement and Disclosure Statement, which includes maintaining coverage under a qualifying high deductible health plan.

<sup>2</sup> Data connection required. Wireless carrier fees may apply. Mobile app is available on most devices.

<sup>3</sup> App Store<sup>SM</sup> is a service mark of Apple Inc. Google Play<sup>TM</sup> store is a registered trademark of Google LLC.

Please consult with your own attorney or tax advisor to understand the tax and legal consequences of establishing and maintaining an HSA account.

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