

HEALTH & BENEFIT ACCOUNTS

# Better together

Contributing to your Health Savings Account (HSA) and 401(k) can help your savings go further in retirement



## Make the most of your savings

Because withdrawals from your HSA for qualified health care expenses are tax-free<sup>1</sup> and withdrawals from your traditional 401(k) are taxable, plan for health care expenses in your HSA, so you can preserve your 401(k) for lifestyle and other expenses.

## Two is better than one to support your health care needs in retirement

Some estimates suggest that a couple may need \$296,000<sup>2</sup> for out-of-pocket health care expenses in retirement. That's why a strategy of saving in two tax-advantaged<sup>3</sup> accounts, an HSA and a 401(k) account, could make a real difference to your overall financial wellness.

### How to use each account



### Triple tax advantage<sup>3</sup>

1. Pre-tax contributions reduce your payroll taxes.
2. Tax-advantaged earnings offer potential for your money to grow over time.
3. Tax-free withdrawals for qualified medical expenses.

Investing involves risk, including the possible loss of the principal value invested.

Investment products:

<b>Are Not FDIC Insured</b>	<b>Are Not Bank Guaranteed</b>	<b>May Lose Value</b>
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# More buying power in retirement



Andrew and Grace could need \$296,000 to pay for health care expenses in retirement.<sup>2</sup> Saving in an HSA could enable them to cover that exact amount from their HSA, as eligible expenses paid from their account are tax-free. If they were to take that money out of their 401(k), they would be required to pay taxes on those withdrawals. This chart shows how much more they would have to pay.\*



\* Example is for illustrative purposes only. Assumes a 20% total tax rate in retirement. \$370,000 401(k) withdrawal X 20% tax rate = \$296,000. Consult with your tax or financial advisor to understand the impact of federal, state and local taxes specific to your situation.

## Added benefits of an HSA

### Save it. Use it. Never Lose it.®

You can use your HSA funds for the current year's expenses, or you can save them to use sometime in the future — including when you're retired.

### Invest for the future

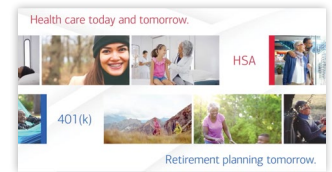
Take advantage of the investment feature of your HSA, which provides the potential for you to build your balance so that you're prepared for health care expenses in the future.<sup>4</sup>

### Withdraw funds after age 65

You can withdraw HSA funds for non-health care expenses (they would be subject to an additional 20% tax if taken before age 65).

## Better Together video

[Watch this video](#) to learn more about how an HSA and 401(k) can work together.



## Visit our Learn Center

Find tools and resources to help you manage your health care spending. [healthaccounts.bankofamerica.com](https://healthaccounts.bankofamerica.com)

## Download the mobile app

Get the "MyHealth BofA" mobile app<sup>5</sup> directly from the App Store or Google Play<sup>6</sup>



## We're here to help

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

<sup>1</sup> You can take tax-free distributions for qualified medical expenses for you, your spouse and any dependents at any time, including after age 65. The Internal Revenue Service publishes a list of qualified expenses in Publication 502, Medical and Dental Expenses available at [irs.gov](https://irs.gov).

<sup>2</sup> Employee Benefits Research Institute, Issue Brief, no. 549, January 20, 2022. A 65-year-old couple, both with median drug expenses needs \$296,000 to have a 90% chance of having enough money to cover health care expenses (excluding long-term care) in retirement. Savings needed for Medigap Premiums, Medicare Part B Premiums, Medicare Part D Premiums and Out-of-Pocket Drug Expenses for Retirement at age 65 in 2021. A 65-year-old man needs \$142,000 or a 65-year-old woman would need \$159,000 to have a 90% chance of having enough money to cover health care expenses (excluding long-term care) in retirement.

<sup>3</sup> Potential Tax Advantages: You can receive tax-free distributions from your HSA to pay or be reimbursed for qualified medical expenses you incur after you establish the HSA. If you receive distributions for other reasons, the amount you withdraw will be subject to income tax and may be subject to an additional 20% tax, unless an exception applies. Any interest or earnings on the assets in the account are tax-free. You may be able to claim a tax deduction for contributions you, or someone other than your employer, make to your HSA directly (not through payroll deductions). In addition, HSA contributions may reduce your state income taxes in certain states. Certain limits may apply to employees who are considered highly compensated key employees. Bank of America recommends you contact qualified tax or legal counsel before establishing an HSA.

<sup>4</sup> See the Investments section of the member website for minimum balance requirements to begin investing.

<sup>5</sup> Data connection required. Wireless carrier fees may apply. Mobile app is available on most devices.

<sup>6</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.

### Investing involves risk, including the possible loss of the principal value invested.

Neither Bank of America nor any of its affiliates provide legal, tax, or accounting advice. You should consult your legal and/or tax advisors before making any financial decisions.

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