HealthEquity

HSA Investment Guide

Use your HSA to build the ultimate retirement nest egg

Planning for healthcare cost in retirement

Picture your retirement. What comes to mind? Maybe you envision lazy afternoons with your grandkids or lots of traveling, boating, golfing, RVing, and all the other fun stuff.

But think beyond the day to day: Retirement will also entail significant healthcare expenses. In fact, recent estimates show that a 65-year old couple retiring this year can expect to spend an average of $351,000[1] to cover out-of-pocket medical expenses in retirement.

Medicare isn't free. It has premiums just like your health insurance today. Prescriptions tend to cost more in retirement too. The irony is that healthy couples will need to absorb even more costs, as longer life expectancy translates into more healthcare spending.

Bottom line: You can't plan for retirement without also planning for your healthcare. That's why more Americans than ever are investing in their Health Savings Account (HSA) to build long-term retirement and healthcare savings.

Only an HSA delivers a triple-tax advantage[2]

- Make pre-tax contributions
- Grow tax-free earnings
- Enjoy tax-free distribution for qualified medical expenses

Taken together, this is a recipe for potential long-term growth and significant tax savings compared to other retirement account options.

[1] https://www.ebri.org/publications/research-publications/issue-briefs/content/projected-savings-medicare-beneficiaries-need-for-health-expenses-increased-again-in-2023

[2] HSAs are never taxed at a federal income tax level when used appropriately for qualified medical expenses. Also, most states recognize HSA funds as tax-deductible with very few exceptions. Please consult a tax advisor regarding your state's specific rules.

Comparing HSA to 401(k)

When it comes to retirement, everyone talks about the 401(k). But your HSA is one of the best accounts for saving for retirement. Not only can you invest[3] your HSA and potentially capitalize on tax-free[4] growth, but your HSA also delivers powerful tax advantages you can't find anywhere else.

Table 1. HSA vs 401(k)

	HSA	401K
Assets	✓ Investable	✓ Investable
Contributions	✓ Not taxed	FICA taxed
Earnings	✓ Not taxed	✓ Not taxed
Distribution for qualified medical expenses	✓ Not taxed	Taxed (as ordinary income)
Distribution for non-qualified medical expenses	Taxed (as ordinary income after age 65)	Taxed (as ordinary income after age 59 1/2)
Required minimum distribution	✓ Never	Yes (Age 72)

As you can see from this table, your HSA brings all the tax efficiency of a 401(k) along with added benefits. For example, 401(k) contributions are subject to FICA payroll taxes, while HSA pre-tax payroll contributions are not. So, HSA contributions go further than 401(k) contributions and can help you save faster.

In addition, HSAs do not have required minimum distributions. Plus, members 65 and older can take taxable HSA distributions for any expense—just like a 401(k). And, of course, distributions are always tax-free when used for qualified medical expenses.

Considering how much you're likely to spend on healthcare in retirement, those advantages can translate into huge savings.

Maximize your spending power in retirement

Because you can distribute money from your HSA tax-free when you pay for qualified medical expenses, the money in your HSA goes further than the money in your 401(k).

Here's a comparison for illustration based on a 22 percent effective tax rate.

Table 2. Spending Power in Retirement

	HSA	401(k)
Balance (at age 60)	$300,000	$300,000
Spending power (distributions are not taxed)	$300,000 (distributions are not taxed)	$234,000[5] (distributions are taxed)

HSA SAVINGS (versus 401(k)) = $66,000

[3] Investments made available to HSA holders are subject to risk, including the possible loss of the principal invested, and are not FDIC or NCUA insured, or guaranteed by HealthEquity, Inc. Investing through the HealthEquity investment platform is subject to the terms and conditions of the Health Savings Account Custodial Agreement and any applicable investment supplement. You should carefully consider the investment objectives, risks, charges and expenses of any mutual fund before investing. A prospectus and, if available, a summary prospectus containing this and other important information can be obtained by visiting the Vanguard website at vanguard.com. Please read the prospectus carefully before investing. Consult your advisor or the IRS with any questions regarding investments or on filing your tax return.

[4] After age 65, if you withdraw funds for any purpose other than qualified medical expenses, you will be subject to income taxes. Funds withdrawn for qualified medical expenses will remain tax-free.

[5] Estimated savings are based on an assumed combined federal and state income tax bracket of 22%. Actual savings will depend on your taxable income and tax status.

Optimize your retirement savings strategy

Given that a significant portion of retirement spending will go toward healthcare costs, it may not be ideal to use a 401(k) as your sole retirement savings vehicle. An HSA offers much more flexibility and empowers you to pay for qualified medical expenses in retirement—tax free, in many instances. Therefore, in most cases, it could be prudent to use a 401(k) in conjunction with an HSA. For many people, an effective contribution strategy may follow these steps.

01

Max out your employer's HSA match

Many organizations offer an annual seed contribution. Other organizations offer an ongoing HSA contribution match. Usually the match is dollar-for-dollar up to a specified limit. Given the short- and long-term flexibility associated with your HSA, it's important to capture this match first. Don't leave free HSA money on the table!

02

Max out your employer's 401(k) match

Commonly, employers match fifty cents on the dollar up to six percent of employee income. Other match plans go dollar for dollar up to three percent. Regardless of the approach, an employer 401(k) match represents real income that should also be captured if available. Same thing: Don't leave free money on the table!

03

Max out your HSA

The HSA contribution limits for 2026 are **$4,400** for individuals and **$8,750** for families. Members 55 and older can contribute an additional $1,000 beyond these limits. In most cases, it may be advantageous to maximize contributions to your HSA before maxing out your 401(k). FICA savings alone often justify prioritizing the HSA.

04

Max out your 401(k)

After maxing HSA contributions, contribute additional money to a 401(k). Maxing contributions to both your HSA and retirement accounts should help you build a nest egg your future self will appreciate.

There are some people, however, for whom this strategy may not be ideal. Consider that HSA dollars cover myriad over-the-counter medicines, including cough syrup, pain relievers, and even menstrual care products. If inclined to regularly use the HSA for such routine purchases, then a different long-term savings strategy should be considered.

It's difficult to save for retirement if you're regularly dipping into your HSA for routine spending. For some people, the 401(k) early distribution penalty serves to create the necessary savings discipline.

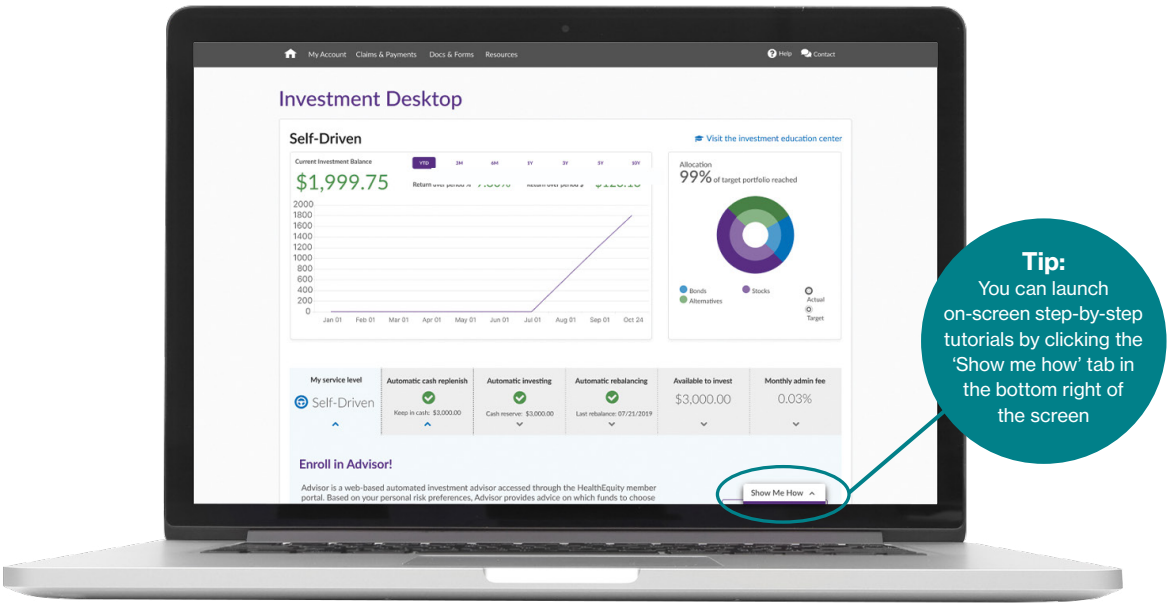
Getting started: HSA investment desktop

HealthEquity makes it easy to invest your HSA dollars. Here's how to access the HSA Investment Desktop:

1. Log into your HealthEquity member account
2. Select 'Health Savings Account' from the left navigation pane
3. Select 'Manage HSA Investments' from the 'HSA Investments' card on your dashboard

Once inside, you have several options to choose and manage your investments.

- View portfolio performance and allocation
- Set portfolio targets
- Set a cash cushion for healthcare spending
- Research fund options and historical performance
- Buy, sell and trade funds
- Automatically reinvest earnings and rebalance investments



Tip: You can launch on-screen step-by-step tutorials by clicking the 'Show me how' tab in the bottom right of the screen

*The example used is (are) for illustrative purposes only.

Invest in our lineup of 33 low-cost Vanguard funds

Vanguard is the largest provider of mutual funds in the world[7] and has more than 6 trillion dollars in assets under management. Each of the funds we offer carries a comparatively low expense ratio (an expense ratio expresses the percentage of assets deducted each fiscal year for fund expenses). In addition, most of the funds we offer are rated 4- and 5-star by Morningstar,[8] an industry-leading research and advisory firm. Be confident that no matter your selection, you'll be investing in high-quality funds.

Vanguard fund	Symbol	Morningstar (Mstar) category	Mstar rating	Expense ratio
Bonds				
Short Term Idx Adm	VBIRX	Short-Term Bond	★★	0.07
Total Bond Market Idx InstPls	VBMPX	Intermediate Core Bond	★★★	0.03
Total Intl Bd Idx Admiral™	VTABX	Global Bond-USD Hedged	★★★★	0.11
Inflation-Protected Secs I	VIPIX	Inflation-Protected Bond	★★★	0.07
Short-Term Infl-Prot Sec Idx Adm	VTAPX	Short-Term Inflation-Protected Bond	★★★★	0.06
Ultra-Short-Term Bond Admiral	VUSFX	Ultrashort Bond	★★★	0.10
Stocks				
Growth Index Institutional	VIGIX	Large Growth	★★★★	0.04
Institutional Index Inst Pl	VIIIX	Large Blend	★★★★★	0.02
Total Stock Mkt Idx Adm	VTSAX	Large Blend	★★★	0.04
FTSE Social Index Admiral	VFTAX	Large Blend	★★★★	0.14
Value Index Adm	VVIAX	Large Value	★★★★	0.05
Mid-Cap Growth Index Admiral	VMGMX	Mid-Cap Growth	★★★	0.07
Extended Market Idx InstIPls	VEMPX	Mid-Cap Blend	★★★	0.04
Mid-Cap Index Admiral	VIMAX	Mid-Cap Blend	★★★	0.05
Mid-Cap Value Index Adm	VMVAX	Mid-Cap Value	★★★★	0.07
Small Cap Index Adm	VSMAX	Small Blend	★★★★	0.05
Small Cap Value Index Admiral	VSIAX	Small Value	★★★★	0.07
Total Intl Stock Idx InstIPls	VTPSX	Foreign Large Blend	★★★	0.08
Emerging Mkts Stock Idx Instl	VEMIX	Diversified Emerging Mkts	★★★★	0.10
Other				
Real Estate Index Institutional	VGSNX	Real Estate	★★★	0.11
Materials Index Admiral	VMIAX	Natural Resources	★★★★	0.10
Wellesley® Income Admiral™	VWIAX	Moderately Conservative Allocation	★★★★	0.16
Target Date Funds				
Vanguard Target Retirement 2020 Fund	VTWNX	Target-Date 2020	★★★★	0.08
Vanguard Target Retirement 2025 Fund	VTTVX	Target-Date 2025	★★★★	0.08
Vanguard Target Retirement 2030 Fund	VTHRX	Target-Date 2030	★★★★	0.08
Vanguard Target Retirement 2035 Fund	VTTHX	Target-Date 2035	★★★★	0.08
Vanguard Target Retirement 2040 Fund	VFORX	Target-Date 2040	★★★★	0.08
Vanguard Target Retirement 2045 Fund	VTIVX	Target-Date 2045	★★★★	0.08
Vanguard Target Retirement 2050 Fund	VFIFX	Target-Date 2050	★★★★	0.08
Vanguard Target Retirement 2055 Fund	VFFVX	Target-Date 2055	★★★★	0.08
Vanguard Target Retirement 2060 Fund	VTTSX	Target-Date 2060	★★★★	0.08
Vanguard Target Retirement 2065 Fund	VLXVX	Target-Date 2065	★★★★	0.08
Vanguard Target Retirement Income Fund	VTINX	Target-Date Retirement	★★★★	0.08

[7] https://www.investopedia.com/articles/investing/110515/who-are-owners-vanguard-group.asp#:~:text=About%20Vanguard,-As%20of%202022&text=4%20Headquartered%20in%20Pennsylvania%2C%20Vanguard,%2Dtraded%20funds%20(ETFs)

[8] Data as of January 2025. https://www.morningstar.com/asset-management-companies/vanguard-BN00000AAL/funds

Invest with a Health Savings Brokerage Account (HSBA)

You have additional flexibility to invest with your HealthEquity HSA through a Schwab Health Savings Brokerage Account (HSBA). Powered by Charles Schwab, the HBSA is connected to your HealthEquity HSA for seamless investing. Through the Schwab HSBA, you can invest in thousands of stocks, mutual funds, exchange traded funds (ETF), and more.

With the Schwab HSBA, you can:

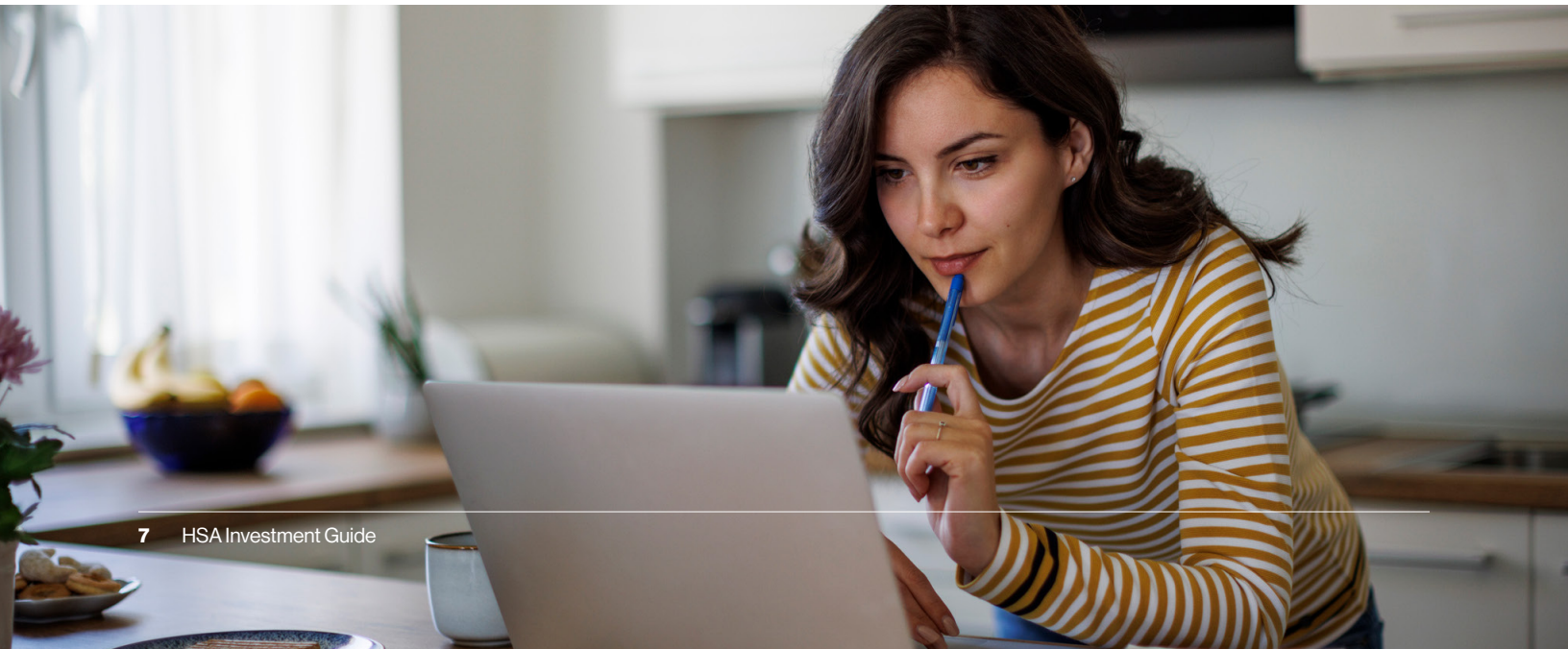
- Fine tune your long-term health savings strategy
- Research and choose your investments
- Trade whenever it's convenient for you
- Pinpoint specific investments for your account
- Monitor your progress at your own pace

Get started:

1. Log into your HealthEquity account and select the 'Manage Investments' link on your homepage.
2. Select the Learn more' button within the Brokerage Account offering. Then select the 'Open an account' button. You will be transferred to the Schwab website to continue the account opening process.
3. Complete the electronic online account opening process with Schwab. Once you click 'Submit,' you will receive your new account number instantly on the screen, and you will be automatically re-directed to Schwab.com.
4. Once on Schwab.com, click 'First Time Users' (under 'LOG IN') to set up your Schwab HSBA for online access. You'll need to input your new Schwab HSBA number, date of birth, phone number, and Social Security Number for this step. If you already have a Schwab account, you can login with your existing credentials.

   Your Schwab HSBA is now ready to be funded from the HealthEquity Investment Desktop, and you can begin researching investment opportunities. You'll receive welcome materials from Schwab within a few days from when your account is set up.

Schwab Health Savings Brokerage Accounts are offered through Charles Schwab & Co., Inc (Member SIPC), the registered broker/dealer, which also provides other brokerage and custody services to its customers. Health Equity and Charles Schwab & Co., Inc. are not affiliated and are not responsible for the policies, products, and services provided by the other.



Take advantage of web-based automated investing advice and recommendations

Investing can be confusing and somewhat time consuming. We understand. If you're not ready to manage you own portfolio, Advisor powered by **HealthEquity Advisors, LLC**[9] can help. The integrated Advisor platform offers two service levels, enabling you to adjust your level of control.

GPS

Tap into algorithm-based guidance and

GPS recommends investment options based on age, investment objectives, investment experience and more. This option gives subscribers the opportunity to ultimately select their own investments based on targeted advice.

AutoPilot

Let intelligent technologies manage your entire portfolio

Subscriber inputs create a risk profile, then AutoPilot will automatically select investments and rebalance member portfolios based on specified factors. AutoPilot empowers even the most inexperienced members to invest confidently.

Self-Driven

Powered by HealthEquity

HSA investing, directed by you.

If you're confident with your own research and investment knowledge, you can opt for a Self-Driven experience. Execute all fund and allocation decisions while still leveraging mutual fund research and performance data.

Fee information

Investing with your HealthEquity HSA means you have access to a lineup of low-cost, high-quality mutual funds. As your account administrator, HealthEquity charges an investment administrative fee of 0.03% billed monthly on your average invested daily balance. This fee is capped so it will never be more than 10.00 per month, even as your invested balance grows.

A subscription to Advisor—a web based robo advisor powered by HealthEquity Advisors LLC—costs 0.05% per month billed on your average daily invested balance and is capped at $15.00 per month. For example, if you have an average daily balance of $10,000 invested, the Advisor monthly fee would be $5.00.[10]

[9] Investments are subject to risk, including the possible loss of the principal invested and are not FDIC or NCUA insured, or guaranteed by HealthEquity, Inc. HSA holders may select Vanguard funds for investment through the HealthEquity investment platform but HealthEquity, Inc. does not provide investment advice. HealthEquity Advisors, LLC, a wholly owned subsidiary of HealthEquity, Inc. and an SEC-registered investment adviser, provides web-based investment advice to HSA holders that subscribe for its services (minimum thresholds and additional fees apply). Registration does not imply endorsement by any state or agency and does not imply a level of skill, education, or training. Investing may not be suitable for everyone. You should carefully consider the investment objectives, risks, charges and expenses of any mutual fund before investing. A prospectus and, if available, a summary prospectus containing this and other important information can be obtained by visiting the Vanguard website at vanguard.com. Please read the prospectus carefully before investing.

[10] Invest fees may vary or be covered by the employer. Log into your account and visit the Investment Desktop or contact your employer to understand your investment fees.

HealthEquity

Connecting health and wealth

Get support 24/7

Call us day or night. Our service team measures success by problems solved. We'll do whatever it takes.

Say goodbye to hassle

Log in and manage everything via our simple mobile app. 11 Want to submit a claim? Easy. Just snap a photo and you're on your way.

Stay informed

Check out our vast library of webinars, tutorials, videos, calculators, and more. You'll find tips and tricks to make the most of your HSA.

Questions? We're here for you 24/7

866.735.8195 | HealthEquity.com/Learn

[11]Accounts must be activated via the HealthEquity website in order to use the mobile app.

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