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Executive summary

The impact of Health Savings Accounts (HSAs) on retirement income adequacy for future retirees

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This paper examines the impact health savings accounts (HSAs) might have on retirement income adequacy using the Employee Benefit Research Institute's (EBRI's) Retirement Security Projection Model® (RSPM®) combined with data from EBRI's HSA Database. More specifically, this report examines the expected impact of HSAs on retirement income adequacy for U.S. households currently ages 35–64 under baseline assumptions for HSA enrollment, contributions, distributions and investment behavior. HSAs have the potential to play an important role in determining retirement income adequacy for future retirees.

Key findings of this analysis include:

- The aggregate retirement savings shortfall for all U.S. households ages 35–64 as of December 31, 2020, was $3.66 trillion, excluding HSA adoption. The cumulative baseline deficit decreases by 6.2% to $3.44 trillion when status quo HSA utilization is considered. Similarly, the retirement readiness ratings increase from 59.0% to 60.2% when incorporating the status quo HSA experience.
- Scenario analysis comprised of changing HSA behaviors across factors of increasing enrollment, investing, contributions, and reduction distributions indicates that, compared to the baseline with HSA:
  - A moderate improvement in HSA behavior increases retirement readiness by 2.5% to 61.7% and reduces the baseline with HSA deficit by 4.0% to $3.30 trillion.
  - A strong improvement in HSA behavior increases retirement readiness by 7.4% to 64.7% retirement ready and reduces the baseline with HSA deficit by 15.0% to $2.92 trillion.

  - The upper bounds of maxing out four HSA behavioral factors simultaneously increases the retirement readiness rating by 36.0% to 81.9% and reduces the baseline with HSA deficit by 74.5% to $0.88 trillion.
- The status quo adoption of HSAs and subsequent improvements in behaviors have the most positive impact in absolute dollar terms on households led by females, Black/African Americans, or Hispanic Americans, as well as lower-income households.
- We find that maximizing HSA enrollment accounts for more than half (60.4%) of the difference in the retirement saving shortfall (RSS) relative to the baseline with HSA, followed by maximizing investing of HSA accumulations (35.7%). Maximizing contribution and limiting distribution behavior have minor impacts.

Holding all else constant, increasing access to HSAs and encouraging investment among HSA account holders may further reduce the cumulative retirement savings shortfall and be more impactful for demographic cohorts who are currently projected to face the largest deficits.