



2021 health account comparison

There are several health accounts that can offer ways to help you pay and save for healthcare expenses. These are some of the similarities and differences between these accounts.

Plan feature	Flexible Spending Account (FSA)	Health Savings Account (HSA)	Retirement Healthcare Savings Plan (RHSP)	
How can I use this account?	Use to pay for current year out-of-pocket qualified medical expenses	Use to pay for current and future year out-of-pocket qualified medical expenses	Use to pay for out-of-pocket qualified medical expenses in retirement	
Who can contribute?	Employer and/or employee	Employer and/or employee ¹	Mandatory employer contribution and voluntary employee contribution	
How are contributions taxed?	Employer and employee contributions are not taxable	Employer and employee contributions are not taxable	Employer contributions are not taxable; employee contributions are after tax	
Are earnings taxed?	Not applicable	Not taxable	Not taxable	
Are distributions taxed?	Not taxable when used for qualified medical expenses	Not taxable when used for qualified medical expenses ²	Not taxable when used for qualified medical expenses	
Are there any annual contribution limits?	\$2,750	2021 Single \$3,600 Family \$7,200	2022 \$3,650 \$7,300 ³	No limit
Are catch-up contributions available?	Not applicable	Age 55+ and not enrolled in Medicare	Not applicable	
Do funds carryover year-to-year?	Yes, if permitted under the plan—up to \$550. ⁴	Yes	Yes	
Are account funds immediately available for employees to use?	Funds are available for use for qualified medical expenses on the first day of the plan year.	Yes	The employer determines the vesting schedule for employer contributions. Employee contributions are always immediately vested.	
Are rollovers available?	No. FSAs cannot rollover to a new employer.	An HSA may be rolled over to another HSA. ⁵	No	
Is enrollment into a qualified High Deductible Health Plan (HDHP) required?	No	Yes	No	
What types of healthcare expenses can it be used for?	Any qualified medical expense defined under IRC Section 213(d). Health insurance premiums excluded. Full purpose FSA cannot be used with an HSA, however a limited purpose FSA can be used for vision and dental with an HSA.	Any qualified medical expense defined under Section IRC 213(d), some insurance premiums for long-term care insurance and COBRA defined under Section 223(d)(2)(C).	Any qualified medical expense defined under Section IRC 213(d). Long-term care included.	

*Check with your employer to see which of these healthcare accounts are offered as part of their benefits program.



¹ Additional restrictions apply: (1) Must be covered under a qualified HDHP on the first day of any month for which eligibility is claimed, (2) Must not be enrolled in Medicare, (3) May not be covered under any health plan that is not a qualified HDHP, with exception of certain permitted coverage and certain health-related payment plans, (4) Cannot be claimed as a dependent on another individual's income tax return.

² Distributions for qualified medical expenses are tax free. Any distributions prior to age 65 and not used for qualified medical expenses are subject to ordinary income tax and a 20% excise tax. Any distributions after age 65 that are not used for qualified medical expenses are taxable at ordinary income tax rates.

³ The contribution limits may have to be prorated on a monthly basis if a person isn't considered to be HSA-eligible the entire year.

⁴ Employer may limit amount. Alternatively, some plans may allow up to a 2½ month grace period, during which employees can be reimbursed for qualified medical expenses with funds remaining from the prior plan year.

⁵ Additional IRS regulations may apply for transfers from other tax-advantaged accounts.

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