

## Getting the Most out of HSAs

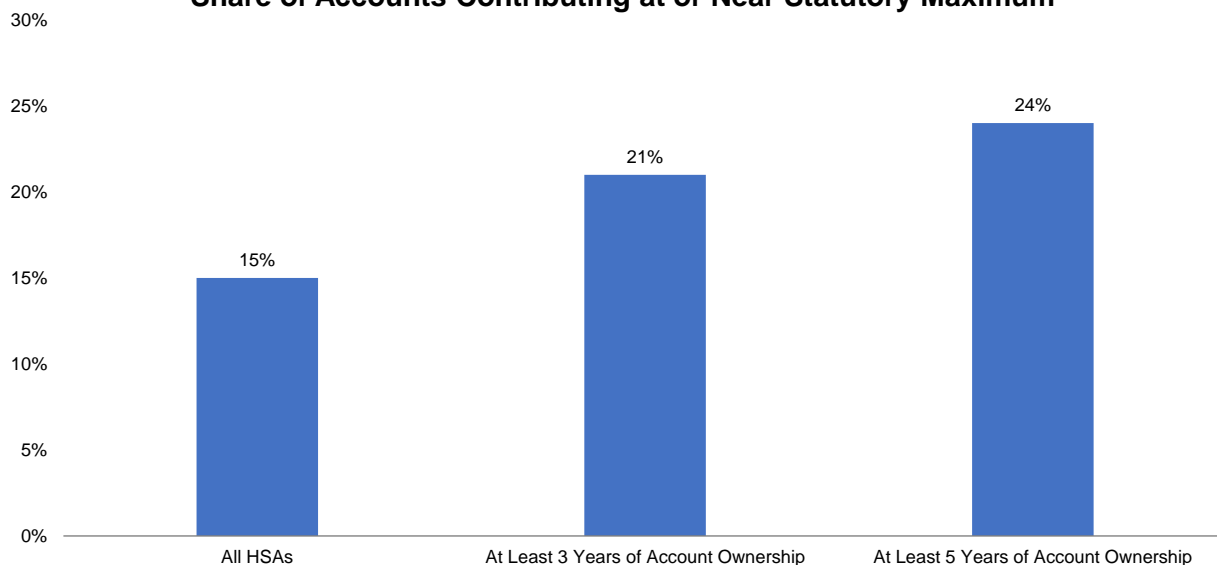
Health savings accounts (HSAs) are a useful way for people enrolled in HSA-eligible health plans to stretch their health care dollars further than they otherwise could. They are also a useful way to maximize wealth at retirement. This is because HSAs offer a triple tax advantage, unmatched by other tax-advantaged accounts: contributions are made on a pre-tax basis, distributions are not subject to tax (provided the distributions are spent on qualified medical expenditures), and investments grow tax free as well. To what extent are accountholders taking the fullest advantage of the tax benefits HSAs offer? We turn to [EBRI's HSA Database](#) to find the answer.

In 2021 — the most recent year of data available in EBRI's HSA Database — the maximum contribution was \$3,600 for accountholders with single coverage, or \$7,000 for workers with family coverage (accountholders 55 and older are eligible for an additional \$1,000 catch-up contribution). However, relatively few accountholders in EBRI's HSA Database — about 15 percent — took full advantage of the tax break on contributions by contributing the statutory maximum. Additionally, only 12 percent of accountholders took advantage of the tax benefits offered by the ability to invest HSA dollars in assets other than cash.

This is not to say that accountholders are not broadly taking advantage of HSA tax benefits. Indeed, even accountholders who contribute less than the statutory maximum and do not invest their balances still benefit from the tax break on HSA contributions, and they therefore stretch their health care dollars further than they otherwise could. Additionally, there is some evidence to suggest that the longer accountholders have had their HSAs, the more likely they are to reap larger tax benefits that HSAs offer.

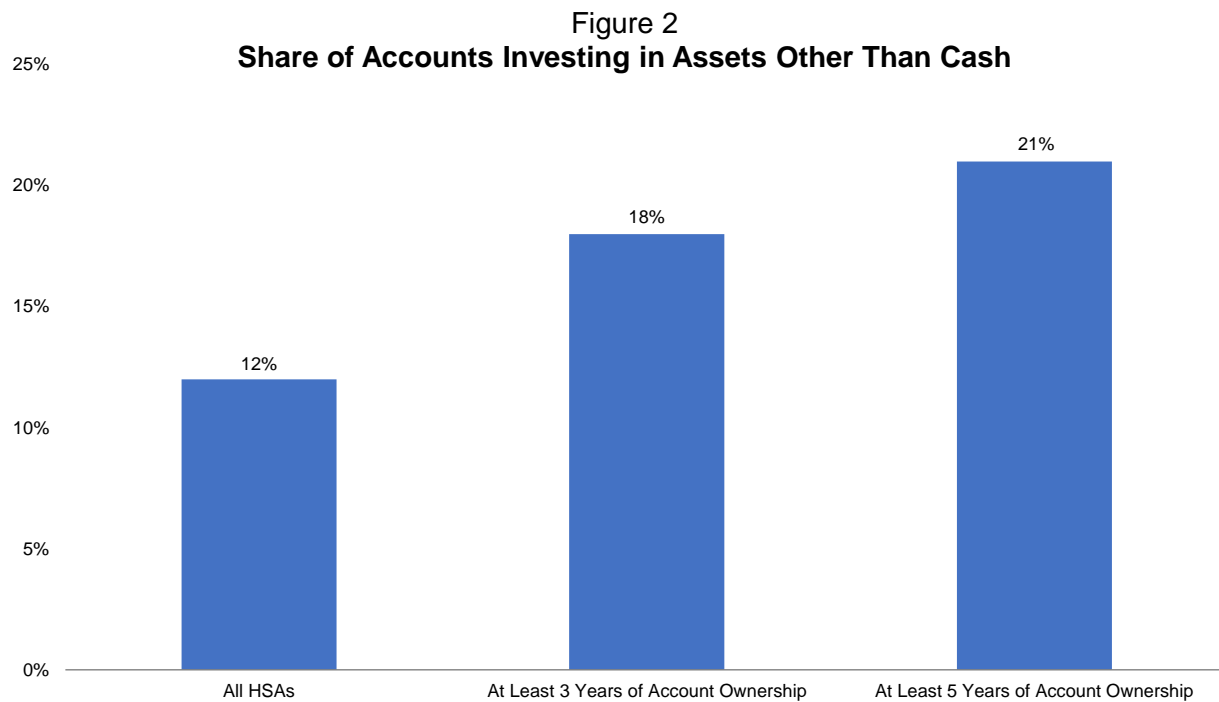
For instance, while 15 percent of accountholders contributed amounts at or near the statutory maximum in 2021, that figure rises to 21 percent among accountholders who had their accounts for at least three years. Nearly a quarter of accountholders who had their HSAs for at least five years maxed out their HSA contributions.

Figure 1  
Share of Accounts Contributing at or Near Statutory Maximum



Source: EBRI HSA Database.

There is a similar story for accountholders who invest their HSA balances in assets other than cash. While 12 percent of all accountholders invested their HSAs, that figure increased to 18 percent among those who had their HSAs for at least three years (Figure 2). And among accountholders who had their HSAs for at least five years, 21 percent invested their HSAs in assets other than cash.



Source: EBRI HSA Database.

### About the EBRI HSA Database

The EBRI HSA Database is a representative repository of information about individual HSAs. The database is unique because it includes data provided by a wide variety of account recordkeepers and, therefore, represents the characteristics and activity of a broad range of HSA owners.

As of Dec. 31, 2021, the EBRI Database includes:

- 13.1 million health savings accounts.
- \$39.5 billion in assets.

Since 2011, the database has grown from 800,000 to 13.1 million accounts, and assets have grown from \$1.5 billion to \$39.5 billion. Most HSAs in the EBRI HSA Database were initially opened within the past few years. See <https://www.ebri.org/health/hsa-database> for more information about the EBRI HSA Database.

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