

## Health Savings Accounts and Medicare

Is it time to enroll in Medicare?  
Things to think about related to your HSA.



### Is it time to enroll in Medicare?

Your enrollment in any part of Medicare (A, B, C, or D) makes you ineligible for HSA contributions, including employer funding. This is true even though Part A is free for most people.



**If you are Medicare eligible, still working, and covered by your employer's high deductible health plan (HDHP), you may consider postponing your Medicare enrollment.** You should get a letter in the mail from Medicare prior to your 65th birthday explaining the rules to avoid late entrance penalties. You should also check with your employer to make sure your HDHP coverage is considered "creditable" for Medicare Part D (prescription coverage). Medicare requires creditable prescription coverage in order to avoid late enrollment penalties.



**Even if you decide to postpone your Medicare enrollment until after you quit working, if you enroll in Social Security, you will be automatically enrolled in Medicare Part A.** The law does not allow you to enroll in Social Security and opt out of Medicare Part A. So, if you decide to postpone Medicare, you would also need to postpone Social Security benefits in order to be eligible for HSA contributions.



**If you do not enroll in Medicare and your spouse does enroll in Medicare, his or her enrollment will not affect your eligibility to make contributions to your HSA. Your spouse's qualified expenses can still be paid from your HSA.** NOTE: Your spouse's Medicare premiums can't be paid from your HSA if you are not also enrolled in Medicare.

You should seek advice from your financial adviser and Social Security to determine if postponing Social Security/Medicare benefits is the right option for you. *See the back for other important disclosures.*

## What happens after I enroll in Medicare?

### Contributions



You become ineligible for HSA contributions the first day of the month your Medicare is effective.

**You must prorate your annual maximum contribution the year you enroll in Medicare.**

EXAMPLE: Your Medicare is effective 8/1/23. Until 8/1, you had an HDHP with self-only coverage (\$3,850 annual contribution maximum plus \$1,000 catch-up contribution). Your 2023 contribution limit is \$2,829 ( $\$4,850 \div 12 \times 7$ ).

- **If you are still working, neither your employer nor your spouse (nor anyone else) can contribute to your HSA after you enroll in Medicare.** However, check with your employer to find if you are eligible to sign up for the Healthcare FSA program, so that you can preserve your HSA for expenses after you quit working, and still get a tax advantage for this year's expenses.
- **If your spouse is not yet enrolled in Medicare, has HDHP coverage, and meets the other HSA eligibility rules, he or she may contribute to an HSA opened in his or her name. You are not allowed to transfer your HSA to your spouse's name.** However, contributions to HSAs are tax-deductible, so anyone including you could contribute to your spouse's HSA. To open a new UMB HSA, contact the HSA Service Center at **866.520.4472**.

### Distributions



**You can continue to use your HSA to pay for qualified expenses for you, your spouse, and dependents, tax free.**

This includes Medicare premiums for you and your spouse or COBRA premiums for your spouse/dependents. Your HSA can't be used for Medigap/Medicare Supplement premiums.

- **At age 65, you can even withdraw money from your HSA to pay for living expenses or that new boat you have been eyeing. You will pay your ordinary income tax rate on non-qualified withdrawals, but no 20% penalty, when enrolled in Medicare.** All mention of taxes is made in reference to federal tax law. Please check with your state's tax laws to determine the tax treatment of HSA contributions. Neither UMB Bank, n.a., its parent subsidiaries nor affiliates are engaged in rendering tax advice or advice regarding your Social Security or Medicare benefits. Please consult your tax adviser, Social Security Administration, and Medicare.