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RETIREMENT PLANNING

DOES YOUR EMPLOYER OFFER A 401(K) PLAN AND HEALTH SAVINGS ACCOUNT??

We are sharing some considerations for those in a situation with both an employer-sponsored retirement plan and access to a Health Savings Account (HSA).

FIRST PRIORITY: DON'T LEAVE MONEY ON THE TABLE

It's simple and obvious but a lot of people miss out on this opportunity. Take advantage of your entire 401(k) employer match. If your employer offers a 401(k) match – that's free money.

SECOND PRIORITY: MAXIMIZE YOUR HEALTH SAVINGS ACCOUNT (HSA) CONTRIBUTIONS

If you have taken advantage of your employer's free money from the 401(k) match, then the next stop is to maximize your HSA. In 2020, the maximum contribution (both employee and employer sources) for an individual under age 55 in 2020 is $3,550. If your employer contributes dollars into your HSA account, then it's important to verify the contribution program.

Here are three ways that companies may structure their contributions:
1. **Flat Dollar HSA Contributions:** Employers may provide a flat dollar contribution to employees. This concept is as simple as it sounds.
2. **HSA Incentive Contributions:** Employers may provide an incentive program to frame their contributions around the completion of health assessments.
3. **HSA Contribution Matching Programs:** Similar to the 401(k) matching principle, employers may offer an HSA matching component for employee dollars contributed into a HSA account. Like a 401(k), dollars contributed to HSA accounts can be invested.

FINAL PRIORITY: MAXIMIZE YOUR ANNUAL 401(K) AND IRA CONTRIBUTIONS

If you are in a situation where you have excess income, then consider putting your dollars here:
1. Contribute the maximum to your 401(k). In 2020, the annual 401(k) limit for someone under age 50 is $19,500.
2. Contribute dollars to a Traditional or Roth Individual Retirement Account.