

Health Savings Accounts: Threat or Opportunity?



NAPA

National Association of Plan Advisors

Part of the American Retirement Association

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Camp Proposal Freezes 401(k) Limits



Almost 30 Percent Reduction in
Limits Over Ten Years

Tax Reform – Camp

- Double tax on contributions for top-bracket earners
 - 25 percent cap on current year tax benefit
- Roth-only above 50 percent of the 401(k) limit
- Ten-year freeze on cost-of-living increases
 - 402(g) elective deferral
 - 415 DB and DC
 - SIMPLE plan
- Eliminates 403(b) and 457 plans and transition to 401(k)
- Raises revenue of approx. \$250 billion

American Health Care Act HSA Proposal

- For 2018, increases contribution limits to \$13,800 family/\$6,900 single coverage/year, \$15,800/year for family coverage with age 55 catch-up for both spouses
- Expands qualifying expenses to over the counter meds
- Reduces 20 percent penalty on non-qualifying withdrawals to 10% and penalty lapses at age 65
- FSA limits on employee contributions repealed

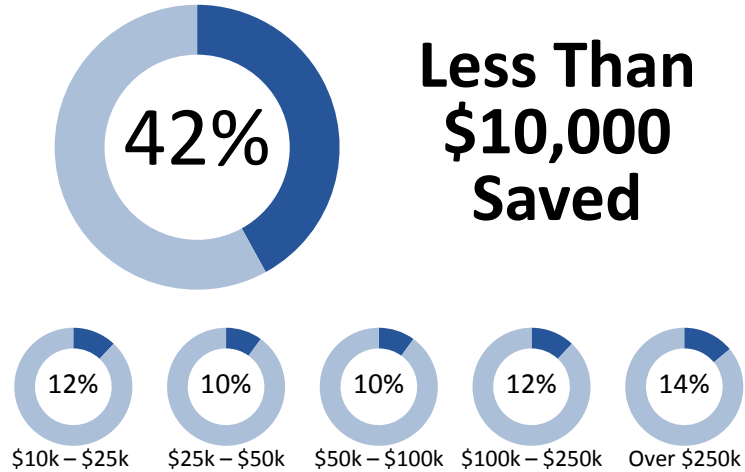
**HEALTH
CARE**

RETIREMENT

VERSUS



Americans Not Saving Enough



2016 Retirement Confidence Survey – Employee Benefit Research
Institute and Greenwald & Associates

Health Care in Retirement

\$260,000

2016 Fidelity Retiree Health Cost Estimate

Why HSAs Matter

- Healthcare costs continue to rise
- Sponsors continue to shift cost to employees
- Healthcare costs impact retirement savings
- Investment opportunity for longer-term healthcare costs
- Core component of financial wellness

HSA Market and Growth Projections

- 24 percent of firms with healthcare benefits offer an HSA
- \$35 billion in assets and 20 million accounts
- 29 percent asset growth in investment assets
- 15 percent of HSA assets are invested out of cash and growing
- HSA enrollment increased from 17 to 29 percent over last five years
- Average employer contribution is \$868 (of those contributing) and employee contribution is \$1,786
- Over \$50 billion in HSA assets and 27 million accounts by 2018

(Kaiser Family Foundation 2016 Employer Health Benefit Survey and 2016 Year-End Devenir Market Research Report)

Expected HSA Behaviors

Tax-efficient saving across 401(k) and HSA:

1. Save in the HSA up to the deductible and out-of-pocket costs
2. Save up to the 401(k) match
3. Save in the HSA up to the contribution limit
4. Pay credit card debt
5. Save in the 401(k) plan beyond match

HSA Legislation

- House and Senate bill introduced
- Potential vehicles to vary HSA legislation
 - AHCA legislation?
 - Tax reform?
 - Tax extenders?
 - CHIP?
 - Stand-alone bill?

Poll Question #1

Are you concerned that expanded HSA limits will cause reductions in 401(k) contributions?

- A. Yes
- B. No

Poll Question #2

Do you think an integrated 401(k)/HSA solution (or side-car HSA) would be better for participants?

- A. Yes
- B. No

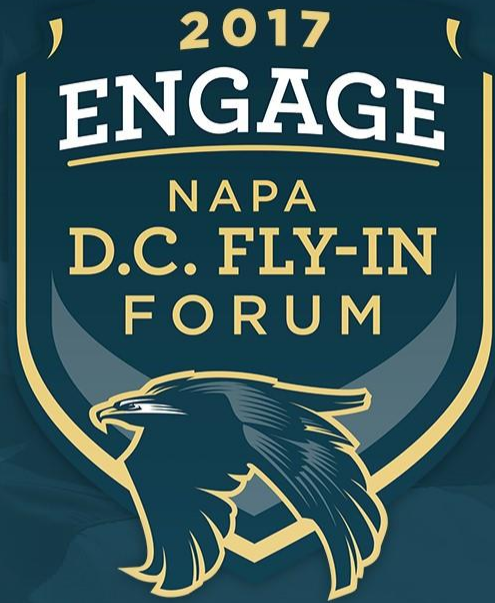
HSA Side-Car Solution

- HSAs can be added to the 401(k) (optional)
- Allow access to 401(k) investments
- Integrate/coordinate education and advice
- Subject to all current HSA rules
- 401(k) is insulated from HSA issues

Adviser Opportunities

- HSA consulting/sales opportunity
- Advise on assets across health and retirement
- Increases value to plan sponsors
- Provide holistic education/advice to participants
- Differentiator in the market

Questions?



WASHINGTON COURT
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