

Health to Wealth

A Blurry Line Coming into Focus

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MANY OF US KNOW about health savings accounts (HSA's) as a health benefit, but did you know they can also play an important role in retirement saving?

Because health and medical costs are the no. 1 expense in retirement, it's important to factor the high cost of health care into retirement savings. Fortunately, HSA's can help solve for both current and future health care needs by providing an investment option employees can use long-term. And for plan sponsors, HSA's make efficient use of your entire benefits package by covering both health and retirement.

It's important to understand the retirement health care savings gap – and the impact it can have on your workforce – as well as the role HSAs can play



in retirement planning.

A cohesive plan design – including HSAs – can help you connect the pieces between health care, HSAs and retirement wellness to ultimately help employees save enough to retire on time.

According to a Government Accountability Study those closest to retirement (Ages 55-64), retirement savings on average amounts to \$104,000. That's dismal, especially when you consider the cost of health care alone for a healthy 65-year-old couple

could be upwards of \$404,000.

Unfortunately, many employees aren't prepared to cover this gap. Health care costs are the single biggest retirement expenditure. And, for most people, their current health care coverage isn't going to last into retirement.

A 2014 National Health Interview Survey found just 14% of employers cover health care costs for retirees — down from 24% in 2005.

Employees are rightfully worried about how they'll pay for their health care in retirement.

HSAs are a triple tax exempted vehicle that can help. Health savings accounts are a tax advantaged trust or custodial account created for the benefit of an individual covered under a qualified high deductible health plan. Money is contributed pretax, accumulates tax free and can be used to pay for medical expenses tax free. The accounts are portable and unused balances can be carried forward to future years allowing for unlimited accumulation opportunities.

HSAs not only blur the line between health and wealth... but also between employer-sponsored benefits and individual responsibility.

While we know the HSA is part of the health benefit plan, it's also an important piece to help boost retirement readiness. It's important to create a retirement readiness culture for your employees.

Plan design features that include thoughtful investment options and integration with your retirement plan can start to move the needle on retirement readiness.

But to drive better retirement outcomes the key is plan design plus employee engagement because it will take meaningful engagement and information to get employees to save at adequate levels – including saving enough to cover the significant health care costs they'll face.

Consult a qualified adviser with experience in integrating health and welfare plans with employee savings and retirement programs to design a program with robust educational options that fit the culture of your workforce. ■



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