# Tax Planning: Open an HSA

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– Posted on July 3, 2013**Posted in:** Making the Most of Your Money


*Maximize your medical deductions by opening a health savings account.*

Taxpayers looking to maximize deductions should consider opening a health savings account (HSA). HSAs are tax-advantaged medical savings accounts created by the federal government to encourage people to save for future health expenses, but there are other reasons to open such accounts.

Almost all taxpayers lose part – and sometimes all – of the medical deduction on their income taxes. To take the deduction, you must itemize deductions, but even then the IRS imposes a 7.5 percent haircut of your adjusted gross income to your medical deductions. For example, if your adjusted gross income is $100,000, you would need more than $7,500 in medical deductions to take any deduction whatsoever. The first $7,500 you spend is not eligible to be deducted.

By using an HSA, you can claim the deduction above the line, at least part of it. Furthermore, HSAs can be used by individuals and families enrolled in high-deductible health plans.

Consumers must open HSAs through a trustee, such as a bank or an insurance company, and can use a provider that differs from one's main health insurance company. If your employer offers such a plan, you can establish an HSA through work, or if you pay directly for your insurance, you can open an HSA on your own.

To qualify through enrollment in a high-deductible health plan (HDHP), you must have a health insurance deductible of at least $1,200 per year if you are single and $2,400 per year if you cover your family. The maximum annual deductible and other out-of-pocket expenses for HDHPs are $6,050 for singles and $12,100 for family coverage.

Once you have set up an HSA, you will need to contribute to the account. In 2013, if you are single, you may contribute up to $3,250, and if you have family coverage, you may contribute up to $6,450.

You need to make all contributions for the year by the federal tax deadline and that does not include extensions. This means you have until April 15, 2014, to make a contribution to be credited to 2013. So instead of having to deal with the 7.5 percent limitation on medical expenses, you can enjoy the full benefit of the amount you paid into the plan because all medical expenses paid from the HSA cannot be included on Schedule A, Itemized Deductions.

To move forward with setting up an HSA, talk to your employer's human resources department. If you have your own health insurance policy, obtained through an insurance broker or company, then contact one of them.



**Tags: making the most of your money**, **money**, **taxes**

**About Susan Carr-Templeton**

Susan Templeton is the founder of Stafford Wells Advisors, a wealth management firm serving individuals, families and businesses and advising workplace retirement plans. Stafford Wells was founded in 2008 with the mission of delivering independent, complete, unbiased investment and planning advice, free of any conflicts of interest. Susan Templeton has more than 20 years experience in investment management. She received her B.S.B.A. degree in marketing from the University of Denver and her M.B.A. from the University of Chicago. Susan is a trustee for the Advocate Foundation where she chair's the Planned Giving Committee and is a member of the Investment Committee. Susan serves on the investment committee for the Visiting Nurse Association (Chicago) and is a former trustee of the Village of Oak Brook Police Pension Plan.