

# How Much Can I Contribute to My Health Savings Account?

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Many with a High-Deductible Health Plan (HDHP) have a unique advantage: access to a Health Savings Account (HSA). HSAs offer a trifecta of tax benefits for qualified medical expenses, making them a powerful tool for healthcare savings. However, it's vital to navigate the rules and regulations that come with these accounts. One of the most important rules to keep in mind is the annual contribution limit.

## What Is the 2023 Annual Contribution Limit for HSAs?

There are maximum limits imposed on how much can be contributed to an HSA every year. Both your contributions and those made by your employer count towards the annual limit.

For 2023, the annual contribution limits were set at \$3,850 for self-only coverage and \$7,750 for family coverage. If you are 55 or older, you can make an additional catch-up contribution of \$1,000.

These limits only apply to individuals who remain eligible to contribute for the entire calendar year (January 1st to December 31st). If you switch insurance plans or enroll in Medicare and become ineligible before a full year passes, your contribution eligibility will be pro-rated.

## **Pro-rated Annual Contribution Limit**

Your pro-rated amount will be based on the months you were eligible to contribute on the first of the month. For instance, if you switch insurance plans and no longer have access to an HSA starting on May 2nd, the entire month of May still counts as an eligible month.

To find your pro-rated contribution limit, you divide the months you were eligible by 12. Then multiply that number by the annual maximum contribution limit (\$3,850). For example, an individual eligible for 6 months out of the year would have a pro-rated limit of \$1,925 ( $6/12 \times \$3,850$ ).

## **Last-month Rule**

There is an exception known as the last-month rule that you should be aware of. If you are enrolled in an HSA-eligible health care plan as of December 1st in a given year, you can contribute the maximum amount allowed for that calendar year (e.g., \$3,850 for self-only coverage or \$7,750 for family coverage). However, there's a "testing period" you need to consider.

The testing period starts from December 1st of the year you make the contribution and continues until December 31st of the following year. During this period, you must maintain your HDHP coverage and remain eligible to contribute to an HSA. If you leave the HDHP before the testing period ends, there may be penalties.

## **What If I Have Multiple HSAs?**

Some individuals may have multiple HSAs, which requires careful tracking of contributions. Regardless of the number of accounts, you cannot contribute more than the maximum annual limit. It's important to keep accurate records and ensure you do not exceed the allowed limit.

## **The Bottom Line**

An HSA can be a game-changer, not only for covering medical expenses but also for shaping your retirement strategy. By understanding the ins and outs of contribution eligibility and the annual limits, you can make the most of your HSA benefits.