

# Beyond the interest rate:

## Why HSA personalized education drives financial wellness

Did you know that since HSAs have been an employee benefit option for 23 years, there are now accounts that have over \$1 million in them? How did people achieve this, and what path did they take?

While interest rates are often discussed and highlighted, they are not the most critical factor in maximizing the benefits of an HSA. We have observed that personalized education is the key to unlocking the full value of an HSA, with the real power lying in how well one understands and leverages its triple tax advantages.

**The best questions for any HSA provider include:**

- Tell me how you use personalized education throughout the year?
- What outcomes do you see from personalized education?
- How do you educate people to align their HSAs to retirement saving and investing?



When understood, an HSA is a powerful financial tool that offers triple tax advantages and helps individuals save for current and future medical expenses. Even though interest rates on HSA accounts may seem appealing, more than 50% of account balances are less than \$500, and less than 10% of participants are investing their funds. That's why personalized education is needed, particularly in the areas of HSA tax advantages, investment options, when to save, when to spend and long-term planning.

Interest rates, on the other hand, contribute to passive HSA growth, especially for those who keep their funds in cash. For example, a 2% annual interest rate on a \$5,000 HSA balance yields just \$100 in account growth. This is barely enough to offset inflation or rising healthcare costs. In addition, interest rates are controlled by other forces, leaving the accountholder with little ability to influence their HSA performance.

When people understand that HSA contributions reduce taxable income dollar-for-dollar, HSAs become very appealing. But despite the powerful tax advantages and long-term savings potential of HSAs, a large portion of eligible users fail to maximize their benefits — primarily because they don't know that funds invested in mutual funds, stocks or ETFs grow tax-free, and they don't realize that withdrawals are tax-free if used for qualified medical expenses.

Personalized education can equip individuals with the knowledge and tools needed to actively manage their HSA. Additionally, education can guide users toward optimal outcomes and behaviors such as maximizing annual contributions, investing unused funds and avoiding unnecessary withdrawals. For example, by using personalized education throughout the year, a mid-size energy engineering and consulting firm realized 12% increased participation in their HSA. Just as important, contributions to the HSA increased by nearly \$1 million which resulted in approximately \$75 thousand in FICA savings for the employer.

