



Saving for Healthcare Costs

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If you are young enough to be covered by your parent's or guardian's healthcare plan or are generally healthy, the cost of health care may not be something you regularly think about. Good health and youth are easy to take for granted and may put healthcare costs on the bottom of your thought priority list. However, these priorities can quickly change and should be considered as part of a holistic financial plan for people of all ages and circumstances.

1 Health Savings Accounts

A health savings account (HSA) is a special type of account that is only available to those with a high-deductible health plan (HDHP). HDHPs typically have lower monthly costs (called premiums) than other health insurance plans but have high annual deductibles and out-of-pocket maximums. So, if you need medical care, you can expect to spend thousands of dollars before your HDHP starts covering these expenses. An HSA allows you to save some of the money you will need to meet your high deductible and out-of-pocket maximum without paying taxes on this money.

As an individual in 2025, you can elect to contribute up to \$4300 a year to your HSA or up to \$8550 if your HDHP covers you and another person in your family. If you are 55 or older, you can contribute an additional \$1000 a year on top of these amounts. Employers that offer HDHPs may also contribute money to your HSA, just like they might match your 401(k) contributions, and may even offer investment options for this account to help your money grow more quickly.

The money in your HSA is yours for life to use for qualified medical expenses, even if you leave your current job. The tax savings along with the money your employer may contribute to your account are smart reasons to take advantage of an HSA.¹

2 Flexible Spending Accounts

If you have a health plan that isn't an HDHP, you can't contribute to an HSA; however, you can contribute to another type of tax-advantaged account called a flexible spending account (FSA). Deductibles and out-of-pocket maximums are lower for these other health plans (but monthly premiums are typically



more expensive than with HDHP plans). Because of the lower deductibles, the FSA contribution limit in 2025 is only \$3300 for an individual and \$6600 for a household. Some FSAs, however, still allow employers to make contributions.

It is important to remember that unlike HSAs, an FSA in 2025 will have an annual rollover maximum of only \$660. This means that at the end of the year, if there is any money over this amount left in your account, it must be spent on qualified medical expenses for you or others on your

healthcare plan, otherwise it will be lost. An FSA also offers tax savings but when compared to an HSA, a little more planning is needed when it comes to funding and using this type of account to ensure no money is wasted.²

References

1. HealthCare.gov. Understanding HSA-eligible plans. Accessed February 15, 2024. <https://www.healthcare.gov/high-deductible-health-plan/hdhp-hsa-information>
2. HealthCare.gov. Using a flexible spending account (FSA). Accessed February 15, 2024. <https://www.healthcare.gov/have-job-based-coverage/flexible-spending-accounts>



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Adrienne has been a credentialed veterinary technician for 16 years, is passionate about helping the next generation of vet techs, and is semi-obsessed with personal finance.

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