ENDOWMENT
WEALTH MANAGEMENT®
Fee-Only Fiduciary Advisors

EWM Personal Finance
Tips & Solutions

Qualified HSA Funding Distribution (QHFD)

Learn how to make a one-time, tax- and penalty-free rollover from your IRA to your HSA!

You are generally eligible for this one-time rollover if you are eligible to contribute to an HSA. In other words, you generally need to be covered under an HSA-eligible high-deductible health plan (HDHP).

How to Determine if You are Enrolled in an HSA-Eligible Health Plan (2026 Figures):

- Your health plan's annual maximum out-of-pocket expense* cannot exceed $8,500 for self-only coverage or $17,000 for family coverage.
- Your health plan's minimum deductible must be at least $1,700 for self-only coverage or $3,400 for family coverage.

*Premiums <u>do not</u> count as out-of-pocket costs, but deductibles, copayments, and coinsurance generally do.

Other Eligibility Requirements:

- Generally, an HSA-qualified high-deductible health plan (HDHP) cannot provide benefits for non-preventive medical services before the deductible is met. Certain exceptions may apply under current law.
- You cannot be claimed as a dependent on another individual's tax return.
- You cannot contribute to an HSA while enrolled in Medicare, although you may continue to use existing HSA funds for qualified medical expenses.
- You generally cannot have other health coverage that disqualifies you from contributing to an HSA.

Rollover Information:

- The maximum QHFD is limited to your available HSA contribution limit for the year.
    - The 2026 annual contribution limit for an HSA account (employer + employee) is $4,400 for a self-only coverage and $8,750 for family coverage.
    - If you are age 55 or older, you are eligible for an additional $1,000 in catch-up contributions.
- The rollover reduces the taxpayer's HSA available contribution for the given tax year.
    - For example, if an individual's annual HSA limit was $4,400 and a rollover of $4,400 was completed, the account owner cannot make any additional contributions to their HSA for that year (employer or employee).

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Situtation that may allow for the maximum rollover amount:

- Account holder is age 55 or older, has HDHP family coverage, is HSA-eligible, and has not yet made HSA contributions for the year.
  - Up to $9,750 in 2026 ($8,750 annual contribution limit + $1,000 catch-up contribution).

Important Details to Note:

- A QHFD must come directly from an eligible IRA, not from a 401(k). If eligible 401(k) assets are first rolled to an IRA, those IRA assets may subsequently be eligible for a QHFD, subject to applicable requirements.
- After completing a QHFD, you generally must remain HSA-eligible throughout the applicable testing period. Losing HSA eligibility during that period, including through Medicare enrollment, may result in the rollover amount becoming taxable and subject to an additional tax.
- The rollover must be a direct trustee-to-trustee transfer. Indirect transfers do not qualify.
- Distributions from an HSA used for qualified medical expenses are excluded from federal income tax, subject to applicable IRS requirements.

To learn more about Endowment Wealth Management and our Fee-Only Fiduciary Advice:

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