Qualified HSA Funding Distribution (QHFD)

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

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

How to determine if you are enrolled in an HSA-eligible health plan (2023 Figures):

- Your health plan's annual maximum out-of-pocket expense* must be less than $7,500 for self-only coverage or less than $15,000 for family coverage.
- Your health plan's minimum deductible must be greater than $1,500 for self-only coverage or greater than $3,000 for family coverage.

*Premiums do not count as out-of-pocket costs, but deductibles, copayments, and coinsurance do.

Other details to note:

- If your health plan pays for other services, such as doctor visits or prescription drugs before you meet the deductible, your plan is not HSA-qualified.
- You cannot be claimed as a dependent on another individual's tax return.
- You cannot be enrolled in Medicare and contribute to an HSA.

Rollover information:

- Maximum amount of the rollover is limited to the amount of that year's contribution limit.
    - The 2023 annual contribution limit for an HSA account (employer + employee) is $3,850 for a self-only coverage and $7,750 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 $3,850 and a rollover of $3,850 was completed, the account owner cannot make any additional contributions to their HSA for that year (employer or employee).

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For more information:
Call us at (920) 785-6010 or visit
www.EndowmentWM.com

Ideal situation to maximize rollover amount:

- Account holder has family coverage <u>and</u> is age 55 or older ($8,750 contribution limit for 2023).
  - If the spouse of the HSA account holder is age 55 or older, they could also perform a $1,000 rollover from their own IRA to their spouse's HSA (Maximum rollover of $9,750).

Important details to note:

- You cannot rollover directly from a 401(k) account, but you can rollover 401(k) funds into an IRA, then roll these funds into your HSA.
- If the rollover is performed less than 12 months before joining Medicare, the enrollment will automatically disqualify HSA contributions and the testing period will fail.
- The rollover must be a direct trustee-to-trustee transfer. Indirect transfers do not qualify.
- Owners of an HSA account <u>do not</u> have to pay tax on withdrawal for qualified medical expenses.
  (A tax which would have to be paid if the funds stayed in the IRA and were withdrawn)

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

Call: (920) 785-6010

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