

The Truth About HSAs and Retirement



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Healthcare Services

Speakers



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New Opportunities

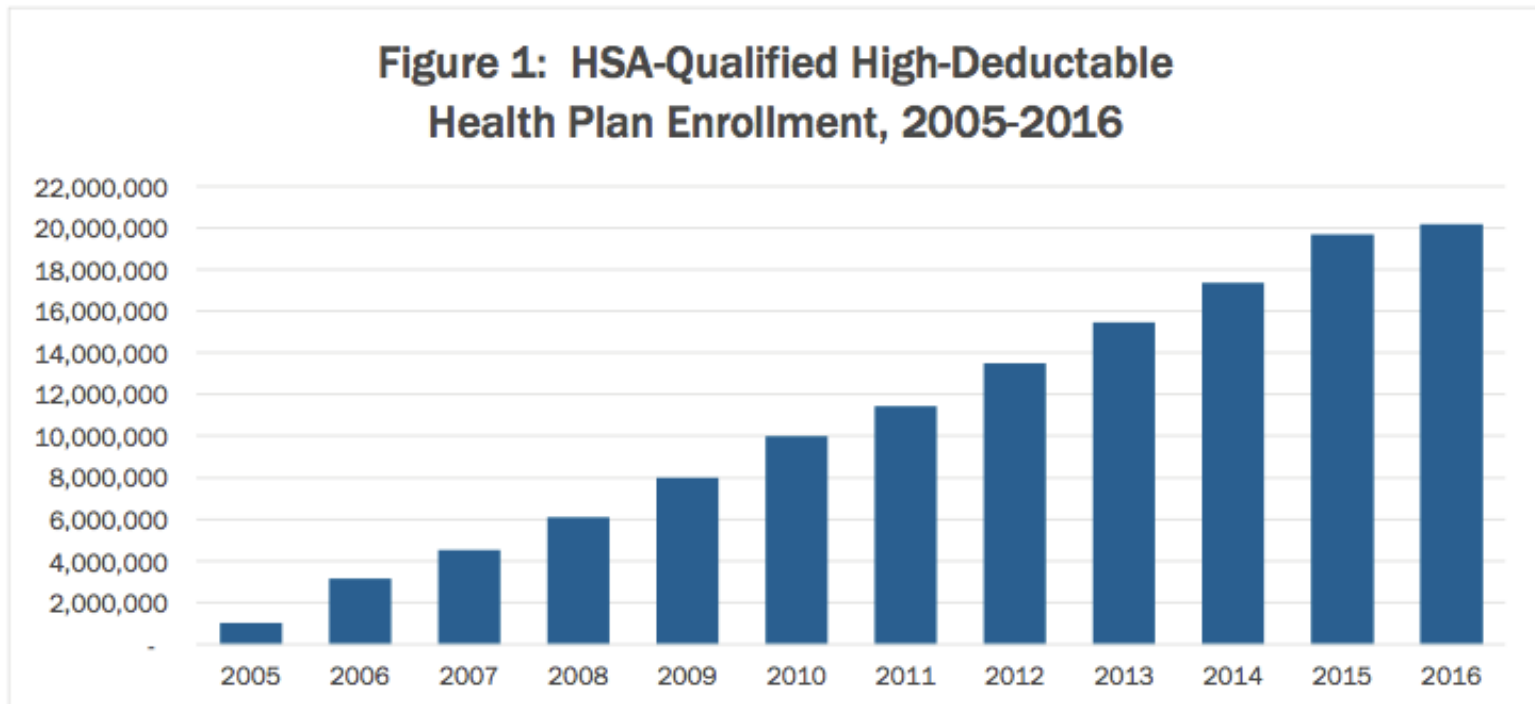
Poll question # 1

How would you describe your role?

- A. Broker, agent or consultant
- B. Financial Advisor
- C. Health Plan
- D. 401(k) Record Keeper
- E. TPA
- F. Other

HDHP + HSA: One part medical plan, one part savings account

Steady enrollment climb



Source: 2016 AHIP Survey of Health Savings Account – High Deductible Health Plans

More to the HSA Story

Shrinking **the**
widening
retirement income
gap - a - p
with HSAs



Financing for the Future



**Average retired
couple needs \$350,000
for medical expenses**

HSA usage growing

Retirement balances increasing

- Average 401(k) balance: \$96,495
- Retirement readiness still lagging

Source: Motley Fool: <https://www.fool.com/retirement/2016/10/10/the-average-american-has-this-401k-balance-how-do.aspx>

New opportunities for HSAs to Shine

HSA enhancements push forward despite uncertainty about AHCA:



Increase HSA limits

- Individual coverage: from \$3,450 to \$6,550
- Family coverage: From \$6,900 to \$13,100



Unbundling HSAs from HDHPs



Family catch-up

Account holders and spouses who are age 55 or older could both make catch-up contributions to the same HSA

Sources:

<http://www.commonwealthfund.org/publications/blog/2017/apr/gains-under-proposal-to-expand-health-savings-accounts>

<http://www.investopedia.com/retirement/congress-may-take-away-your-401k-tax-deduction/>

Avoid taxes like a millionaire—on any salary

- Trifecta of tax benefits that beat any other retirement savings vehicle
 - Tax-free contributions¹ (or opportunity to deduct contributions from income tax returns)
 - Tax-free growth through interest and investment earnings
 - Tax-free withdrawals² when used for eligible expenses
- No income limits or required distributions

Neither UMB Bank n.a., its parent, subsidiaries nor affiliates are engaged in rendering tax advice and this presentation is not intended as tax advice.

¹All mention of taxes is made in reference to federal tax law. States can choose to follow the federal tax-treatment guidelines for HSAs or establish their own; some states tax HSA contributions. Please check with your state's tax laws to determine the tax treatment of HSA contributions, or consult your tax adviser.

²Withdrawals for non-qualified medical expenses are subject to income taxes and a possible additional 20% penalty, if you're under age 65.

Unmatched benefits

- No “use-it-or-lose-it” penalty
- Portable
- HSA-compatible plans typically offer lower premiums

Lots of investment opportunities but limited takers

HSA assets

- Projected 2017 HSA assets: \$44.5 billion
- Projected 2018 HSA assets: \$53.2 billion

Investors

- < 4% of overall HSA accountholders HSA-compatible plans typically offer lower premiums

Source: Investment News

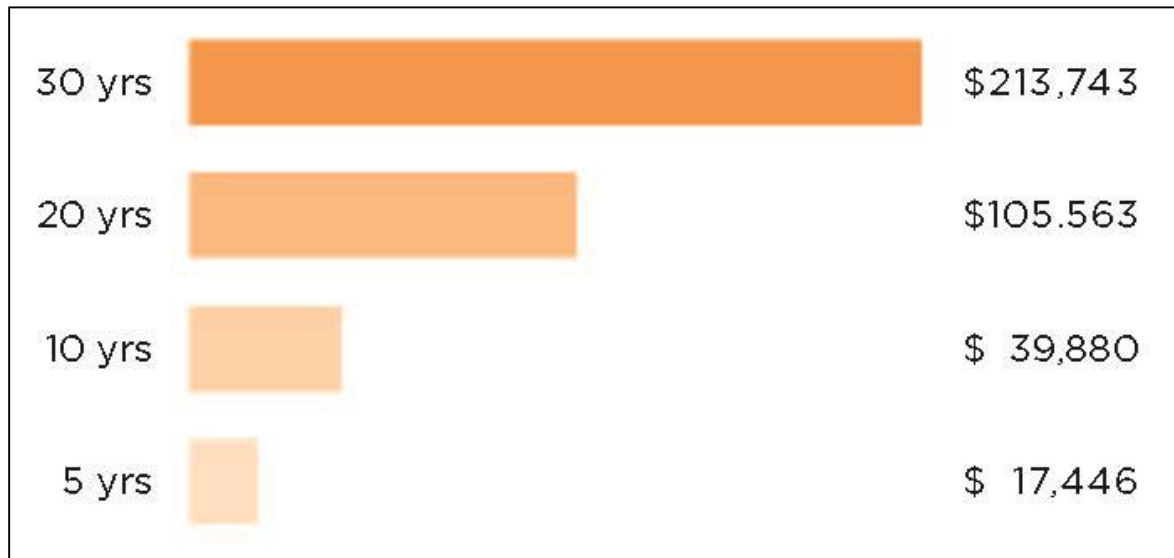
<http://www.investmentnews.com/article/20170706/FREE/170709982/health-savings-accounts-becoming-the-new-iras>

Investments in securities through HSA Investment accounts are:
Not FDIC-Insured · May Lose Value · No Bank Guarantee

Manage health care spending and retirement planning with one account

HSA account growth

Ex: Contribute \$3,000 for 30 years at 5% rate of return



Note: This example is a hypothetical illustration of compounding returns over time and is not intended to represent any particular investment or savings vehicle. The rates of return are constant nominal rates, compounded monthly. Actual investments will fluctuate in value. Contributions are assumed to be made at the beginning of the month. It does not take into consideration taxes or other applicable deductions, which will lower returns.

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Make it
easier to do
the right thing.

Poll question # 2

What do your clients report as their biggest challenge for getting employees to participate in and maximize HSAs?

- A. Employees don't understand the benefits of HSAs
- B. Employer doesn't contribute to HSA
- C. Employees can't afford to contribute to HSA
- D. Other

Employer contribution strategies

- Matching contributions
- Front-load contributions
- One-size-fits-none



Address confusion about HSAs



**What's the difference
between an
HSA, FSA, and HRA**

Segment audiences and message appropriately

Highlight lesser-known advantages

Today

- Contributions reduce taxable income¹
- Distributions for qualified expenses are tax-free²

Tomorrow's

- The “S” stands for “saving”
- Supplement to 401(k) that grows through interest and (potentially) investment earnings
- Tax-free Medicare premium payments
- At age 65, HSA funds can be used for any purpose, and just pay ordinary income tax²

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Focus on the **value**, not the nuts and bolts



Technology that's driving better solutions and behavior change

HSAWorks®—Financial Wellness Starts Here

Financial Wellness Starts Here

HSAWorks®

- See aggregated data compared to benchmark data
- Anticipate and meet employees' needs to manage costs
- Develop strategies to influence saving, spending, and investing behaviors



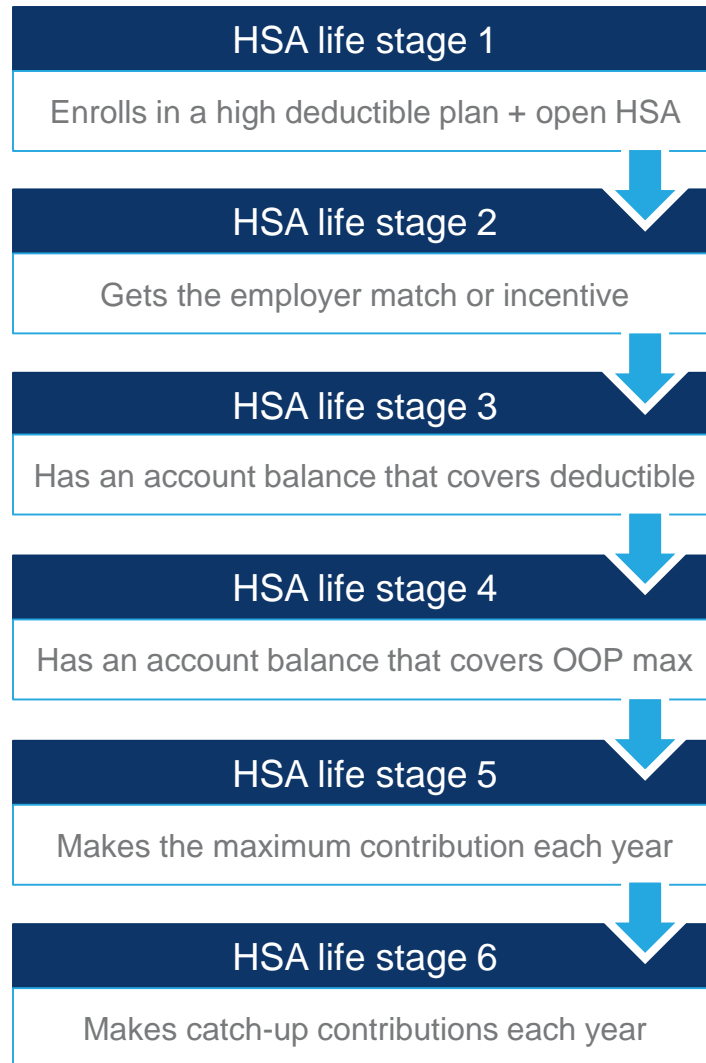
Financial Wellness Starts Here

Insights to Promote Small, Achievable Improvements

- Be specific, but realistic
- Move people forward, one life step at a time



Life lessons



Financial Wellness Starts Here

Cracking the behavior code

- Audience segmentation to drive behaviors
- Specific and realistic steps
- Target communications based on life cycle stage



UMB EngageCore and EngageAdvanced Segmentation Reports

Account history

Average years opened, average balance,
average employer contribution

Behavior

How people are using their accounts

Demographic data

Age, gender, income, family composition,
occupation, and more

Ready-made tools

UMB financial wellness toolkit templates:

- Email series
- Poster and postcards
- Benefits administration platform messaging
- Playbook



Q & A



Type in your question at
any time for the presenters

Thank you for participating

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