MoneyRates Explains How to Reach Both HSA and 401(k) Contribution Limits

February 13, 2020

Saving for near- and long-term healthcare costs while putting away money for retirement is challenging for many individuals. Follow these 4 critical steps to fund accounts optimally.

Foster City, CA—February 13, 2020–Personal finance resource, MoneyRates.com, recently published analysis and recommendations on how best to fund Health Savings Accounts (HSAs) while also maximizing investment in 401(k) accounts.

With the Employee Benefits Research Institute (EBRI) estimating that today's 65-year-old couples may need savings between $174,000 and $296,000 to cover health premiums and typical prescription drug costs during retirement, many savers find it daunting to set aside adequate funds for both health costs and all other retirement expenses.

"MoneyRates analysis considers the smartest way to fund both HSA and 401(k) accounts in a step-wise fashion," explains Richard Barrington, spokesperson for MoneyRates. "Juggling investments in health and wealth involves carefully assessing your current health expenses, whether or not your employer provides a 401(k) match, tax and other considerations."

Those striving to stretch both their HSA and 401(k) investments as far as they can should follow this approach:

1. Fund HSA enough to meet expected routine healthcare expenses over the next year
2. Contribute to 401(k) enough to maximize any employer match
3. Contribute up to HSA limit, if funds are available
4. Contribute up to 401(k) limit, if possible

The tax characteristics of HSAs are superior to 401(k)s because withdrawals are tax-free, as long as they cover qualified health expenses.

The full report is available here: Health or Wealth: Juggling HSA and 401(k) Contributions.

MoneyRates' spokesperson, Richard Barrington, is available to elaborate on how consumers can benefit by following the above investment steps, and can discuss exceptions and other considerations.

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Since 1998, MoneyRates.com has served as a personal finance resource designed to help readers make the most of their money. In addition to a variety of financial calculators, MoneyRates.com researches and tracks CD, savings, and money market rates offered from over 400 financial institutions across the country to offer expert advice on banking, investing and retirement planning.

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