



HSAs vs. FSAs: What's the difference?

Benefit accounts—like health savings accounts (HSAs) and health care flexible spending accounts (FSAs)—are important tools that help you save for future health care costs. Nearly three-quarters (72%) of people who have one of these health benefit accounts told Fidelity they felt more prepared to cover unexpected health expenses.¹

Using an HSA or an FSA can also help you save money. Unlike the money you put into a personal checking or savings account at the bank, you don't pay federal income tax on the money you contribute to an HSA or FSA. And both accounts allow you to withdraw money tax-free to pay for qualified medical expenses. But the HSA and FSA have some key differences. Find out what they might mean to you.

	HSA	HEALTH CARE FSA
	An individual tax-advantaged account that you own and that allows you to save what you don't use for future health care costs	An account your employer owns that allows you to set aside money you plan to spend, typically within the plan year
Will the account help me save on taxes?	Yes. You don't pay taxes on your contribution or when the account grows. You can also withdraw money tax free to cover qualified medical expenses. ²	Yes. You can not only add money as pre-tax payroll deductions, but also withdraw money tax free to cover qualified medical expenses.
How do I know if I am eligible?	You can establish and contribute to an HSA if you meet all the eligibility requirements: • Must be enrolled in an HSA-eligible health plan on the first day of the month • Must not be covered by any other health plan unless that plan is also an HSA-eligible health plan • Must not be enrolled in Medicare • Cannot be claimed as a dependent on someone else's tax return	If you meet the plan eligibility requirements, you can enroll in a health care FSA with your employer. If you're self-employed, you aren't eligible.
What happens if I have money left over at the end of the year?	The balance carries over from year to year until you need it.	You will generally forfeit any money left in a health care FSA at the end of the year unless your employer offers a grace period or allows you to carry some of it over for next year.
What if I change jobs, lose my job, or retire?	Your HSA can move with you. If you lose your job, you can use the money to pay for COBRA premiums (which temporarily extend your employer-sponsored health care coverage). In retirement, you can also use your HSA for general (non-health care) expenses starting at age 65; you just have to pay normal income taxes on the money you withdraw.	The account remains with your former employer when you leave, but you may be able to elect to continue to be enrolled in a health care FSA under COBRA.
How can I make my money grow?	Contributions generally go into an interest-earning account, but you may be able to invest all or part of your balance to save for the future.	You can't.

Conclusion

In addition to HSAs and FSAs, keep in mind there may be other health benefit accounts available to you. These can include: a limited purpose FSA (LPFSA) covering qualified dental and qualified vision expenses, and employer-owned health reimbursement arrangements (HRAs) covering some medical expenses. Be sure to carefully consider the pros and cons of each option available to you so you can make the smartest, most efficient decisions about paying for health care.

¹ Fidelity Health Solutions Thought Leadership Consumer/Employee Survey, January–February 2022.

² With respect to federal taxation only. Contributions, investment earnings, and distributions may or may not be subject to state taxation. The triple tax advantages are only applicable if the money is used to pay for qualified medical expenses.

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