



Transcript: TAX-FAVORED ACCOUNTS: HSAs VS. FSAs

The University of Missouri System offers different medical insurance plans: the Healthy Savings Plan, the Custom Network Plan, and the PPO Plan.

You also have the option to set aside money to pay for health expenses throughout the year, but which type of account you can use depends on the insurance plan you choose. If you're enrolled in the Healthy Savings Plan, you can choose a Health Savings Account—or HSA. If you are enrolled in the Custom Network or PPO plan, you can choose a Flexible Spending Account—or FSA. You can also choose an FSA if you don't have university medical insurance at all, but you're eligible for it.

Let me add a side note here: we're talking about a Health Care FSA in this video. There's also something called a Dependent Care FSA, which we're not talking about in this video. The Health Care FSA pays for eligible medical, prescription, dental, and vision expenses for you and your family. The Dependent Care FSA pays for things like a baby-sitter, day care, day camp, and elder care.

OK. Back to the differences between HSAs and FSAs. There are three big differences between these accounts. First, the university will contribute money to your HSA. You don't even have to put your own money into the HSA to receive the university's contribution. The university does not contribute to FSAs—in fact it is prohibited by law from doing so.

Second, money you save in an HSA can carry over from year to year. You can even invest it in stocks, mutual funds, and other investment vehicles. On the other hand, there's a deadline each year by which you must use all of your FSA funds or you'll lose them.

Third, if you stop working for the university, you can take your HSA money with you. It's yours. On the other hand, FSA funds must be spent on expenses incurred while you were still working for the university.

So, why use either of these health care accounts? What's in it for you? First, the money you put into your FSA or HSA is pre-tax money, meaning you can reduce your taxable income while saving for important health expenses. It's kind of like giving yourself a pay raise.

Second, either type of account helps you budget for health care expenses by tracking what you spend each year and budgeting for similar, recurring expenses each year. Setting that money aside each month helps you gain more control over your family's budget. In fact, the university's HSA and FSA administrators offers online tracking tools to help manage your expenses.

Finally, specifically for HSAs, the university contributes money to your health care expenses—sometimes hundreds of dollars per year depending on when you enroll and your coverage choices.

If you have questions about HSAs or FSAs, visit our Benefits webpage, or reach out to us. We want to support you in making choices that are right for you.

