

New to Medicare?

Important HSA & Medicare Rules You Need to Know

If you contribute to a Health Savings Account (HSA) and are approaching age 65, there is an important rule many people do not realize:

CORE RULE



Once you enroll in Medicare, you generally can no longer contribute to an HSA. Even if you are still working, contributing after Medicare enrollment can create tax issues.

Why This Matters

Many individuals continue contributing to an HSA while working past age 65, often assuming they can keep doing so indefinitely.

But if you enroll in any part of Medicare, including:

- Medicare Part A (Hospital Insurance)
- Medicare Part B (Medical Insurance)

Your HSA contribution eligibility generally ends.

Who Should Pay Special Attention?

Especially important for:

- Individuals working past 65
- Higher-income earners maximizing HSA contributions
- Clients delaying Medicare because they have employer coverage

Also review if you are:

- Planning retirement in the next 6-12 months
- Receiving or considering Social Security
- Coordinating Medicare timing with tax planning.



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A Common Surprise: Medicare Part A May Be Retroactive

If you delay Medicare and enroll later, Part A may be applied retroactively for up to 6 months (but not earlier than the first month you were eligible).

That means you **may need to stop HSA contributions** before your Medicare effective date to avoid excess contributions.

EXAMPLE



If you plan to retire and enroll in Medicare effective July 1, you may need to stop HSA contributions as early as January 1. Planning ahead can help avoid penalties and the need to correct excess contributions.

What if You Are Already on Medicare?

You can still use existing HSA funds tax-free for qualified medical expenses, including:

✓ Medicare premiums, including Part B, Part D, and certain Medicare Advantage premiums

✓ Deductibles, copays, and other eligible healthcare costs

(Generally, Medicare Supplement premiums are not considered qualified HSA expenses.)



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Planning Questions to Review Before Age 65:

- 1** When do I plan to retire?
- 2** Will I delay Medicare because I have employer coverage?
- 3** When should I stop HSA contributions?
- 4** Could retroactive Medicare affect me?
- 5** Should Medicare timing be coordinated with tax planning?

The Bottom Line

HSA contributions and Medicare enrollment can overlap in ways many people do not expect. A little planning before age 65 can help avoid tax mistakes and preserve benefits.

If you would like help reviewing how these rules may apply to your situation, we are happy to help.

PLANNING NOTE FOR ADVISORS



This issue often surfaces during retirement income planning, Roth conversions, or IRMAA planning discussions. Reviewing HSA contribution timing before Medicare enrollment can help clients avoid preventable tax complications.



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