



HSA prognosis good, but large dose of knowledge needed

Why aren't employees using their HSA as a retirement vehicle?

An Optum Financial survey found that when it comes to health savings accounts (HSAs), consumers are in need of education:

- Even employees who have an HSA often don't understand how they work, or how contributions can grow.
- Most have no idea how much health care will cost in retirement.
- They are open to learning more from employers, especially when they see the benefits of an HSA.

The HSA is a valuable savings tool for employees enrolled in a qualified high-deductible health plan (HDHP). HSAs provide a variety of benefits for employees:

- Contributions are tax-deductible regardless of income.
- Investment earnings grow free of federal tax until withdrawal.
- All withdrawals, including earnings, used to pay for qualified health care costs are free from federal taxes, regardless of when they are made.



A study by the Plan Sponsor Council of America found:

- **87%** of respondents offer an HSA-capable health option.¹
- **61%** said educating employees was their primary concern regarding HSAs.¹

This white paper details survey findings and provides recommendations from leaders at Optum Financial for encouraging retirement health care savings with an HSA. The survey aimed to uncover the best ways to educate consumers on long-term planning, and to understand the attitudes and strategies of employees. The survey was administered online via the Healthier Connection Commercial Consumer Panel.² A total of 931 commercial consumer panelists responded.

And while employees can use an HSA to pay for current out-of-pocket qualified medical expenses, a longer-term strategy of building up the balance in the HSA for health care expenses in retirement is one of the most powerful steps employees can take for retirement planning. Unfortunately, most are missing out on this opportunity.

To better understand how to help employees prepare for health care expenses in retirement, Optum Financial conducted a survey focusing on consumer attitudes and health care saving strategies. This white paper highlights key insights from the survey, identifies their implications for employers and provides actionable takeaways for both employers and their employees.

THREE KEY INSIGHTS

1

EMPLOYEES WANT ADVICE ABOUT HOW TO PLAN FOR THE FUTURE.

While most consumers have some experience with investing, they are open to learning more about it.

2

EMPLOYEES DON'T UNDERSTAND THE RETIREMENT BENEFITS OF AN HSA.

Employees likely have more than one account to plan and pay for retirement — primarily a 401(k) and a savings account. And while 47% currently have or have had an HSA in the past, they do not identify the HSA as a way to save for retirement.

3

EMPLOYERS CAN PLAY A KEY ROLE WHEN IT COMES TO HSA EDUCATION.

Most consumers are unaware of how much they will need to save for health care during retirement, and different age groups have different preferences for how they want to learn.

1 Employees want advice about how to plan for the future

The survey results show that most consumers have at least some experience investing, and about two-thirds of consumers are managing some or all of their investments.

When asked about what types of information would be helpful, consumers said they are looking for advice on how to plan for the future, tips on how to save on a low income and information about the tax benefits and impacts of investing.

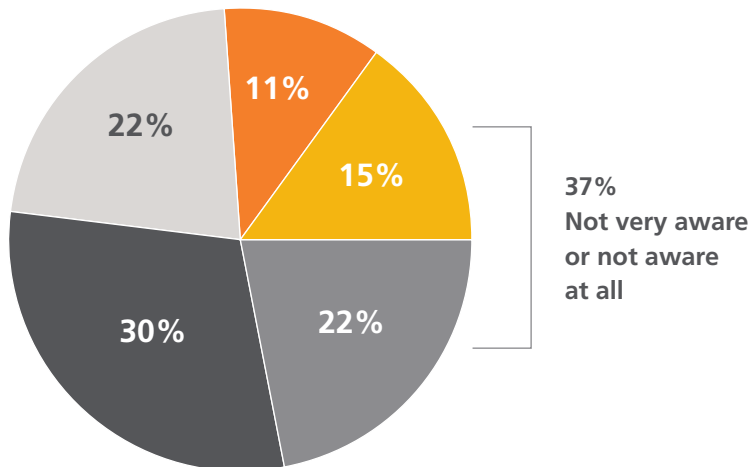
Investing experience



HSA prognosis is good

Meanwhile, the survey showed consumers are poorly informed on saving for health care: More than a third are not very or not at all aware of how much money they will need for health care in retirement, and less than a quarter have separate funds set aside for those expenses. Yet nearly 25% say they are not seeking out that knowledge. In other words, they don't know what they don't know.

Awareness of money needed for health care in retirement



- Not at all aware
- Very aware
- Not very aware
- Extremely aware
- Somewhat aware



22%

Have separate funds for health care in retirement

Older consumers are slightly more aware than younger employees of how much money they will need for health care in retirement — possibly because they have seen firsthand how medical issues increase with age. However, older consumers are also less likely to have separate funds specifically for health care. Regardless of age, most consumers do not have health care-specific funds.



Implications for employers

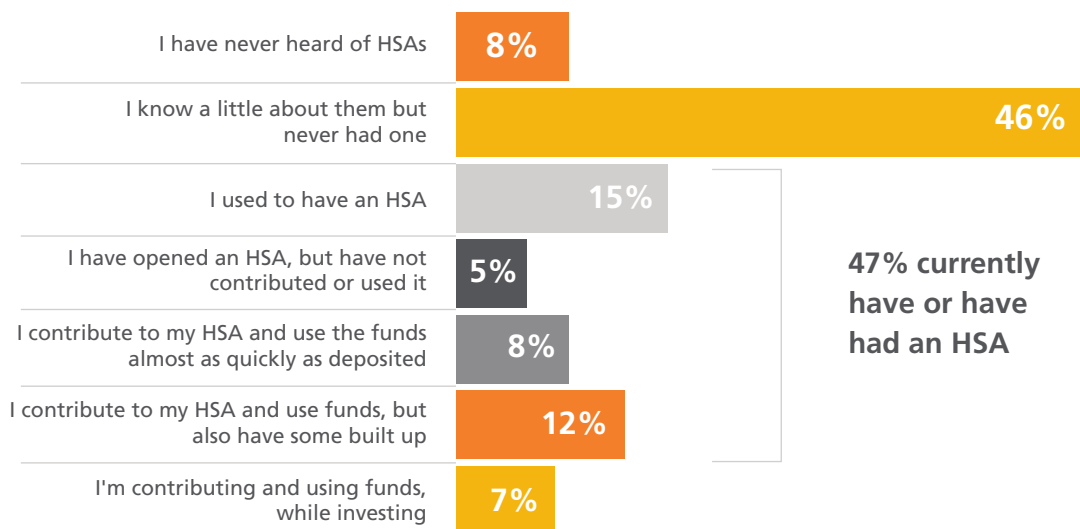
1. Given that a significant portion of your employee population may not be learning about the importance of saving for health care expenses, you have an opportunity to help them prepare for a more stable retirement.
2. Consider offering information and tools to educate your employees about health care expenses in retirement, and health savings accounts in particular.

2 Employees don't understand the retirement benefits of an HSA

Nearly a third of consumers surveyed currently have an HSA, and many respondents had one previously. In total, almost half of respondents either currently have one or have had one in the past.

But the survey results reveal that HSA holders aren't using them strategically. Even among respondents who understand that HSA contributions can be invested in mutual funds or other investments (as opposed to sitting in debit checking accounts) fewer than half have considered doing so. And just one-quarter of those who understand HSAs have considered using one as part of their retirement plan. That's a small fraction considering the potential for income tax-free growth on a dedicated HSA fund that can be used income tax-free for qualified expenses in retirement.

Experience with health savings accounts (HSAs)



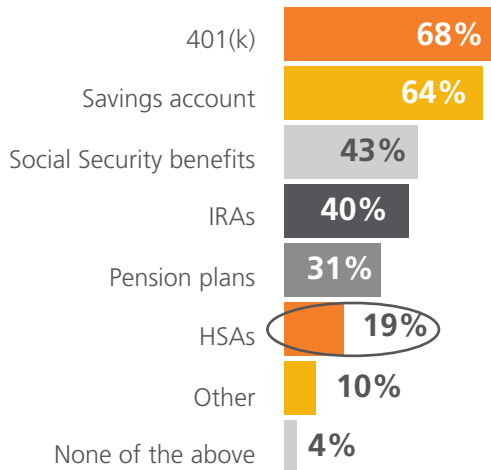
However, the survey findings suggest that a subset of consumers do have a firm understanding of HSA advantages. Consumers who have considered using an HSA for retirement cite saving for future health expenses or tax benefits as their reasons. Those who have not considered an HSA as a retirement account largely did not know doing so was an option.

Age also seems to be a factor in HSA use. Older consumers are slightly less likely to have had an HSA. Meanwhile, even older consumers who have used an HSA are less likely to have considered investing HSA contributions or using their HSA as a retirement account.

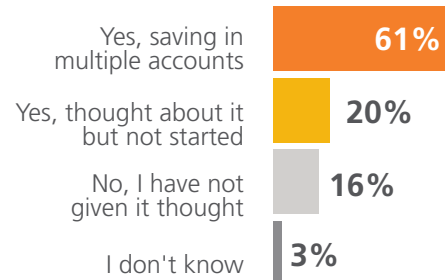
So just how many people who have an HSA are using it to save for retirement? The survey found that the majority of consumers are saving or planning for retirement in multiple types of accounts, predominantly in 401(k) and savings accounts. But of the 47% who currently have or have had an HSA, only 19% say they are using an HSA to save for retirement. This is the exact same percentage of respondents who said they have some money in an HSA and have invested it.

These numbers suggest that people who have a balance understand that an HSA can be used as an account for retirement. **But it also reveals an opportunity for education about how to maximize the benefits of an HSA**, as most employees are not using one for retirement savings.

How are you saving for retirement?



Have you thought about saving in multiple accounts?



One explanation could be that consumers confuse health savings accounts with flexible spending accounts (FSAs), but the two are different. While FSAs are also funded with pre-tax contributions and used to pay qualified medical expenses, they cannot be rolled over toward retirement. In fact, FSA funds must be spent within the calendar year or forfeited, with some exceptions.³

Another issue is that consumers often use their HSA funds to pay for current medical expenses, missing out on valuable compound growth potential. Given the tax-advantaged benefits of an HSA, it often makes more sense to pay today's medical bills out-of-pocket and let the HSA grow. But here again, consumers don't always understand the dynamics.

And yet they generally do understand the importance of multiple retirement accounts. Consumers closest to retirement age are most likely to be saving in multiple accounts, though nearly one-third are still not doing so. Younger consumers are less likely to use IRAs, have pension plans or anticipate receiving Social Security benefits. This difference is not surprising when you consider previous research that shows employees typically start planning more seriously for retirement in their 40s.⁴ A challenge is helping workers understand that HSAs can also be part of a multi-pronged retirement plan.



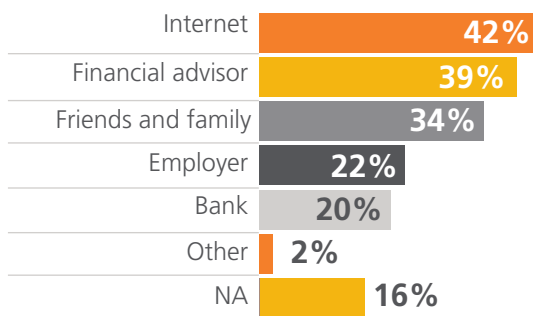
Implications for employers

1. Encourage saving early on and in different types of accounts by discussing the benefits of compound growth.
2. Educate employees about both HSAs and the potential for investing their contributions during open enrollment and multiple times throughout the year.
3. Make it clear in your communications that saving in an HSA is a strategic way to prepare for retirement.
4. Offer incentives for investing HSA balances, such as employer contributions.

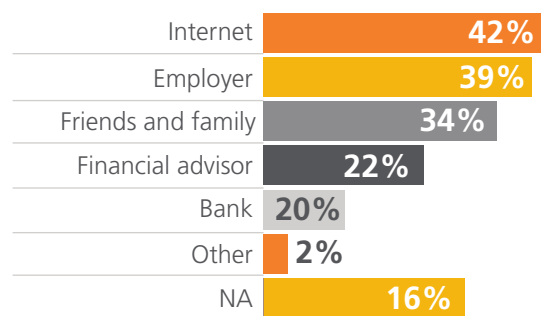
3 Employers can play a key role when it comes to HSA education

When learning about retirement savings, survey respondents said they look to the internet and financial advisors. When learning about saving for health care expenses, they also look to the internet but would go to their employer or friends and family over a financial advisor. These preferences make sense considering that employers have been sponsoring workplace health insurance for decades. Just as workers expect their company to guide them on health insurance decisions, our survey shows that employees expect companies to provide education on HSAs. This dynamic presents an opportunity for employers to add more value in the health care space, where workers already count on them.

Trusted source to learn about retirements savings



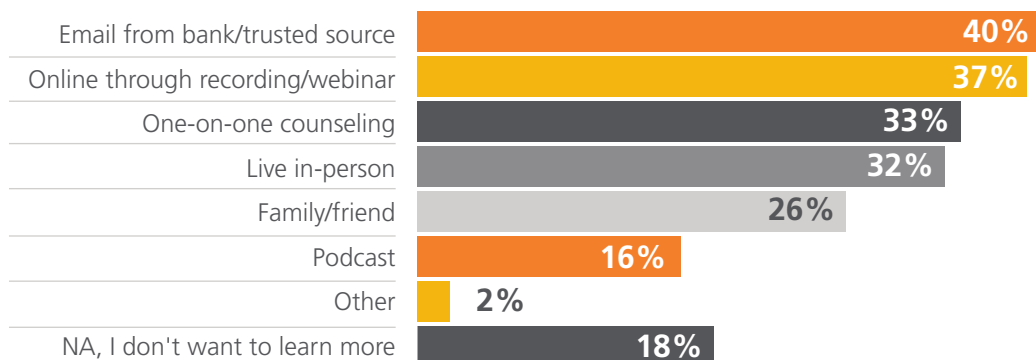
Trusted source to learn about savings for health care expenses



Overall, consumers are most open to learning about investing from four sources: an email from a bank or trusted source; an online recording or webinar; one-on-one counseling; and live, in-person advice. There is no strong preference for any one source, as all four polled within 6 percentage points. They are least interested in listening to a financial podcast. And most consumers agree a video or webcast should not exceed 20 minutes.

However, it's important to note that different age groups have different preferences when it comes to how they learn about savings. Those ages 55 to 64 are less likely than younger employees to learn about saving for retirement from a bank or family and friends, and more likely to go to a financial advisor. What's more, nearly a third of consumers in this age group are not interested in learning about saving for health care expenses. The key for employers: Know your audience, including the communications habits and preferences of your employee base, and target your messaging accordingly.

Preferred channel to receive information

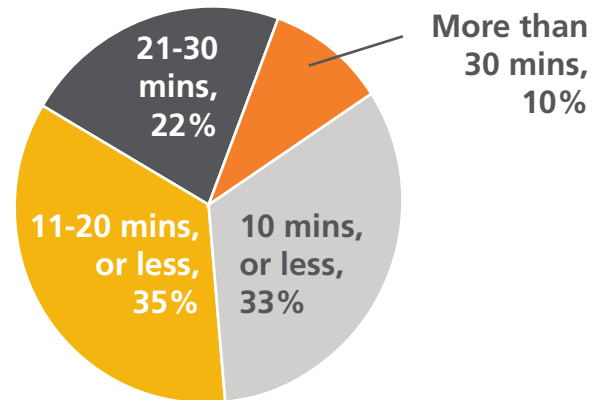


HSA prognosis is good

Perhaps counterintuitively, employees who are closest to retirement are least interested in learning more about investing. Those who would like investing information prefer that it comes from traditional or professional sources. Younger consumers, on the other hand, are more open to receiving information online, from a family member or friend, or from an email.

One conclusion to make from this disparity: It's important to reach out to employees through multiple communication channels, to ensure that workers of all ages are hearing advice.

Ideal length of time for learning via video or webcast



Implications for employers

1. Remember that your employees trust you for guidance about saving for health care in retirement — more so than a financial advisor — and are looking for more information about planning for the future.
2. Provide communications that explain the importance of retirement savings and, specifically, health care expenses in retirement.
3. Employees are familiar with saving for multiple goals during their working years. For example, they may save for retirement while also saving for a down payment on a house, college tuition or a vacation. This is called expense diversification. Encourage them to apply the same strategy when saving for retirement expenses.
4. To help your employees better prepare for health care expenses, encourage them to use the Health Savings Checkup tool at optumbank.com which can show them how much they will need for health care in retirement taking into account Medicare coverage.

Putting it all together

Many consumers are missing out on the benefits of an HSA simply because they lack a complete understanding of the potential advantages. At the same time, workers trust their employers to provide important information about saving for retirement — and they are interested in learning about saving for their future health care costs. Employers can help close this knowledge gap and increase HSA participation by providing more education on:

- Retirement planning and investing
- How HSAs can be used as a powerful tool for health care savings in retirement
- Health care and other expenses individuals should expect in retirement
- How to contribute to multiple accounts at once, such as a 401(k) or 403(b) plan plus an HSA

Because there's no single preferred method of communication, employers should consider providing a variety of educational materials, including an HSA "how-to" guide, flyers, videos, webinars, emails and group presentations. And remember to target communications based on age groups — while older employees generally prefer more traditional materials, younger employees are open to receiving information online. Employees can also visit optumbank.com for compelling webinars, videos and FAQs. Through increased education, employers can help ensure their staffs get the most benefit from their HSA accounts and are more prepared for retirement.



Employer takeaways

1. Help employees understand that an HSA is a strategic investment vehicle for retirement

Increase the frequency and focus of your communications so employees realize why they should save in both a 401(k) and an HSA. Target your communications based on age, and make sure the information is easy to consume and comes from a reputable source. Direct employees to optumbank.com for compelling webinars, videos and FAQs.

2. Provide the information employees need to responsibly save and prepare for health care in retirement

Remember that employees trust you for information about saving for health care — more so than a financial advisor. Increase communications about the importance of retirement savings and, specifically, saving for health care expenses in retirement. Encourage employees to strategically save for future health care expenses and direct them to the Health Savings Checkup tool located at optumbank.com.

3. Encourage employees to use their HSA.

Increase HSA participation and investing by offering incentives.

Framing the message

Our research identifies three key talking points employers can use to help employees understand HSAs.

- 1 Consider using multiple accounts to accomplish your retirement savings goals. A 401(k) is important, but so is a health savings account (HSA). If you have a qualifying high-deductible health plan and are eligible for an HSA, open one at optumbank.com and start taking advantage of the many account benefits.
- 2 Ask yourself: Am I learning all I can about saving for health care in retirement? Get smart about how much you will need for health care in retirement, then save for it the same way you might other major expenses like a down payment on a house, college tuition or a vacation.
- 3 If you are eligible for an HSA, open one and find out how to invest the balance. You can open your HSA at optumbank.com. After you reach the investment threshold, you can choose to invest a portion of your balance. To learn more, visit optumbank.com and check out the webinars and videos.



About Optum Financial

Optum Financial is advancing the way we save and pay for care, connecting the worlds of health and finance in ways that no one else can. Optum Financial is the #1 provider of health savings accounts, managing 5 million health accounts and over \$12 billion in assets. Optum Financial Payment Solutions include Optum Pay™ an innovative payment platform that makes paying for health care easier and more efficient for people and health organizations. By developing proprietary technology and applying advanced analytics in new ways, Optum Financial helps reduce costs while guiding people to the right care for them.

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1. Plan Sponsor Council of America 2019 HSA Survey.
2. The commercial panel is made up of 1,704 consumers reflective of a commercial market (between ages 18-64, with health insurance coverage through an employer).
3. FSA rollover requirements: Unless the employer uses a special IRS rule where, if they choose, offer participating employees more time through either carryover option or the grace period option of until two and a half months after the end of the plan year in incur eligible expenses. With the carryover option, an employee can carry over up to \$500 of unused funds to the following plan year. (Source: December, 2019 [irs.gov/newsroom/irs-plan-now-to-use-health-flexible-spending-arrangements-in-2019](https://www.irs.gov/newsroom/irs-plan-now-to-use-health-flexible-spending-arrangements-in-2019))
4. Empower Institute, "Redefining Retirement." October 2019.
5. Ranking based on total defined contribution plan participant accounts as of December 31, 2016. PLANSPONSOR magazine, 2017 Recordkeeping Survey, June 2017
6. As of June 30, 2019. Individuals and organizations refers to all retirement business of Great-West Life & Annuity Insurance Company and its subsidiaries and affiliates, including Great-West Life & Annuity Insurance Company of New York marketed under the Empower Retirement brand.



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