RETIREMENT PLAN
Update

Wealth Management

Issue 2, 2026

Your Challenge, Our Solutions™

Using health savings accounts (HSAs) for retirement

Health savings accounts are primarily used as a savings vehicle to help people pay out-of-pocket medical expenses. However, some people may be able to use them to save for retirement as well.

HSAs were created in 2003 as a savings vehicle to help people pay out-of-pocket medical expenses. Although that is their primary purpose, HSAs contain several features that could potentially make them viable as a retirement savings vehicle for some individuals.

The nuts and bolts of HSAs

An HSA is essentially a medical savings account available to those enrolled in a qualified high-deductible health plan (HDHP). HSAs offer several tax-saving features. For example, contributions are deductible (or excluded from income), account earnings accumulate tax free and, as long as the medical expenses paid with HSA savings are "qualified" expenses for the individual, spouse or dependents, HSA withdrawals are tax free.

Qualified expenses — Qualified expenses include doctors' fees, hospital services not paid for by insurance and prescriptions, among others. While health insurance premiums generally are not considered qualified expenses, there

Continued on page 2

Investment and insurance products are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

Continued from page 1

are some exceptions. For example, individuals receiving unemployment compensation can use HSA funds to pay for health care coverage.

Qualifications to open an HSA — To open and contribute to an HSA, individuals must have a qualified high-deductible health plan. In addition, they generally cannot have other health coverage (although certain types of insurance are allowed, such as vision and dental care) or be enrolled in Medicare.

To qualify, the high-deductible health plan must have an annual deductible of at least $1,700 for self-only coverage or $3,400 for family coverage (for 2026). Also, the sum of the annual deductible and other annual out-of-pocket expenses (other than premiums) required to be paid under the plan cannot exceed $8,300 for self-only coverage and $17,000 for family coverage (for 2026). These amounts are adjusted for inflation annually.

Setting up an HSA is similar to setting up a traditional savings account or an individual retirement account (IRA) in that it can be opened with a lump-sum payment or through an arrangement to make contributions on a regular basis.

Contributions — In general, the maximum contribution to an HSA in 2026 is $4,400 with self-only coverage and an additional $1,000 in catch-up contributions for those aged 55 years or more. The maximum family contribution for 2026 is $8,750 plus a $1,000 maximum catch-up contribution for participants aged 55 years or more. These limits will be adjusted for inflation in future years. An individual's employer or family member may also contribute, as long as the total contribution amount doesn't exceed the limit.

Contributions can be kept as cash or invested in other options that may be available, such as stock or bond funds.* Any money not spent during the year is rolled over for subsequent years. A relatively healthy individual could accrue a sizable HSA balance over a number of years.

Rules for withdrawals — The rules for withdrawals are quite flexible. An individual with an HSA may make a withdrawal at any point in the future for any qualifying expense incurred since the HSA was first opened. For example, a child needs dental work and her parent pays the $2,800 cost out of pocket this year. If the parent saves the receipt, the parent could use that bill 25 years later in retirement as the basis for an HSA withdrawal. In addition to the receipt, the parent would need records showing that the expenses were not previously paid or reimbursed from another source or taken as an itemized medical deduction.

Using an HSA to save for retirement

The combination of favorable tax treatment, the potential opportunity to invest contributions in longer term assets and the flexible withdrawal rules make HSAs particularly attractive as an alternative retirement savings vehicle for certain individuals. An individual who currently maximizes contributions to all tax-favored retirement accounts for which he or she qualifies and who also saves in taxable accounts could treat the HSA as another option to save more and to save in a tax-favored way. Essentially, the individual could treat the HSA as a retirement savings account and let the assets compound for as long as possible while paying out-of-pocket medical costs with taxable funds.

However, for those who cannot fund all tax-advantaged retirement vehicles, the decision to use an HSA as a retirement savings account is less clear cut. It may make sense in this situation to try to fund a 401(k) or other tax-advantaged retirement savings account, especially if there is an employer match. As always, each individual's situation is unique and the input of an experienced professional can be invaluable when considering different retirement savings options.

*You should consider a fund's investment objectives, charges, expenses, and risks carefully before you invest. The fund's prospectus, which can be obtained from your financial representative, contains this and other information about the fund. Read the prospectus carefully before you invest or send money. Shares, when redeemed, may be worth more or less than their original cost.

Know these three things if you are new to your retirement plan

Learning the basics of investing can help investors who are new to their retirement plans.

Congratulations if you are starting out on your career and have decided to join the retirement plan your employer offers. It is the beginning of an exciting journey, one that will bring you to a point in the future when you will be able to potentially enjoy a financially secure retirement. While you may feel that you have a good understanding of how your retirement plan works, it can be helpful to learn about some investing basics. Gaining a deeper knowledge of how different investments work and what factors contribute to their growth (or decline) in value can help make you a better investor.

While there are no guarantees in investing, you will be better able to navigate the ups and downs in the investment marketplace if you understand and act on the following key issues.

Know you have time on your side

As a child, you want time to speed up. As you age, you want time to slow down. In investing, time is on your side. The longer you contribute to your retirement plan, the more money you should have, all else being equal. The key is compounding.

Compounding works in a straightforward, simple way: You earn money (interest, for example) on the money you contribute to your retirement plan every payday. The earnings are added to your plan account and reinvested. Compounding gives you a bigger pool of savings to invest.

With regular contributions to your plan account, your balance has the potential to grow through the mix of contributions and potential earnings. Over time, you will potentially have a healthy lump sum available to see you through your retirement years. The earlier you join and start making contributions to your retirement plan, the greater the potential benefit from compounding. So once you start contributing, don't stop—even for a year or two.

Figure out how much investment risk you can handle

Some investments—stocks, for example—have historically provided higher returns over the long term than either bonds or cash investments.* However, stocks have a higher risk of principal loss than other investments. That risk of loss is essentially the price you pay for potentially higher returns.

Understand that risk is a fact of life for all investors and that there is a relationship between risk and potential return. Once you learn how much investment risk (the risk of loss) you can comfortably handle, you will be better able to make informed investing decisions. When you are still young, you have time to invest more aggressively. There will be periods when the stock market declines and your retirement plan portfolio suffers losses, but with decades available to invest, you should have more than enough time to make up for your portfolio's losses.

Diversify your investments

Stocks are an asset class; so too are bonds and cash investments. When you spread your plan portfolio among different asset classes like stocks, bonds and cash investments, you are said to be "diversifying" the investments in your retirement plan account (portfolio). Diversifying is a strategy that's used to control risk in your plan account. Since asset classes will not likely rise or fall in value at the same time, the theory behind diversification is that when one asset class does lose value, the others may gain in value and help make up for some or all of that loss. Of course, diversification does not ensure a profit or guarantee that your investments will not lose money.

As a new participant in your employer-provided retirement plan, you want to be sure that you make the most of this great opportunity. Learning even the basics about investing and investments can provide significant potential rewards.

*Past performance does not predict or guarantee future returns.

Wealth Management

The articles and opinions expressed in this advertisement, prepared by Newkirk Products, Inc., are those of the author and are not necessarily the same as those of RBC Wealth Management. RBC Wealth Management did not assist in the preparation of the material and makes no guarantee as to its accuracy or reliability or the sources used in its preparation. Please note that RBC Wealth Management does not act as administrator or record keeper for 401(k) plans or any other defined contribution plan. The material contained herein is for informational purposes only and does not constitute tax or legal advice. Plan sponsors and investors should consult with their own tax advisors or attorneys with regard to their personal tax and legal situations.

Because of the possibility of human or mechanical error by SS&C or its sources, neither SS&C nor its sources guarantees the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. In no event shall SS&C be liable for any indirect, special or consequential damages in connection with subscriber's or others' use of the content.

© 2026 SS&C. Reproduction in whole or in part prohibited, except by permission. All rights reserved. Not responsible for any errors or omissions.

Neither RBC Wealth Management, a division of RBC Capital Markets, LLC ("RBC WM"), nor its affiliates or employees provide legal, accounting or tax advice. All legal, accounting or tax decisions regarding your accounts and any transactions or investments entered into in relation to such accounts, should be made in consultation with your independent advisors. No information, including but not limited to written materials, provided by RBC WM or its affiliates or employees should be construed as legal, accounting or tax advice.

© 2026 RBC Wealth Management, a division of RBC Capital Markets, LLC, registered investment adviser and Member NYSE/FINRA/SIPC. All rights reserved. 26-20-4432700_20182 (03/26)