Difference between HSA & FSA

Introduction:
Choosing between an HSA and an FSA can be confusing. Both help you save money on healthcare costs, but they work differently. This article breaks down the basics of Health Savings Accounts (HSA) and Flexible Spending Accounts (FSA), explains the yearly contribution limits, and what happens to your money at the end of the plan year. We'll keep it simple — no jargon!

What is an HSA?

A Health Savings Account (HSA) is a special savings account you can use to pay for qualified medical expenses tax-free. To have an HSA, you must be enrolled in a High Deductible Health Plan (HDHP). The money you put in stays with you even if you change jobs or health plans.

What is an FSA?

A Flexible Spending Account (FSA) is an account that lets you set aside pre-tax money to pay for medical or dependent care expenses. FSAs are usually tied to your employer and may not stay with you if you leave your job.

Yearly Contribution Limits (2025):

- **HSA Limits:**
    - Individual: Up to $4,150
    - Family: Up to $8,300
- **FSA Limits:**
    - Medical FSA: Up to $3,050
    - Dependent Care FSA: Up to $5,000 (per household)

What Happens at the End of the Plan Year?

- **HSA:**
  Your HSA balance rolls over year after year — no "use it or lose it." You keep your money and can use it whenever.

- **FSA:**
  FSAs generally have a “use it or lose it” rule, meaning money left at the end of the plan year is forfeited. But your plan may offer one of these options:
  - **Grace Period:** Extra 2.5 months to spend leftover funds
  - **Carryover:** Up to $610 (in 2025) can roll over to the next year

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How to Manage Your FSA Year-End Carryover or Grace Period

1. **Check your plan details:** Log in to your benefits portal or contact HR to see if your FSA has a grace period or carryover option.
2. **Use leftover funds:** Submit claims for eligible expenses before the deadline (end of grace period or plan year).
3. **Keep receipts:** Always save receipts to verify your expenses.
4. **Plan ahead:** Use your FSA money throughout the year to avoid losing funds.

Troubleshooting Tips

- **I forgot to use my FSA money before the deadline — what now?**
  Unfortunately, if your plan doesn’t have a grace period or carryover, unused FSA funds are lost. Always check deadlines early!

- **Can I contribute to both an HSA and an FSA?**
  Usually, if you have a general-purpose FSA, you cannot contribute to an HSA. But you may be able to have a limited-purpose FSA alongside an HSA for dental and vision expenses.

- **What if I change jobs mid-year?**
  Your HSA stays with you. Your FSA may be lost unless you use COBRA to continue your FSA coverage.

Remember:

For best results, review your benefits plan documents or speak with HR for specific details. Also, be sure to include screenshots from your benefits portal and a short video explaining how to check your FSA/HSA balance and submit claims for easier understanding.