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## Low uptake of HSAs still a mystery: Cerulli

By Editorial Staff    Thu, Sep 24, 2020

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*A slight majority of 401(k) participants with >\$2 million in investable assets use their health savings accounts (HSAs) for retirement savings, but only one-third of respondents with \$500,000 to \$2 million do the same, a Cerulli survey showed.*

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While contributions to health savings accounts (HSAs), along with total balances, are still negligible compared with 401(k) plans or individual retirement accounts (IRAs), the industry is expected to evolve during the next several years in response to trends emphasizing holistic planning and financial wellness, according to the latest [Cerulli Edge—U.S. Retirement Edition](#).

HSAs have been available to members of high-deductible health plans (HDHPs) for more than 15 years, but they remain underutilized—and less widely understood—in comparison with qualified retirement plans, according to Cerulli.

Cerulli's most recent 401(k) participant survey showed that, despite their flexibility and tax advantages, HSAs ranked last out of about a dozen options when participants are asked how they would allocate an additional \$1,000. Respondents rank HSAs last out of about a dozen options.

"Retirement advisors and financial planners generally acknowledge the triple tax-advantaged nature of these accounts, making them an attractive vehicle for long-term savings, but many investors are in the dark," said Anastasia Krymkowski, associate director at Cerulli, in a release.

Given the eventual likelihood of a medical emergency or costly procedure, investors should plan ahead and cover these expenses with tax-advantaged dollars whenever possible, Cerulli recommended. "After contributing enough in the 401(k) to earn the full employer match, a participant's 'next dollar' is likely best directed to an HSA, if available," she said.

While a slight majority of participants with investable assets exceeding \$2 million treat their HSA as a retirement savings vehicle, only one-third of respondents with \$500,000 to \$2 million (i.e., solidly "mass affluent") do the same. Cerulli suggests that more participants in this demographic could benefit from conversations about taking a long-term view of health savings.

Employers and financial services providers should discuss HSAs in the context of emergency

savings and retirement planning, not just healthcare elections during annual enrollment.

“The most effective campaigns will adapt to meet plan members at each stage of the process—whether recognizing the value of an HSA and opening an account, funding to meet the deductible, accumulating assets, or investing for the long term,” Krymkowski said.

Employers’ focus on financial wellness and the increased involvement of retirement providers (recordkeepers, advisors, consultants, etc.) is expanding awareness of these benefits and framing HSAs in a longer-term, more holistic context.

More than 40% of defined contribution plan recordkeepers participated in the HSA market as of 2019, up from 21% just two years prior, and Cerulli believes this trend of increased HSA involvement will continue.

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