HSA or workplace retirement plans for long-term savings: Where do I save first?

Depending on where you work, employers may offer different types of retirement savings plans, such as a 401(k) or 403(b). But the health savings account (HSA) can be another, often overlooked, way to invest your savings for retirement. In fact, it may be better to contribute to your HSA before maxing out your workplace retirement savings plan because HSAs have a leg up on tax benefits when it comes to paying for health care.

With a 401(k), you pay federal income tax on the money when you withdraw it, even if you use it for medical expenses. Like workplace retirement plans, you make pre-tax contributions to the HSA, and your savings grow tax free. But the HSA has an additional tax advantage: You are not taxed on withdrawals to cover qualified medical expenses.[1] The HSA can also be used for other expenses in retirement; you just have to pay taxes on it.

And just like a workplace retirement plan, the money in an HSA is yours until you need it, even if you change jobs.

Turn the page and, with the 401(k) as our example, we'll help you decide how to allocate contributions to your 401(k) versus your HSA.

2025 IRS contribution limits

HSA

Family coverage maximum	$8,550
Individual coverage maximum	$4,300
Catch-up contribution (age 55+)	$1,000

401(k)

Maximum contribution	$23,500
Catch-up contribution (age 50+)	$7,500

Answer these four questions to guide your decision-making:

1. Have you saved enough in your HSA to cover your expected health care expenses for the year?	
YES	**NO**
Excellent! Now move on to question 2.	Consider contributing to your HSA to cover any expected health care expenses for the year. Think about how much money you spent on health care last year. If you aren't sure, consider contributing the amount of your deductible or out-of-pocket maximum as a starting point. If your employer contributes to your HSA, make sure to take that into account in your calculation. After you've done that, move on to question 2.

2. Does your employer offer a match on contributions to your 401(k)?	
YES	**NO**
Excellent! Consider contributing to your 401(k) up to the amount your employer will match. Otherwise, you'll be leaving money on the table! Now, move on to question 3.	Consider maxing out contributions to your HSA.

3. Have you maxed out your HSA contributions this year?	
YES	**NO**
You're doing great. Now, it's time to contribute more to your 401(k), up to the IRS annual maximum if you can. Once you've done that, proceed to question 4.	Consider contributing to your HSA until you reach the IRS annual limit. Once you have reached the IRS annual limit, proceed to question 4.

4. Have you maxed out your 401(k) contributions this year?	
YES	**NO**
Congratulations! You've made the most of your 401(k) and HSA savings.	Our financial situations are always changing. Remember to use these questions as a guide to make the most of your workplace savings.

Bonus step!

You also may want to find out if you can enroll in a limited-purpose flexible spending account (LPFSA), which helps you pay for current eligible dental and vision expenses.

[1] With respect to federal taxation only. The triple tax advantages are applicable only if the money is used to pay for qualified medical expenses.

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