

2024: Gender Lens in Health Savings Accounts (HSA)

November 2024

All data, projections and opinions are as of the date of this report and subject to change.

INTRODUCTION

The cost of healthcare is a common concern among employees. In one survey, 61% of pre-retirees reported being concerned about having enough money to pay for healthcare in retirement.¹ Estimates show that an average 65-year-old couple retiring today will need about \$351,000 to cover out-of-pocket healthcare costs in retirement.² A Health Savings Account (HSA) is a resource for employees to manage and fund their immediate and long-term healthcare expenses. Since first being introduced in 2003, HSAs have grown to \$123 billion in assets and 37 million accounts at year-end 2023—a 24% annual growth rate over the past 17 years.³

Our updated HSA gender lens study is the third study released and was conducted to aid in understanding potential gender differences in the financial behavior and actions of plan participants.⁴ It is estimated that a healthy woman's lifetime healthcare insurance premiums are nearly \$200,000 higher than those of a healthy man.⁵ That gap heightens the importance of women carefully planning to help cover their present and future medical expenses. This is particularly important given the fact that women's longevity is generally greater than men.⁶

Percentage with HSA investment balance was



13% for women
versus
19% for men



Source: Bank of America, December 2023. Based on the records of 579,453 HSA participants. Calculations by Chief Investment Office.

AUTHORED BY:

Chief Investment Office
Thought Leadership

KEY FINDINGS

- HSA contribution rates for women and men are comparable
- Very few participants are maximizing their HSA contributions
- HSA distributions for women and men are comparable at the median but lower for women at the 75th percentile
- HSA savings are lower for women than for men
- HSA cash and investment balances of women are lower than those of men across all generation groups

Source: Chief Investment Office August, 2024.

¹ Society of Actuaries Research Institute., 2021 Retirement Risk Survey Brief Report: Identifying Retirement Risks and Trends, October 2022.

² EBRI "Projected Savings Medicare Beneficiaries Need for Health Expenses Increase Again in 2023", January 18, 2024. Note: The calculation is based on a 90% chance of having enough money to cover healthcare expenses.

³ 2023 Year-End Devenir Health Savings Account Research Report.

⁴ Our first study focused on the behavior of 401(K) plan participants "Gender Lens in Defined Contribution (DC) Plans", Bank of America and Chief Investment Office, April 2024. Our second study provides a gender perspective on financial wellness of plan participants: "Employee Financial Wellness in America" Bank of America and Chief Investment Office, December 2023.

⁵ HealthView Services, "Addressing the Women's Longevity Gap," September 2020 (most current data available).

⁶ According to the Social Security Administration: <https://www.ssa.gov/oact/population/longevity.html>, at age 65, women can expect to live an average of 21.9 more years and men an average of 19.3 more years.

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The study first outlined the basics of an HSA. Then, reviewed the behavior and actions of approximately 579,000 HSA accounts administered by Bank of America. The research examined utilization rates, contributions, distributions, savings, and cash and investment balances. Finally, it provided guidance for participants on steps to take to save for healthcare costs with the goal of achieving a more secure retirement.

- Key highlights of the study using 2022 and 2023 data were:
- HSA utilization rates continue to be comparable for women and men
 - Contribution rates are comparable as well, although the dollar amount of contributions is lower for women than for men
 - Very few participants continue to make maximum contributions (similar for women and men)
 - Women are taking withdrawals more than men; as a result, men are more “savers” than “spenders” with the accounts
 - Men continue to have higher HSA balances than women

BASICS OF HEALTH SAVING ACCOUNTS

What is an HSA?

An HSA is a potentially tax-advantaged personal savings account that helps those with a high-deductible health plan (HDHP) contribute money that can be used to pay for out-of-pocket medical expenses like doctor visits, vision and dental care and prescriptions. An HDHP is a health insurance plan that typically has lower premiums and higher deductibles than other plan types, such as preferred provider organizations (PPOs). Typically, participants contribute funds into an HSA on a pre-tax basis through payroll deductions to save for current and future medical expenses. Employers can also fund HSAs with contributions.

Eligibility requirements

- To be eligible to contribute to an HSA, employees must:
- be covered by an HDHP health plan
 - not be covered by any other health plan except for certain arrangements such as limited-purpose health Flexible Spending Accounts.
 - not be receiving military healthcare benefits
 - not be eligible to be claimed as a dependent on another person's tax return
 - not be enrolled in Medicare

Potential tax advantages

- HSAs uniquely offer potential for tax advantages:
- **Money goes in tax-free:**⁷ Funds contributed by employees are not subject to federal income tax—and are also exempt from most states' income tax as well. For example, an annual employee contribution of \$8,550 could save potentially \$2,137.50 in taxes (assuming 25% combined state and federal income taxes). Individuals can also make after-tax contributions. (See About Potential Tax Benefits under Important Disclosures at the end of this report.)

⁷ Most employers offer a payroll deduction, allowing employee to make contributions to their HSA on a pre-tax basis. The contribution is deposited into employee's HSA prior to taxes being applied to your paycheck, making their savings immediate. Employees can also contribute to their HSA post-tax and recognize the same tax savings by claiming the deduction when filing their annual taxes.

- **Tax-free interest and potential earnings:** Generally, any interest or earnings that may accrue on contributions in an HSA are not taxed, thus increasing the potential for the amount of money that can be used to cover out-of-pocket medical costs.
- **Tax-free withdrawals:** Withdrawals from an HSA are federal tax-free when used for qualified medical expenses. (See About Potential Tax Benefits under Important Disclosures at the end of this report.)

For example, a 45-year-old couple who maximizes their HSA contributions to age 65 could cover potentially \$310,339, or 88%, of healthcare expenses in retirement. They will also have \$60,846 in savings from tax deductions because of their HSA contributions over that period.⁸

Contribution limits and deductibles

HSA participants have annual contribution limits. For For 2025, those covered by an individual plan can contribute up to \$4,300 annually, while those covered by a family plan can contribute up to \$8,550. If contributed, employer contributions count toward these maximums. Individuals aged 55 and older have a “catch up contribution” provision allowing them to contribute an additional \$1,000 each year. All contributions are excludible or deductible from federal taxable income. Unlike a flexible spending account, which generally has a “use it or lose it” provision for balances, HSA balances can be held longer term.

To qualify for an HSA, the HDHP must have a deductible of at least \$1,650 for self-only coverage or \$3,300 for family coverage. The HDHP's annual out-of-pocket expenses, including deductibles but not premiums, cannot exceed \$8,300 for self-coverage and \$16,600 for family coverage.

Exhibit 1: 2025 Contribution Limits for HSAs and HDHPs

	Single (\$)	Family (\$)
Max annual contribution	4,300	8,550
Catch-up contribution (Starting at age 55)		1,000
HDHP-min annual deductible	1,650	3,300
HDHP-max annual out-of-pocket	8,300	16,600

Source: Internal Revenue Code as of 2025. Note: The annual contribution limit applies to all sources including pre-tax, after-tax and employer contributions

Withdrawals

Participants can withdraw funds from an HSA to pay for “qualified medical expenses” (QMEs) incurred by themselves, their spouse or a dependent. QMEs are defined, in general, to be the same kinds of medical expenses that can be deducted as itemized deductions for income tax purposes. Examples of common expenses include eye exams, dental treatments, medication, medical supplies, diabetic supplies, vaccinations, office visits and laboratory fees.⁹

Funds withdrawn for non-QME classified expenses are taxed at the accountholder's marginal tax rate. If the funds are withdrawn

⁸ The example assumes an initial contribution of \$8,550 that grows at 2.4%, \$1,000 catchup starts at age 55 and it is made every year from age 55 to age 65, annual withdrawals of \$2,000 that grow at 4.0%, an effective tax rate of 25%, and that the HSA account balance grows at 5%. It also assumes health care expenses in retirement of \$351,000. The example does not include account fees.

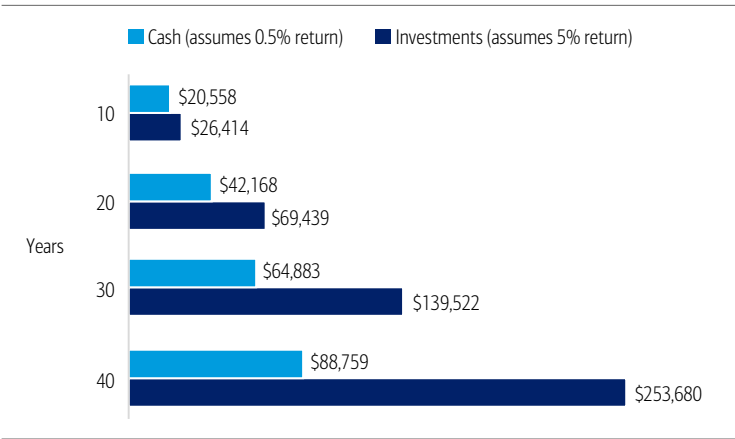
⁹ For more information on qualified medical expenses for HSAs view IRS Publication 969 and IRS Publication 502. Be sure to check for subsequent legislative updates.

before age 65, the funds are subject to an additional 20% federal tax, unless an exception applies. After age 65, participants have the option to use the funds in their HSA to pay for nonqualified expenses. They'll be subject to income tax on those funds.

Investment feature

A compelling feature of an HSA, for most but not all, allows the ability to invest. Generally, participants can invest cash balances once an account reaches at least a \$1,000 threshold. Exhibit 2 shows the potential investment and cash balances if participants decide to contribute \$2,000 in an HSA account every year. Over 30 years, assuming assets are invested at a 5% rate of return, they can potentially grow their investment account to just over \$139,000. If they were to keep the money in cash, their balance could be just over \$64,000.

Exhibit 2: HSA Investment Versus Cash Growth



For illustrative purposes only. These figures do not consider taxes and fees. Source: Calculations by Chief Investment Office. **Past performance is no guarantee of future results.** For hypothetical purposes only. The analysis assumes two investment returns of 5% and 0.5%. It is not tied to a specific allocation model or index returns. There are periods when returns can be higher or lower than these returns. No fees are assumed. These figures assume no withdrawals are taken.

GENDER AND THE FINANCIAL BEHAVIOR OF HSA PARTICIPANTS

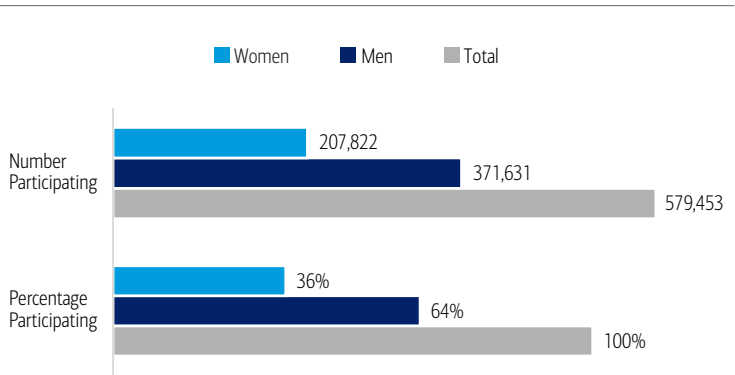
In studying the financial behavior and actions of HSA participants, we examined the gender differences in utilization rates, contributions, distributions, account balances, cash and investment balances.

1. HSA utilization rates: Women’s and men’s utilization rates are comparable.

The total number of HSA participants in our study is 579,453. Of that total, there were 207,822 women with an HSA versus 371,631 men, as shown in Exhibit 3. The utilization rates of these participants were slightly lower for women, at 85%, than for men, at 89%.¹⁰ Exhibit 4 shows the distribution of HSA participants by gender and generation. Most HSA participants are Millennial, Generation X and Baby Boomers, with little difference by gender for each age segment. Across the generations, men outnumber women except for Generation X (Exhibit 5).

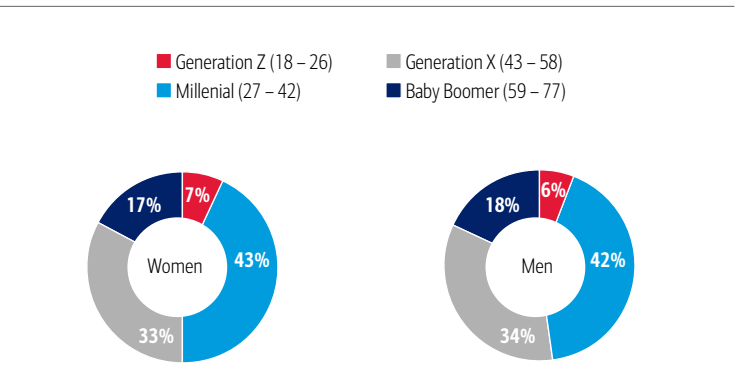
¹⁰ Utilization rates represents HSA participants who have a balance or have contributed to or withdrawn from their account.

Exhibit 3: Number Of HSA Participants By Gender



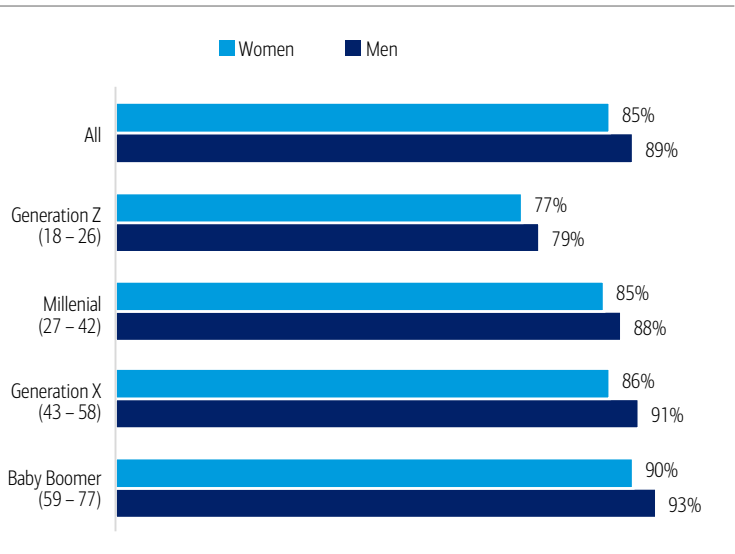
Source: Bank of America, December 2023. Based on the records of 579,453 HSA participants. Calculations by Chief Investment Office.

Exhibit 4: Distribution Of HSA Participants By Gender And Generation



Source: Bank of America, December 2023. Based on the records of 579,453 HSA participants. Calculations by Chief Investment Office. Note: In our previous study the following generational age bands were used: Generation X (18-22); Millennial (23-38); Generation X (39-54) and Baby Boomer (55-73).

Exhibit 5: HSA Utilization Rates By Gender And Generation



Source: Bank of America, December 2023. Based on the records of 660,278 HSA participants. Calculations by Chief Investment Office

2. HSA contributions: Savings rates are comparable, however, the dollar amount of contributions is lower for women than for men.

About 70% of HSA participants contributed in 2023 as shown in Exhibit 6. The percentage of women and men actively contributing was similar. The percentage of participants making the maximum contribution was low, under 1%, for both women and men.¹¹ Exhibit 7 shows the percentage of HSA participants contributing in 2023 by gender and generation. Percentage of Baby Boomers making a contribution is lowest relative to other generations. However, a larger percentage of Baby Boomers and Generation X are contributing the maximum amount (Exhibit 8).

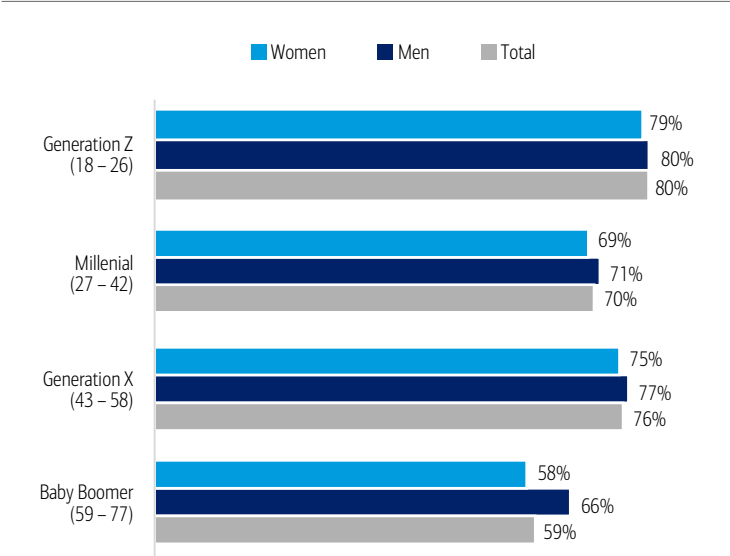
Under 1 percent of participants are maximizing their HSA contributions.

Exhibit 6: Percentage Making An HSA Contribution And The Maximum Contribution By Gender

Gender	Percentage Contributing	Percentage Contributing Max
Women	69.89%	0.05%
Men	71.70%	0.05%
Total	71.05%	0.05%

Source: Bank of America, December 2023. Based on the records of 579,453 HSA participants. Calculations by Chief Investment Office.

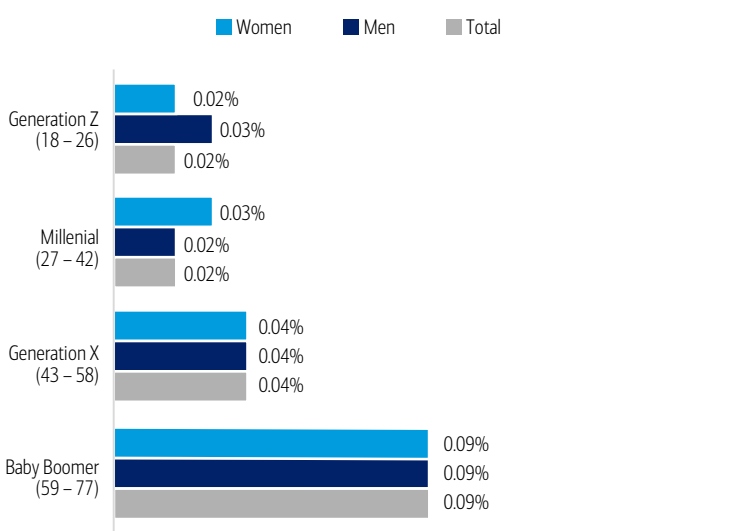
Exhibit 7: Percentage Making An HSA Contribution By Gender And Generation



Source: Bank of America, December 2023. Based on the records of 579,453 HSA participants. Calculations by Chief Investment Office.

¹¹ The maximum contribution limit is based on 2023 contribution limits. Those covered by an individual plan could contribute up to \$3,850 annually, while those covered by a family plan could contribute up to \$7,750. If offered, employer contributions count toward these maximums. Individuals aged 55 and older can contribute an additional \$1,000 each year.

Exhibit 8: Percentage Making the Maximum HSA Contribution By Gender And Generation

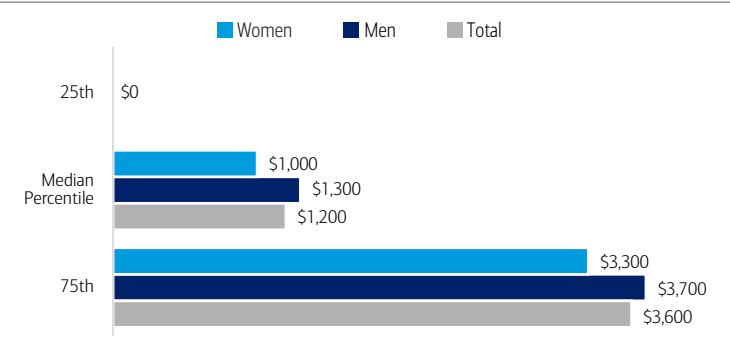


Source: Bank of America, December 2023. Based on the records of 579,453 HSA participants. Calculations by Chief Investment Office. Note: The above analysis is based on 2023 contribution limits. Those covered by an individual plan could contribute up to \$3,850 annually, while those covered by a family plan could contribute up to \$7,750. If offered, employer contributions count toward these maximums. Individuals aged 55 and older can contribute an additional \$1,000 each year.

HSA contributions for men were greater than for women at the median and 75th percentile, as shown in Exhibit 9. The **median** annual HSA dollar contribution was \$1,000 for women versus \$1,300 for men. The **average** annual HSA dollar contribution was \$1,930 for women versus \$2,330 for men. The average participant contribution was higher than industry studies as evidenced by the recent Employee Benefit Research Institute (EBRI) report, which reported an average participant annual contribution of \$1,962.¹² Twenty-five percent of participants contributed \$0 in 2023. Across various generation groupings the contributions were lower for women versus men (exception Generation Z). The most notable differences were in Generation X and Baby Boomers (Exhibit 10).

HSA contributions for men were greater than for women at the median and 75th percentile.

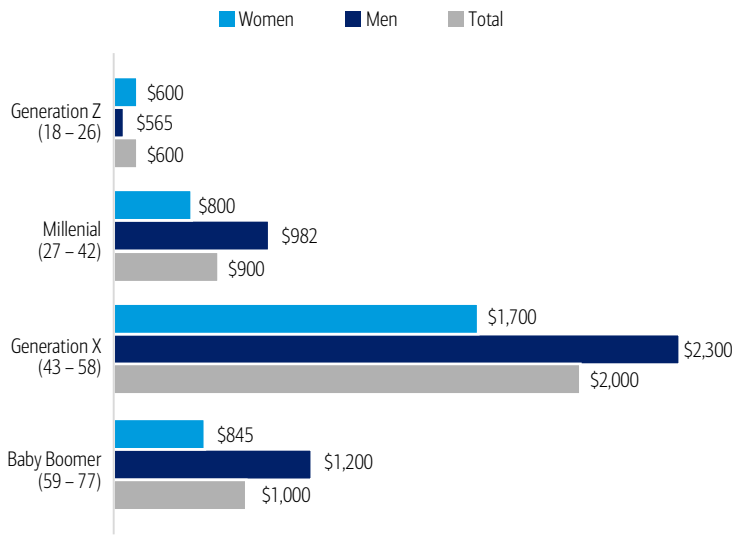
Exhibit 9: HSA Contributions By Gender



Source: Bank of America, December 2023. Based on the records of 579,453 HSA participants. Calculations by Chief Investment Office. Note: The above analysis is based on 2023 contribution limits. Those covered by an individual plan could contribute up to \$3,850 annually, while those covered by a family plan could contribute up to \$7,750. If offered, employer contributions count toward these maximums. Individuals aged 55 and older can contribute an additional \$1,000 each year.

¹² EBRI “Trends in Health Savings Account Balances, Contributions, Distributions, and Investments, 2011–2022” March 21, 2024.

Exhibit 10: HSA Contributions By Gender And Generation

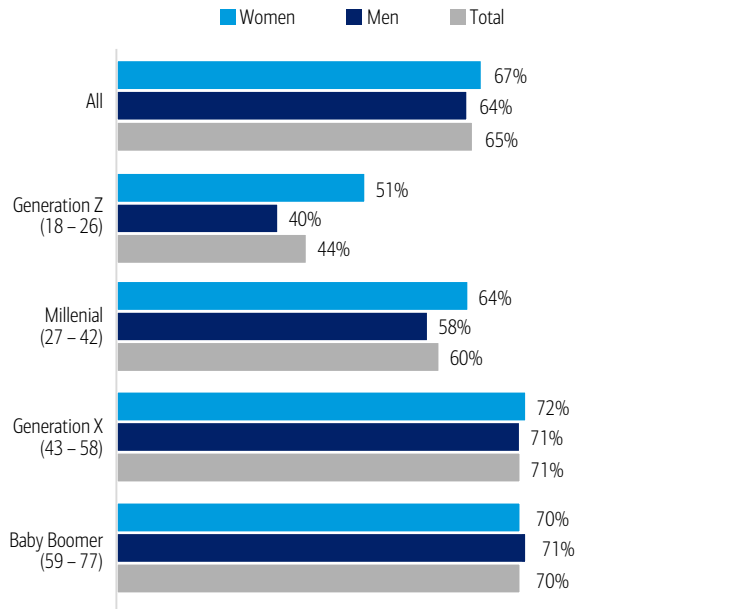


Source: Bank of America, December 2023. Based on the records of 579,453 HSA participants. Median values are shown. Calculations by Chief Investment Office. Note: The above analysis is based on 2023 contribution limits. Those covered by an individual plan could contribute up to \$3,850 annually, while those covered by a family plan could contribute up to \$7,750. If offered, employer contributions count toward these maximums. Individuals aged 55 and older can contribute an additional \$1,000 each year.

3. HSA distributions: Women are more likely to take distributions than men.

Two-thirds of HSA participants took a distribution in 2023. Sixty-seven percent of women took a distribution versus 64% of men. A higher percentage of Generation X and Baby Boomers took a distribution than Millennials and Generation Z (Exhibit 11).

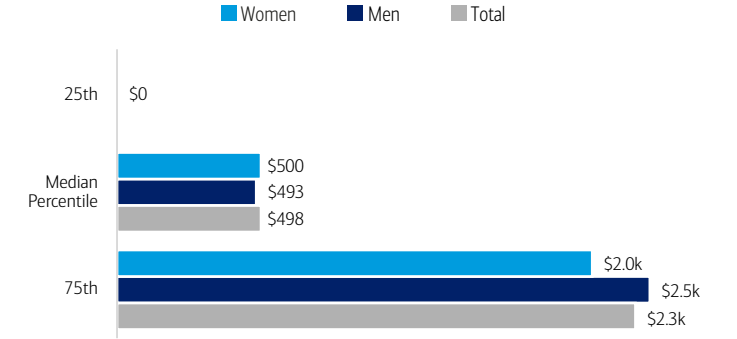
Exhibit 11: Percentage Making An HSA Distribution By Generation And Gender



Source: Bank of America, December 2023. Based on the records of 579,453 HSA participants. Calculations by Chief Investment Office.

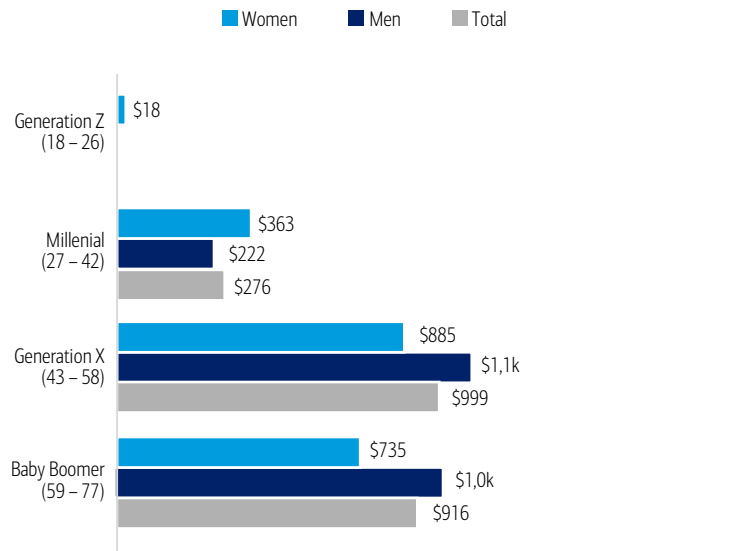
HSA distribution amounts for women and men were similar, as shown in Exhibit 12. The median HSA dollar distribution was \$500 for women versus \$493 for men. The average HSA dollar distribution was \$1,417 for women versus \$1,684 for men. The average annual distribution is in line with the EBRI industry report.¹³ For the Generation X and Baby Boomer groups, the distributions were lower for women than for men, as shown in Exhibit 13.

Exhibit 12: HSA Distributions By Gender



Source: Bank of America, December 2023. Based on the records of 579,453 HSA participants. Calculations by Chief Investment Office.

Exhibit 13: HSA Distribution By Gender And Generation



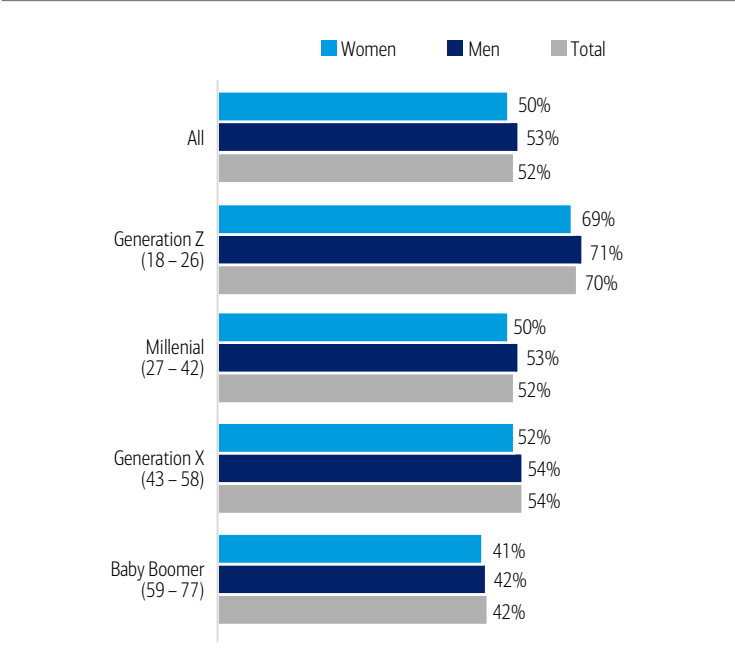
Source: Bank of America, December 2023. Based on the records of 579,453 HSA participants. Median values are shown. Calculations by Chief Investment Office.

¹³ EBRI “Trends in Health Savings Account Balances, Contributions, Distributions, and Investments, 2011–2022,” March 21, 2024.

4. HSA savers versus spenders: Men tend to be savers more than women.

Exhibit 14 shows the percentage of HSA participants with HSA savings in 2023 by gender and generation. 52% of HSA participants had positive “in-year” net savings in 2023 (contributions higher than withdrawals). Women and men were about the same for being net savers. For both women and men, higher percentages of Generation Z were saving than Millennial, Generation X and Baby Boomers.

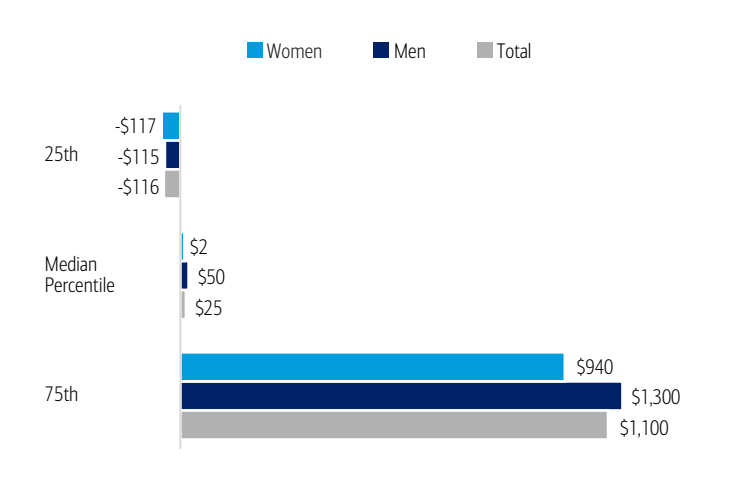
Exhibit 14: Percentage With HSA Saving By Gender And Generation



Source: Bank of America, December 2023. Based on the records of 579,453 HSA participants. Calculations by Chief Investment Office.

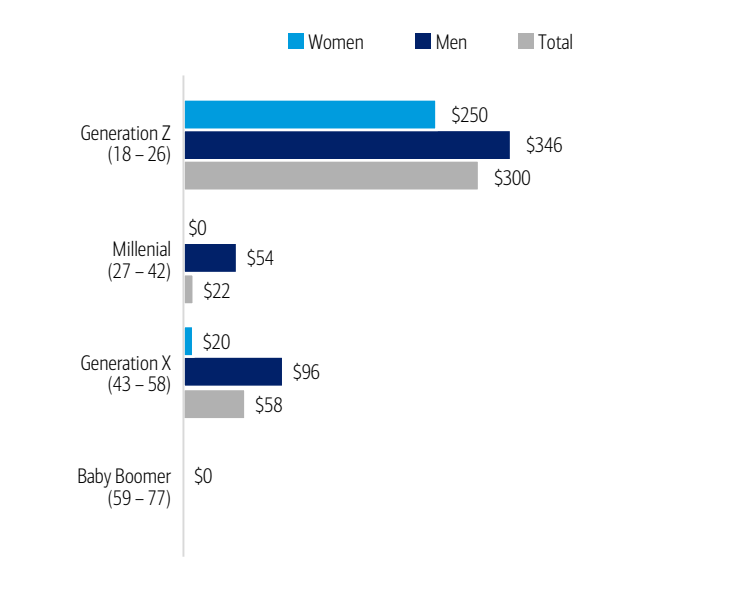
HSA savings for women were lower than for men at the 25th percentile, median and 75th percentile, as shown in Exhibit 15. The **median** HSA net dollar saving is only \$2 for women versus \$50 for men. The **average** HSA net saving is \$517 for women versus \$645 for men. Across generational groupings, saving was lower for women than for men, as shown in Exhibit 16.

Exhibit 15: HSA Savings By Gender



Source: Bank of America, December 2023. Based on the records of 579,453 HSA participants. Calculations by Chief Investment Office.

Exhibit 16: HSA Savings By Gender And Generation



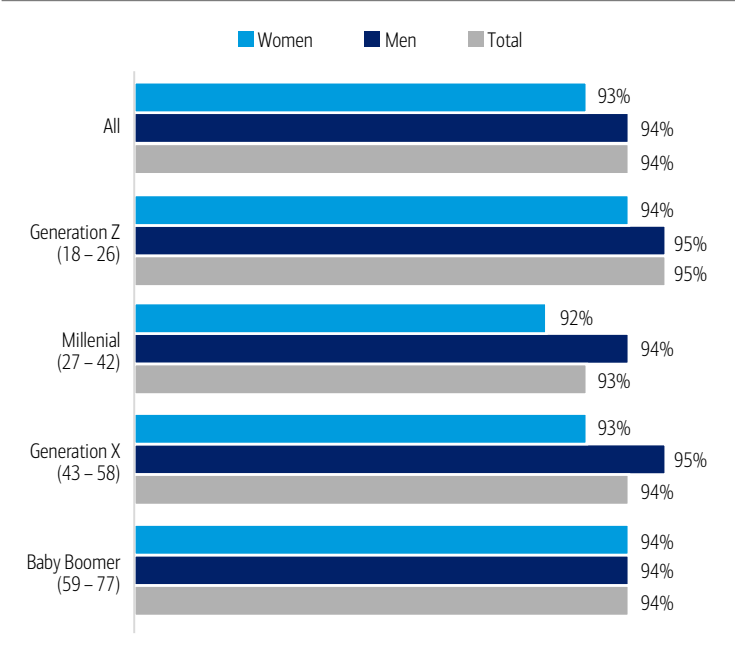
Source: Bank of America, December 2023. Based on the records of 579,453 HSA participants. Median values are shown. Calculations by Chief Investment Office.

5. HSA balances and investment allocations: Women’s cash and investment balances lag those of men.

One of the potential advantages of HSAs is the ability to save balances longer term and invest those balances. Even with that ability, most HSA participants hold a significant part of their account balance in cash or highly liquid investments as shown in Exhibit 17. The percentages of women and men with a cash balance were about the same. There were also no generational differences in HSA cash balances. Exhibit 18 shows few participants invested their HSA balance despite the tax-saving possibilities and the potential to build savings to cover future healthcare costs. Fewer than one in five participants maintained an investment balance; however, this is greater than an industry study that shows only 12% of participants invested in assets other

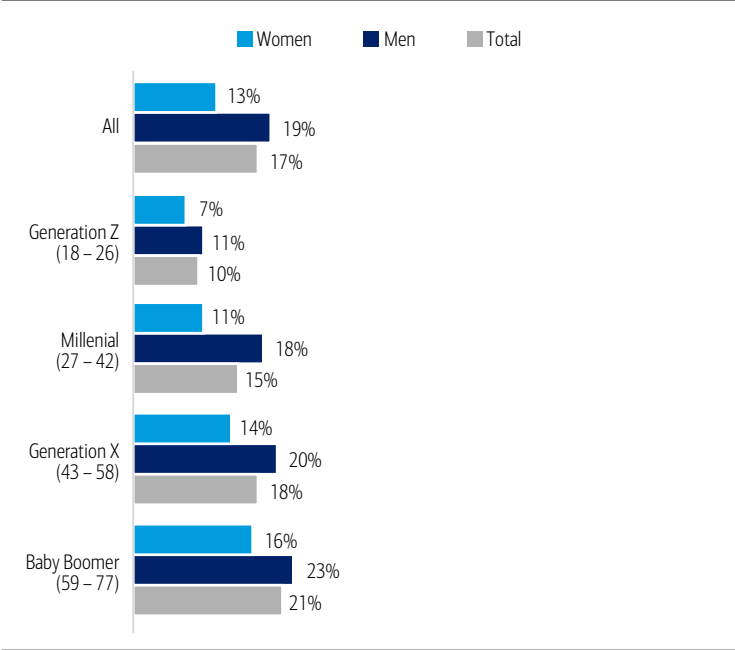
than cash.¹⁴ Only 13% of women and 19% of men maintained an investment balance. A larger portion of Baby Boomers and Generation X had an investment balance than Millennials and Gen Z.

Exhibit 17: Percentage With HSA Cash Balance By Gender And Generation



Source: Bank of America, December 2023. Based on the records of 579,453 HSA participants. Calculations by Chief Investment Office.

Exhibit 18: Percentage With HSA Investment Balance By Gender And Generation

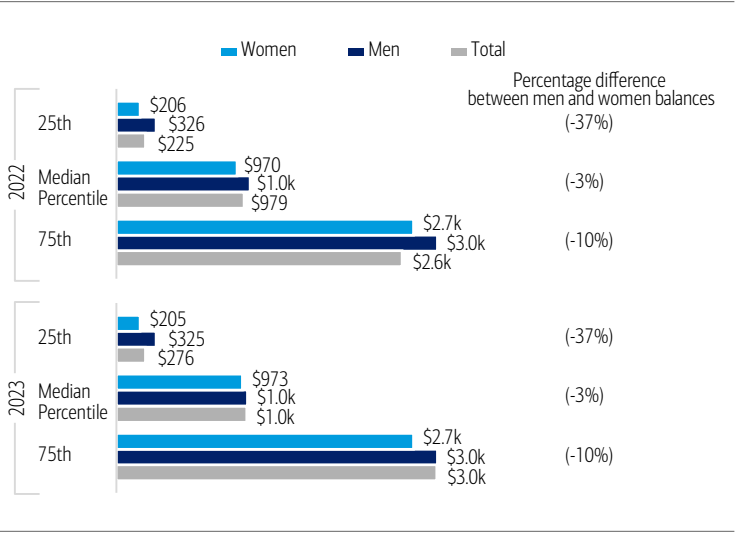


Source: Bank of America, December 2023. Based on the records of 579,453 HSA participants. Calculations by Chief Investment Office.

¹⁴ EBRI “Trends in Health Savings Account Balances, Contributions, Distributions, and Investments, 2011–2022,” March 21, 2024.

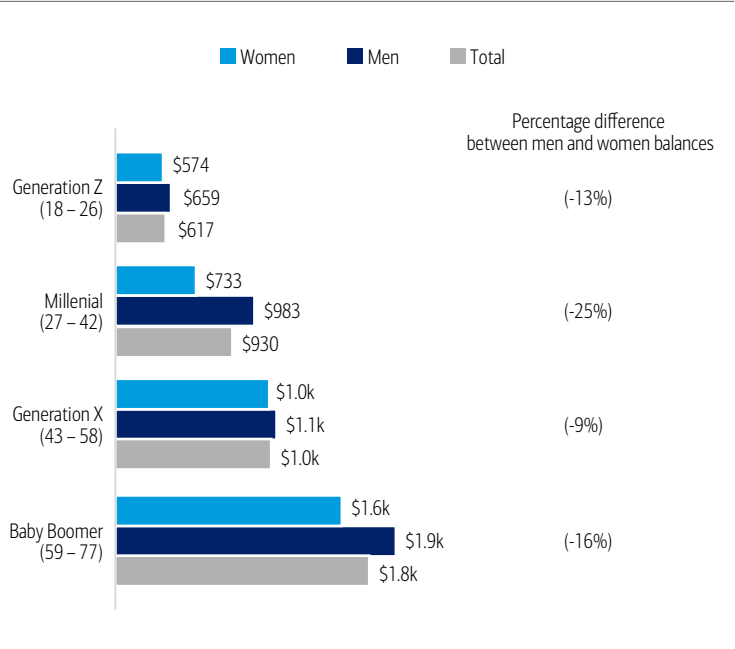
The median HSA cash balance for women and men is comparable at about \$1,000 (Exhibit 19). The average HSA cash balance is \$2,805 for women versus \$3,193 for men. HSA cash balances of women were lower than those of men across all generation groups, as shown in Exhibit 20. Relative differences between women and men were greatest for Millennials. For Millennials, the median balance for women was \$733, about three-quarters that of men, at \$983.

Exhibit 19: HSA Cash Balance By Gender



Source: Bank of America, December 2022 and December 2023. Based on the records of 543,560 HSA participants. Calculations by Chief Investment Office.

Exhibit 20: HSA Cash Balance By Gender And Generation



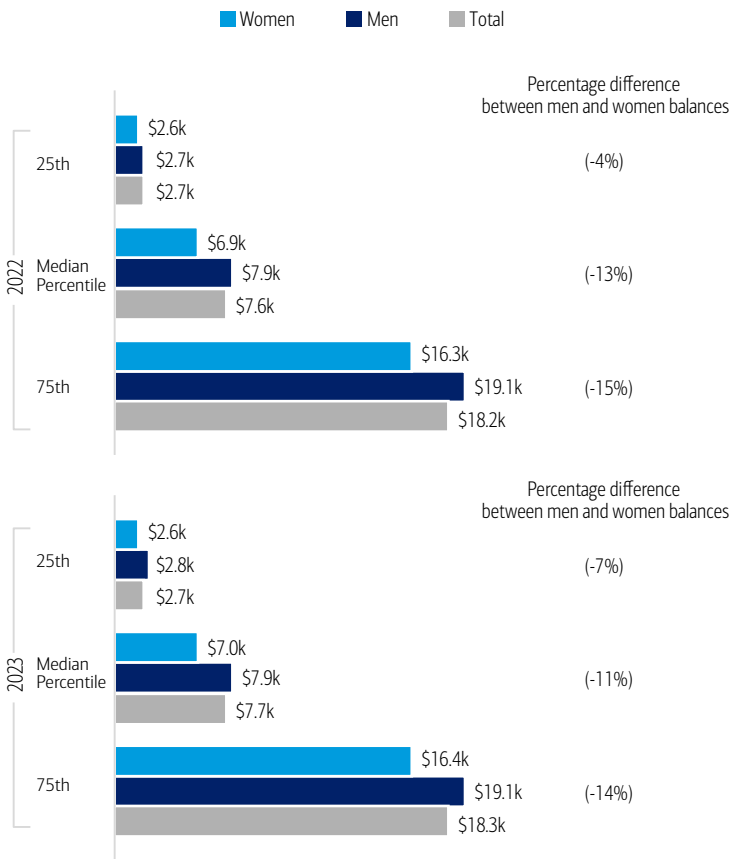
Source: Bank of America, December 2023. Based on the records of 543,560 HSA participants. Median values are shown. Calculations by Chief Investment Office.

The median HSA investment balance for women was \$7.0K versus \$7.9K for men (Exhibit 21). The average HSA investment balance was \$12.7K for women versus \$15.0K for men. HSA investment

balances of women were lower than those of men across all generation groups as shown in Exhibit 22. Relative differences between women and men were greatest for Baby Boomers. For Baby Boomers, the median balance for women was \$12.0K, about 80% of that for men at \$15.6K.

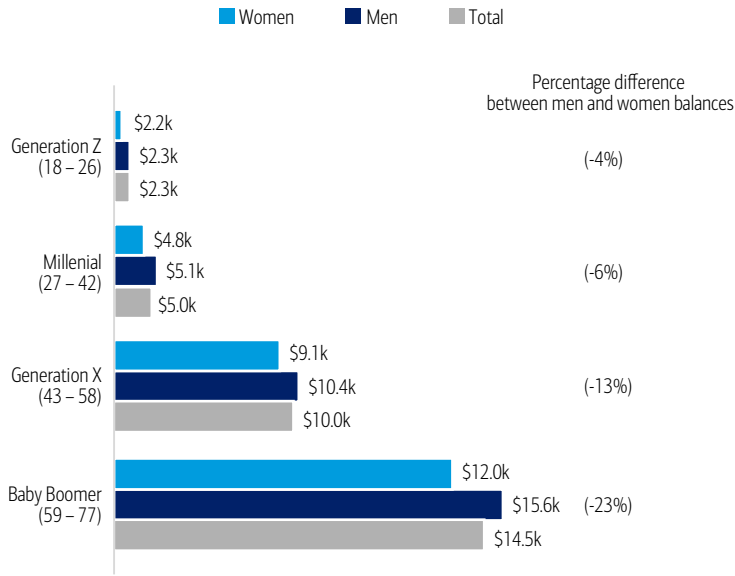
HSA cash and investment balances of women are lower than those of men across all generation groups.

Exhibit 21: HSA Investment Balance By Gender



Source: Bank of America, December 2022 and December 2023. Based on the records of 97,280 HSA participants. Calculations by Chief Investment Office.

Exhibit 22: HSA Investment Balance By Gender And Generation



Source: Bank of America, December 2023. Based on the records of 97,280 HSA participants. Median values are shown. Calculations by Chief Investment Office.

KEY TAKEAWAYS

Consider funding an HSA: If you sign up for a HDHP, you may be eligible to contribute a certain amount each year for your healthcare costs in an HSA. Funds that aren't used right away have tax-free growth potential and can be used for qualified medical expenses anytime in the future. Start utilizing the HSA as early as possible given the potentially advantageous tax incentives and the account's ability to fund a portion of long-term retirement healthcare expenses.

Maximize your HSA contributions: Aim to increase your contributions when you get a raise or tax refund or pay off a large expense. The more you have saved for retirement, the better prepared you could be for future healthcare costs. Starting at age 55, you can contribute an additional catch-up amount.

HSA as a saving and investing vehicle: By diversifying investments in your HSA, you can take advantage of the long-term saving possibilities of an HSA. Over time, you can potentially build up your balance for unexpected major medical expenses at different life stages. Please keep in mind diversification does not ensure a profit or protect against loss.

Think beyond Medicare: Although Medicare helps handle many costs, it doesn't cover everything. You're still responsible for premiums, deductibles and copays, and long-term care, vision care and most dental care generally are not included under traditional Medicare.

Important Disclosures

About Potential Tax Benefits: You can receive federal income tax-free distributions from your HSA to pay or be reimbursed for qualified medical expenses you incur after you establish the HSA. If you receive distributions for other reasons, the amount you withdraw will be subject to income tax and may be subject to an additional 20% tax, unless an exception applies. Any interest or earnings on the assets in the account are federal income tax-free. You may be able to claim a tax deduction for contributions you, or someone other than your employer, make to your HSA directly (not through payroll deductions). In addition, HSA contributions may reduce your state income taxes in certain states. Consult your tax advisor to determine how HSA contributions will affect your personal taxes. Certain limits may apply to employees who are considered highly compensated key employees. Bank of America and Merrill recommend you contact qualified tax or legal counsel before establishing an HSA.

This material should be regarded as general information on Healthcare considerations and is not intended to provide specific healthcare advice. If you have questions regarding your particular situation, please contact your legal or tax advisor.

Investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results.

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You can receive tax-free distributions from your HSA to pay or be reimbursed for qualified medical expenses you incur after you establish the HSA. If you receive distributions for other reasons, the amount you withdraw will be subject to income tax and may be subject to an additional 20% tax. Any interest or earnings on the assets in the account are tax-free. You may be able to claim a tax deduction for after-tax contributions you, or someone other than your employer, make to your HSA. Bank of America recommends you contact qualified tax or legal counsel before establishing an HSA. State tax consequences for HSAs may vary. Consult your tax or legal counsel for more information.

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