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Medicare + HSA, The Gotcha

Why enrolling in Medicare ends your HSA contributions

One Social Security checkbox can shut down six figures of tax-advantaged savings.

WHAT IT IS

If you're working past 65 with a high-deductible health plan (HDHP) and contributing to an HSA, enrolling in ANY part of Medicare ends your right to make new HSA contributions. You can still spend what's already in the account. But new contributions, including the employer match, stop the month Medicare starts. The trap that catches people: signing up for Social Security at 65 automatically enrolls you in Part A, even if you don't want it. The Part A coverage backdates 6 months. If you contributed to your HSA during those 6 months, the IRS treats it as excess contributions.

THE RULE

Any Medicare part triggers
Part A alone is enough to disqualify

HSA contributions must stop
The month Medicare starts

HSA balance is yours forever
Spend on qualified medical, tax-free

6-month retroactive Part A
When you delay enrollment, Part A backdates 6 months

Spouse can still contribute
If they have HDHP coverage and aren't on Medicare

AVOIDING THE TRAP

Don't take Social Security at 65
If you want to keep contributing to HSA

Delay Part A enrollment
Only allowed if you're not collecting Social Security

Stop HSA 6 months early
Account for the retroactive Part A lookback

Spend FSA-style cash first
Save the HSA for retirement

Coordinate with HR
Many employers don't flag this for older workers

THE 3 THINGS PEOPLE GET WRONG

1. **"I can still contribute to my HSA if I only have Part A."**
False. Part A alone disqualifies. Any Medicare enrollment stops new contributions, including employer matches.

2. **"Social Security at 65 doesn't affect my HSA."**
False. Filing for Social Security automatically triggers Part A enrollment. You cannot decline Part A and keep collecting Social Security at the same time.

3. **"Once I lose HSA eligibility, the balance is wasted."**
False. The money in the account is yours. You can spend it on qualified medical expenses tax-free forever, even after Medicare starts. You just can't add more.

THE 6-MONTH LOOKBACK

If you enroll in Medicare AFTER age 65, Part A coverage retroactively backdates up to 6 months (but not before age 65). That means HSA contributions in those 6 months become excess contributions in the eyes of the IRS, subject to a 6% excise tax annually until withdrawn. To stay clean: stop HSA contributions at least 6 months before you plan to enroll in Medicare. This is the single most-missed planning step for clients working past 65.

Working past 65 with an HSA? Call or text Craig, I'll map the right Medicare timing so you don't lose contribution years or get hit with the excess-contribution penalty.

Don't go underinsured when you can be Insured AF.

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