

Limited Purpose Flexible Spending Account (FSA)

Learn more about an FSA that works hand-in-hand with your Health Savings Account (HSA).

Normally, if you elect an HSA with your consumer-directed health plan, you are not allowed to have an additional spending account - such as an FSA - that pays for your deductible expenses. However, if an FSA is limited to only pay for vision, dental and orthodontia expenses during the IRS minimum deductible phase of your health plan, it can be used in tandem with your HSA. This means you can contribute to an FSA while still being eligible to establish and contribute to an HSA.

How does the Limited Purpose FSA work?

During the deductible phase of your consumer-directed health plan, you can use FSA funds to pay for vision, dental and orthodontia expenses.

You begin during enrollment by choosing how much to contribute to your FSA. Consider your expenses from recent years to estimate how much you may spend in the coming year. You may want to calculate conservatively as the funds left in your account at the end of the year may be forfeited. The amount you elect is taken out of your paycheck pre-tax in equal parts throughout the year.

What is the difference between a Limited Purpose and Post-Deductible FSA?

Once the deductible is met, these limitations are lifted and all eligible medical, dental, prescription, vision and 213(d) expenses can be covered by the funds in your FSA. This is referred to as a post-deductible FSA.

How much can I contribute to my FSA?

The maximum amount that can be contributed to an FSA in 2024 is \$3,200. The maximum for 2025 is TBA.

Is a Limited Purpose FSA right for me?

These FSAs can be an excellent complement to an HSA, but they may not be right for everyone. This account is most beneficial if:

- You are able to fully fund your HSA up the maximum annual contribution limit. If you cannot fund your HSA in full, an FSA may not be a valuable asset. Unlike an FSA, funds in your HSA will always roll forward from year-to-year, allowing you to accumulate funds over time, so it is most beneficial to fully fund this account

first.

- **You know you will have high dental, vision and/or orthodontia expenses.** Even though your HSA can also cover these services, using an FSA allows you to save your HSA funds for future medical expenses.
- **You want to have access to your entire FSA election amount at the beginning of the plan year (even if you have not contributed anything yet).** Unlike an HSA where funds are only available to spend once they are deposited into your account, the entire amount you elect to contribute to your FSA is available on day one of your plan year.