

# HSA vs. FSA 2026

## Key Differences, Contribution Limits, and How to Choose

Both Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs) let you set aside pre-tax dollars for qualified medical expenses. This guide goes deeper than the basics — giving you the comparisons, contribution limits, qualified expense guidance, and planning considerations you need to make the most of these accounts.

	HSA	FSA
<b>Eligibility</b>	Must be enrolled in an HSA-qualified High-Deductible Health Plan (HDHP)	Available through most employer-sponsored health plans; no HDHP required
<b>Who owns it</b>	You — portable if you change jobs or health plans	Tied to your employer
<b>2026 Contribution Limit</b>	Up to \$4,400 (individual) or \$8,750 (family)	Up to \$3,400 per year
<b>Catch-up (age 55+)</b>	\$1,000 additional per year	Not applicable
<b>Rollover</b>	Unused funds roll over every year with no limit	Subject to use-it-or-lose-it rules; employer may allow carryover up to \$680
<b>Investment options</b>	Yes — balance can be invested for potential growth	No investment option
<b>Tax advantages</b>	Triple: tax-deductible contributions, tax-free growth, tax-free withdrawals for qualified expenses	Pre-tax contributions; tax-free withdrawals for qualified expenses
<b>Funds available day one</b>	No — funds available as contributions are made	Yes — full annual election available on January 1 of plan year
<b>Contribution source</b>	Employee, employer, or both may contribute	Typically employee payroll elections; some employers contribute as well
<b>After age 65</b>	Withdraw for any reason penalty-free; non-medical withdrawals taxed as ordinary income	Not applicable — account is tied to employer plan

Sources: IRS Rev. Proc. 2025-19; IRS Rev. Proc. 2025-32

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## 2026 Contribution Limits

Account / Coverage Type	2026 Limit
HSA — Individual coverage	\$4,400
HSA — Family coverage	\$8,750
HSA — Catch-up contribution (age 55+)	\$1,000
Health FSA	\$3,400
FSA carryover maximum (if offered by employer)	\$680

Sources: IRS Rev. Proc. 2025-19; IRS Rev. Proc. 2025-32

## What Counts as a Qualified Expense?

Both accounts cover a wide range of medical, dental, and vision costs. When in doubt, refer to IRS Publication 502 or check with your plan administrator.

Expense Category	Examples
Prescriptions & Medications	Prescription drugs, insulin, over-the-counter medications (OTC eligible with or without prescription as of 2020 CARES Act)
Dental Care	Exams, cleanings, X-rays, fillings, extractions, orthodontia
Vision Care	Eye exams, prescription glasses, contact lenses and supplies, LASIK surgery
Mental Health	Therapy and psychiatric care provided by a licensed professional; prescription mental health medications
Medical Equipment & Supplies	Blood pressure monitors, diabetic supplies, bandages, crutches, hearing aids and batteries
Preventive & Diagnostic Care	Annual physicals, lab tests, immunizations, screening exams
Qualified Long-Term Care	Premiums for qualified long-term care insurance (HSA only, subject to age-based limits)
<b>Not Covered</b>	Cosmetic procedures, gym memberships, general health supplements, teeth whitening, toiletries, insurance premiums (with limited HSA exceptions)

Reference: IRS Publication 502 (Medical and Dental Expenses); CARES Act (2020) expanded OTC eligibility.

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## Strategies Worth Knowing

### HSA as a Long-Term Savings Tool

An HSA can function as a long-term savings vehicle for those who can pay near-term expenses out of pocket.

The strategy:

- Contribute the maximum each year
- Invest the balance once you reach your provider's threshold
- Pay current expenses out of pocket and save receipts
- Reimburse yourself later – no deadline applies
- After 65, withdraw for any purpose penalty-free (non-medical withdrawals taxed as income)

### Pairing an HSA with a Limited Purpose FSA

You generally cannot contribute to both a standard FSA and an HSA in the same year. A Limited Purpose FSA (LPFSA), which covers only dental and vision expenses, is the exception.

This combination may make sense if you:

- Have regular dental or vision expenses to plan around
- Want to preserve your HSA for investment growth
- Have access to both account types through your employer

*Check with HR or your benefits administrator to confirm if your plan offers this option.*

## Common Mistakes to Avoid

### HSA

- Not investing your balance once eligible
- Not saving receipts for future reimbursement
- Over-contributing beyond IRS limits (triggers a 6% excise tax)
- Contributing after enrolling in Medicare
- Using funds for non-qualified expenses before age 65 (income tax + 20% penalty)

### FSA

- Forgetting the use-it-or-lose-it year-end deadline
- Over-electing beyond your expected costs
- Missing your plan's grace period or carryover window

## Checklists

### Open Enrollment

- Am I enrolled in, or considering, an HSA-qualified HDHP?
- What out-of-pocket medical, dental, and vision expenses do I expect this year?
- Can I cover my HDHP deductible out of pocket if needed?
- Does my employer contribute to an HSA or FSA?
- Does my employer offer an LPFSA I could pair with an HSA?
- If HSA: am I set up to invest the balance and save receipts?
- If FSA: what is a realistic – not maximum – contribution estimate?

### Year-End FSA

- Check your remaining balance through your benefits portal
- Submit reimbursements for eligible expenses already paid out of pocket
- Schedule dental cleanings, eye exams, or vision purchases before deadline
- Stock up on eligible OTC items – medications, first aid, contact lens solution
- Confirm your plan's grace period or carryover rules (up to \$680 for 2026)

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