



Using a Limited-Purpose FSA in Conjunction with your HSA

Funds contributed to your Health Savings Account (HSA) can be used as a means for reimbursement for medical, dental, and vision expenses. So why would anyone ever choose to make a separate contribution to a Limited-Purpose Flexible Spending Account (FSA) that only covers dental and vision expenses when you already have an HSA for those expenses? Many of us overlook the added advantages of contributing to a Limited-Purpose FSA in conjunction with a HSA. There are a few principle reasons a person should contribute to both a Limited FSA and a HSA in order to get the most out of their HSA.

What expenses are eligible under a limited-purpose FSA?

A limited-purpose FSA covers qualified out-of-pocket expenses for dental or vision care provided to you, your spouse, or dependents. Typical eligible expenses include:

Qualified Dental Expenses

- Cleaning
- Fillings
- Crowns
- Braces

Qualified Vision Expenses

- Contact lenses
- Eyeglasses
- Eye exams
- Vision correction procedures

You plan on incurring eligible dental or vision expenses early in the plan year

FSAs (including Limited-Purpose FSAs) have been designed so that your full election is available on day 1 of the plan year. HSA funds are only available as the funds are deposited into your account. Because of that, if you are planning on incurring dental or vision expenses early in the plan year, a Limited FSA is a great way to plan to pay for those expenses. It may help to think of your Limited FSA election as a tax-free, interest free loan. And then think of your HSA as an actual bank account (which it is). With your Limited FSA, you can use your full election as soon as you need to in order to pay for eligible expenses. This is especially helpful if you have just opened your HSA and haven't had the time to allow your HSA balance to grow.

You want to save your HSA contributions for future medical expenses

Dental and vision expenses are usually easier to predict than medical expenses. When you are covered by a High-Deductible Health Plan (HDHP) and you know you may be required to pay higher amounts for the medical expenses you incur it especially makes sense to contribute towards your Limited FSA for dental and vision expenses that you plan on incurring. That way you can preserve HSA contributions to be used for medical expenses. In the instance you don't have many medical expenses, your HSA balance can grow, tax-free, and you were still able to pay for your dental and vision expenses with tax-free funds through your Limited FSA.