Maximizing Financial Growth: Insights on HSAs and Smart Investment Strategies with Shaun Eddy

[00:00:45] Welcome and Guest Introduction

[00:00:45] **Linda Ostovitz:** hello everyone and welcome to Real Talk Real Growth. Today I am pleased to have my friend Shaun Eddy join us. Shaun is a CEO and partner at Oxford Planning Group with a whole bunch of cool stuff associated with his name, such as a certified financial planner a master's degree in financial analysis, and he's an accredited investment fiduciary, all of which is so impressive, Shaun.

What does all that mean, and what do you do at Oxford Planning Group?

[00:01:18] **Shaun Eddy:** Thanks, Linda. Well, certified financial planner, it sort of speaks for itself, but it's a person that has gone through several years of accreditation and courses to become a certified financial planner. And then they've passed a national certification exam about a 50 percent pass rate on those exams, 50 to 60%.

So pretty cool. And I've been doing this for about 25 years. The accredited investment fiduciary is really just an additional fiduciary focus that we chose to do in our business. And, we're already a fiduciary for all of our clients, but we just feel it's so important to have an extra emphasis on that and make sure our clients understand the importance of being a fiduciary and that we represent ourselves that way, and then the master's in financial analysis ties in with the CFA designation, which I do not hold, but I really just love that background and it ties so much in with all the wealth management topics that we do for our clients, and I wanted to make sure that we continue to have a rounded out expertise in that area.

[00:02:17] **Linda Ostovitz:** So while we talk about you being a planning group that covers things like investments, retirement, tax issues, et cetera. Would that be correct?

[00:02:27] **Shaun Eddy:** Yeah, that's correct.

[00:02:29] **Linda Ostovitz:** So since it's January and we're recovering from a snowfall here in Maryland that was significant and people should be spending time thinking about what they're going to do for the year rather than waiting till tax time to say, Oh my goodness.

[00:02:44] Introduction to HSA Plans

[00:02:44] **Linda Ostovitz:** I would really love it if you would educate us, Shaun, on HSA plans.

We hear about them a lot. I have my own perception that they're a medical thing, that we can use them to save taxes, et cetera. But you're the expert. What is an HSA and why should we have one?

[00:03:03] **Shaun Eddy:** so an HSA is a health savings account, and at its simplest level, it simply is money that you can put away. I'll get into the amounts in a little while, but it's money that an individual can put away from their pay. And it grows tax deferred and it can be used to reimburse medical expenses. That's what a lot of people see it for.

I really take it a step further and see it as an opportunity to build up a sizable savings account long term. And it's money that can be used to reimburse health costs in retirement. And after age 65, it can be used much like a retirement account. If there's any money left over that hasn't been used for healthcare reimbursement.

So it's a pretty cool account that has a lot of opportunities.

[00:03:48] HSA Contributions and Rollovers

[00:03:48] **Linda Ostovitz:** Is it money that you can roll over from year to year if I create an account and fund an account in 2025 but don't use it, can it stay there or roll over, if you will, till 2026?

[00:03:59] **Shaun Eddy:** That's a really great question. Some of the plans out there, some of the flexible savings accounts and some of the other types of accounts that employers have are monies that you mostly have to use that year or you actually lose the money. There may be in some cases with those accounts a very small amount that can be rolled over for the next year.

With a health savings account you can put in up to $4,300 as an individual. $8,550 as a family per year, and if you're over 55 you can put an additional $1,000 on top of that. And that money continues to be added to the account, does not have to be used at all. So if I put that full amount in and didn't reclaim any medical expenses this year, the full amount rolls over and can continue to roll up.

We have clients that have several hundred thousand that they've grown in those accounts To some people that may sound like a lot of money, but one of the things we always tell people is an individual in the market at retirement could use over $260,000 of their own monies during retirement, so you could certainly see it being used, and then a couple could easily be in the $400,000 range for health care expenses during retirement.

[00:05:08] **Linda Ostovitz:** Wow.

[00:05:09] Qualified Medical Expenses

[00:05:09] Linda Ostovitz: So you mentioned initially that the money that's in an HSA can be used to reimburse qualified medical expenses. What makes an expense qualified?

[00:05:19] Shaun Eddy: Yeah. So some things like there, are people that belong to concierge medical groups where they pay a monthly premium for the doctor. That type of cost is not deducted, but most of your medical costs, your regular physicals, your doctor's visits, specialty care, things like that. Most of your medications, most of those things are all reimbursable.

It's really the outliers. You have to be careful with certain medical devices and certain non medical things where you're being billed by your doctor just in a concierge practice, etc Make sure that those things are checked with your health care provider to make sure they qualify.

[00:05:53] Employer Contributions to HSA

[00:05:53] Linda Ostovitz: Are there circumstances where an employer contributes to an HSA or is this solely a, Shaun is putting money into an HSA account as you've indicated? Do employers get involved in the process?

[00:06:07] Shaun Eddy: Yeah, so employers, they can do that. And then, of course, an employer that does it has to do similar types of things for all their employees. So if they're very generous and are providing some level of benefit to their employees, they can put money in. And they can put money in up to those limits that I described earlier, that 4,300 or that 8,550.

However, if they were to put that amount in, then the employee would not be able to put any further funds in there. So both the employer and the employee are subject to a combined limit of that 4,300 or 8,550.

[00:06:43] Linda Ostovitz: Okay. So it's not a matching type of a situation.

[00:06:46] Shaun Eddy: It can be matching, which means Yeah, it's not going to get you over those limits, but if the employer puts in money, that just means you can get up to the limit by putting less money out of your own pocket if you're an employee. So, that can be nice.

[00:06:59] Linda Ostovitz: We talked about qualified medical expenses, but if someone uses HSA money for a non qualified expense, and I guess they can use it for anything they want, right? It's an account in their name to which they have complete access. If they use it for a non qualified pourpose or purchase. What is the consequence of that?

[00:07:22] **Shaun Eddy:** Well, first and foremost, usually there's an administrator on the plan that the bills get turned into. So typically they reject things that aren't qualified, but if something was to slip through the cracks or you charge something yourself and it didn't get caught by the administrator, the cost on those types of things is one, the amount is taxable to you, and there's also a 20 percent penalty.

So if you, for instance, you pulled money out of the account prior to age 65, unlike a retirement account which has a 10 percent penalty, the health savings accounts have a penalty of 20%. And after age 65 though, that 20 percent penalty goes away.

[00:08:02] **Linda Ostovitz:** So you talk about an administrator. If I had an HSA, this would not be an account in my name to which I have unfettered access. I'm dealing with an administrator of an HSA?

[00:08:15] **Shaun Eddy:** Yeah, a little bit. They're complicated accounts. They are set up typically through the employer, although the employee, if the employer does not have an account can set them up as well. And you can only set them up if you are part of a high deductible healthcare plan. That part is very important.

The rules change every year, so it's always important when they're issuing the new plans or your plan changes that you talk to your healthcare provider to confirm that this is a qualifying high deductible plan that allows an HSA account. We've seen several situations where Healthcare providers changed their plans.

The deductibles changed a little bit to the employee. They didn't look any different, but they found out suddenly that they were no longer HSA eligible. So at the administrator level, again, there's someone that takes the money in, make sure it's accounted for properly. There are some service fees on these accounts, but as the account grows, their service fees are pretty low, so the bigger the account gets, the smaller the percentage of the account that those administrative costs are. So they become more and more reasonable the more the person saves in the account. And again, that administrator is making sure that the right things go in and out of the account.

Not all, but most health savings accounts have investment options. So if there are no investment options, it may not make it as attractive to save long term. It may make it more in that case, more attractive just to use the money for healthcare costs from year to year. If there are investment options, which we prefer to see the certain amount of it stays in cash, ready to reimburse medical expenses back and forth, and then a certain amount can be put over into investment options. And again, that's where the administrator's involved to make sure that all those things are being tracked properly and that the employee is getting the proper monthly statements that they're supposed to get for those accounts.

[00:10:07] Linda Ostovitz: And that's where somebody like you really comes into play, right?

[00:10:10] Shaun Eddy: Absolutely.

[00:10:11] Linda Ostovitz: To share with individuals that this is an investment vehicle. Or can be an investment vehicle as well as something that really is just dollar for dollar to cover health expenses.

[00:10:23] Shaun Eddy: Yeah. We really try to work with individuals to make sure that they can get the maximum benefit out of these plans. So if they don't have an investment option, In their plan we want to make sure that they look into the option to see if they can in fact get a plan outside that would have investments in it and some employers allow that they just say oh yeah you can subscribe to a different plan will make deposits into that account or you can.

And it still qualifies. So we want to make sure they have an account that does have investments. And then we can then in turn, help our clients with what the proper allocation for those investments is based on their risk tolerance and how long they think it'll be before they need some of those funds

[00:11:02] Linda Ostovitz: Okay. And you said that at age 65, if I understood you correctly, those funds can be used for medical or any other reason without penalty. Is that right?

[00:11:15] Shaun Eddy: Without penalty. The difference would be though, they're still more attractive for healthcare costs, because if you turn in a healthcare bill, then you can be 100 percent reimbursed tax free. But, if you take money out just for random expenses after age 65, that money would be taxable to you just like an IRA account or a retirement account would be.

[00:11:37] Linda Ostovitz: Okay.

[00:11:38] Tax Benefits of HSA

[00:11:38] Linda Ostovitz: So let's talk about the tax benefit of an HSA since we've moved to a tax discussion. The money that goes into an HSA, is there a tax benefit to putting it in an HSA?

[00:11:50] Shaun Eddy: Yeah, so this is where, at the employee level, there is no state or federal tax, but you're still paying Social Security tax before the money goes in. At the employer level, so if you have a generous employer that's putting money in, that money never had social security tax come out of it. So there can be a little extra perk when the employer puts money in that the employee doesn't have.

But once all that's done in the future the money grows tax deferred, healthcare costs can come out tax free, so you never pay for any taxes at all for healthcare costs. And then if you do pull money out later for other reasons, then it's just the state and federal tax. That you would normally pay for retirement accounts.

[00:12:31] Linda Ostovitz: Okay, so who should have HSA accounts, Shaun?

[00:12:34] Shaun Eddy: I honestly think everyone should the challenge is that not everyone has a high deductible plan and honestly when you first set up high deductible plans and if people aren't used to them, we often see clients with a lot of complaints because they're not used to paying those higher deductibles and it can get a little expensive for families. If they have a lot of health care costs in one year. It also helps the employer make the premiums for the health care less expensive by utilizing that high deductible plan, so it's a win for the employer and then by utilizing that health savings account, there's money set aside so if the employee does have unexpected bills that they can't defer to the future, they've got that money available to them. So we recommend everyone get those as early as possible and keep those intact. Certainly if you're having a really low budget year and can't afford to defer those healthcare costs, then you can take the money out as needed in that year.

But we also like to see a significant amount of money grow over the years and use it as an account that can be used in retirement, both for healthcare and other needs.

[00:13:35] Linda Ostovitz: you've used the term high deductible health plan. What is a high deductible? What qualifies as a high deductible health plan?

[00:13:42] Shaun Eddy: It changes every year, but the $3,200 individual is a typical number. And then, aggregate amounts for the family. So they cap that I don't have the aggregate amount right in front of me, but It is a lot more money than people are used to and so if someone's used to having a few hundred dollars every year and then after that the plan covers the whole thing, this can be a bit of a shocker when they first get into it and they realize they could be out of pockets several thousand dollars.

[00:14:08] Tax Planning

[00:14:08] Linda Ostovitz: Right. Well, thank you for that education on an HSA plan. Let's move on to a little bit of a broader discussion, maybe. Again, I started by saying, this is January, and this is the time when people need to start planning for tax returns for 2026. Not at the end of the year and not in April, obviously. So do you have any thoughts you can share with us about, this is January. People have 12 months to put a plan into action. What are some things that you would recommend that individuals do to start planning for managing the tax situation that they're going to face in April of 2026?

[00:14:53] Shaun Eddy: Yeah, this is a great time of year to do that. Obviously, a lot of people are collecting information to get together their tax returns. So they're, Probably a little bit more familiar with what they've been doing. And soon, of course, then we'll be getting into March and April where people actually are filing returns and they'll have a really good idea of where they are, but we want people to plan early.

We want them to start looking at what possible free cashflow they have that they can set aside. I'm sure everyone realizes that if you don't set money aside, somehow it manages to get spent. So, we prefer that you plan ahead, have money that can be set aside, and then we want to start looking for ways to do everything that you're doing in the most tax efficient way possible.

So, looking at maximizing retirement accounts, if that's the best way to go. For people with higher incomes, and people that think that potentially they may have lower incomes in retirement than they do now, and their taxes might be lower. The more tax deferred products that they use now could be more beneficial for some of the people in their twenties.

It may actually benefit to pay a little extra taxes right now and put monies away in a Roth IRA account. Other areas that we look at are charitable deductions, and there's just so many different ways that those can be done tax efficiently. Gifts of appreciated stock or investments. Direct gifts that can be deducted on your tax return.

If you have enough that you can do a schedule a, that's getting a little bit more difficult with the higher limits on the schedule a these days. But if you have enough deductions that you can get higher than the standard deduction, those gifts may make sense. Qualified charitable deductions from your IRA account.

If you're over 70 and a half those are gifts that can be made tax free, and were never taxed in the first place. So the gift can be made right out of your IRA account. We'd love to see that. And then also gifts to donor advised funds. There's other ways as well, but those are just some of the highlights.

And so certainly if you're charitably inclined or doing it already, why not make sure that what you're doing is done in the most tax sensible way so that you're, at the end of the year, leaving as much in your pocket, but at the same time still benefiting the people that you want to benefit.

[00:17:00] Linda Ostovitz: One of the things that I have actually said in my later years of life was that I wish I had started earlier to tax plan, to invest in retirement, maybe invest in some of these vehicles that you have described here. And I don't know what age I was when I actually started doing it, but I wish I had done it early.

Because now, as somebody at my age, I Recognize the value of that.

[00:17:29] Starting Early with Financial Planning

[00:17:29] **Linda Ostovitz:** So as somebody who is a planner, at what age should someone start looking at what they're investing in and planning and managing the items that we've discussed?

[00:17:40] **Shaun Eddy:** Yeah we really try to work with people almost as soon as they're getting a paycheck. The challenge of course is that when you're in your teens, your twenties, and sometimes even in your thirties. You're not thinking about financial planning. And so

exactly. And so we may not yet have connected with those people.

We try to get materials out there that hopefully these younger individuals will see, and that maybe it will resonate with them. When we're working with our clients that are older, we try to make sure that they're getting information to their children. And we're trying to make sure that education is out there.

But it's amazing when you look at the time value of money of an individual that puts away a few thousand dollars every year for 10, 15 years, and then stops. Versus an individual that in their fifties starts putting some money away at a much higher level, the 50 year old or the 50 year and above almost never catches up with what that 20 year old did at a very modest level when they were younger.

It's just so important if they can start early. I really love to see clients live within their means, live responsibly, have a lot of fun, but just don't go so crazy that they're not saving. And I think if they can really save aggressively when they're younger, which is often the age that they forget, they end up with an awful lot more choices in their forties.

That takes a lot of stress away from them that a lot of people have. We see in this crazy world layoffs and reorganizations of companies where people suddenly find themselves unemployed. Wouldn't that be incredible if you're in your forties? And you were actually at a point where you could retire if you had to and or being laid off wasn't such a big deal.

It gave you plenty of time to go ahead and make other choices.

[00:19:15] Linda Ostovitz: in your role, Shaun in the roles that we've discussed, do you make recommendations to your clients about where to invest their money?

[00:19:25] Shaun Eddy: Yeah, absolutely. So we look at every client. We look at their age, how long to retirement. We look at their risk tolerance. We do jokes sometimes because we go through an intensive process of trying to determine someone's risk tolerance. And there's a lot of metrics that go into that, but then there's a Mike Tyson reference that says no one really knows what their game plan is until they get hit in the face.

And if you have , a fight plan and you're fighting Mike Tyson and suddenly he cracks you upside the head, your fight plan may have just gone out the window. And so we find the same thing when you have a risk tolerance. You think that you can handle a lot of volatility in the market and all of a sudden the market goes through an absolutely crazy time.

And you're panicked and you didn't think you would be panicked. So it's something we have to monitor very closely. But then once we understand that and we, we work very closely with our clients, we want to make sure that we're recommending an allocation that has a really strong opportunity to grow for the future that is within the risks that they are comfortable with.

And we want to make sure that it's also tax efficient as possible. And so some of the things we do there where if a client is younger and growing their assets, we want to see more of their income generating assets in their retirement accounts. And we want to see more of the assets that are going to be benefiting from capital gains in their non retirement account, then that ends up being a lot more tax efficient.

And the reverse may be true as a client gets into retirement and has to take an income out of their portfolio. Other things that we can do, we can look at tax efficient investments such as municipal bonds, treasuries. Things like that that are more tax efficient and or may not have any taxes charged to them.

And those can help lower the overall taxes that a person pays in their accounts.

[00:21:04] Linda Ostovitz: I want to go back to this scenario of starting young and I think about this subject matter I think about people in business And getting to the point in their life or in their career where it's time to make a decision to hire someone. And, you're in that space where, gee, I really need advice. I really need something, but oh my goodness, it's going to cost me money in order to get it. If we take that issue and drop it into your lap, Shaun, if we have somebody, we're talking about young people getting in there sooner rather than later, making plans, investing in long term solutions, for their financial health and wealth. What do you say to somebody who says, I don't have the money to have a financial advisor.

I can't afford to have somebody help me plan the rest of my financial life. What would you say to somebody who has that concern,

[00:22:05] Shaun Eddy: Yeah. Another great question. We really talk to people about the whole planning process itself and the value that we add. There's a lot of studies out there that show the average person, one, they're making a lot of mistakes in their planning, in their taxes, and the choices they're making. So that, that sets them apart and gives them a disadvantage.

And then in addition, the investments that the average person puts in, into force for themselves, the average investor across the country is not earning any more than inflation, which is a very low number. With an advisor, one, all of the strategies are vetted, we're looking at stuff that's specifically focused on that individual client, it's not a cookie cutter that one size fits all, it's, we're looking at the client individually, we really like to tell them that if we're doing our job correctly, You're actually going to feel like you're not paying a fee because you're going to be earning more from the other investments.

We're not saying you're not paying a fee. It's, gotta be careful how we word that. But we're really trying to say, look, our fee is more than offset by the good choices that are going to be made, by things that you hear in the market that you come to us with that we say aren't such a good idea, and the actual performance of your portfolio typically will far outperform That of what an average investor will do.

So that, it's a very important area. We really do think that we add an awful lot of value to our clients.

[00:23:24] Linda Ostovitz: Well, you really do have to be careful how you say that because you know, there are lawyers every,

[00:23:29] Shaun Eddy: are we are in a business that has a lot of disclaimers and liabilities, so we do try to always be very careful and of course we can't guarantee future return, but at the same time, we do know that historically we're able to add an incredible amount of value.

[00:23:41] Linda Ostovitz: Well, again, in business, and I use this term generally, you got to spend money to make money. And I think it is a hard decision to make sometimes to get to the point at which you say, okay, wait a minute, is the return going to be worth my investment? Is the investment going to enable me to go do something else that provides growth in my business, because I'm not doing something that someone else could do for me. So it's part of the whole ecosystem, I guess is the right term to use

[00:24:14] Shaun Eddy: Absolutely. We love working with entrepreneurs. And so, I think some of the entrepreneurs are not as typically the 20 year olds, but you do see 20 and 30 year olds that are more entrepreneurial. And typically, those are the people that start to realize that things need to be delegated more quickly.

It's often the younger people that aren't yeah. entrepreneurial that are just working a job for someone else. They're not as quick to realize some of the things that can be delegated and it may take them a few more years to actually start to realize, wow, I really could use some help in these areas.

[00:24:43] Advice for January Financial Planning

[00:24:43] Linda Ostovitz: So it's January and we've discussed really important items here, but what is the advice that you would give to our audience here today for what to do in January? Understanding that what they do will have an impact that. Exceeds potentially even the end of this year,

[00:25:05] Shaun Eddy: Yeah. I would always say whether you're an individual or a married couple look at your budget, really determine what's the maximum amount that I could save that I could put away on an annual basis. And be comfortable with without totally taking away from some of the fun that we want to have.

We do want to make sure our clients have some fun out there. Really, and then really live by that budget and put that money away. And then do it as tax efficiently as possible and keep at it throughout the year as things go up and down, if you get raises or if you get bonuses, look at some additional savings opportunities out of that, and don't spend all the money on fun stuff.

Have some fun. But make sure you also reward yourself for retirement opportunities and things like that with some of those extra funds.

[00:25:48] Managing Credit Card Debt

[00:25:48] Linda Ostovitz: For 43 years, I have practiced law and for most of those 43 years, it's been in a divorce arena. And I see some people come through my door who have credit card debt that would scare the hell out of me. And I am a lot more. Established and stable and they are when you talk about the budget and coming up with a budget and living within a budget, and so forth. How do you advise people to stay away from the lure of a credit card that maybe you don't have to pay off every month?

[00:26:24] Shaun Eddy: Yeah, credit cards are great for just revolving cash flow, but we really try to recommend that people do not build up balances on those, they pay those balances off every single month. The interest rates on those are astronomical high double digits into the 20 percent range, and you're never going to get ahead of that transaction.

We recognize that people do have emergencies and there's things that occur sometimes where an emergency occurs and they have a balance that will carry over. But really go out of your way to not build up balances on credit cards. There's going to be times where people, it just, it happens and we understand that and we work with our clients and find creative ways to get those paid down quicker and things like that.

But whenever we see clients with credit card debt, that is always the single most important thing to get rid of as quickly as possible because it's hard to get any account to grow consistently. At 20 to 24 percent year after year. So we need to get rid of that as quickly as possible.

[00:27:21] Conclusion and Final Thoughts

[00:27:21] **Linda Ostovitz:** Shaun, thank you so much for joining me today and talking about HSAs and some of the ways to reduce tax liability understanding that there are many ways to accomplish that and I know you just hit the surface with what we talked about today. But I appreciate the benefit of your thoughts and your expertise. And thanks so much for being with us today.

[00:27:46] **Shaun Eddy:** Aw, thank you, Linda. Thank you for having me. I enjoyed the conversation.

[00:27:49] **Linda Ostovitz:** It's a pleasure.