You have an HSA. Do you also need a limited-purpose health FSA?

If you have a Health Savings Account (HSA), you may also have access to a limited-purpose health Flexible Spending Account (LPFSA). An LPFSA can be used to pay qualified vision and dental expenses, but generally not other health care expenses. Like other FSAs, you forfeit any money you don't spend from your LPFSA, unless your employer allows you to carry over a portion of the balance. So, do you want to fund both accounts? Here are four reasons you may want to consider an LPFSA.

1. You already contribute the maximum to your HSA

In 2024, if you are enrolled in individual coverage you can contribute up to $4,150 to an HSA, and if you are enrolled in family coverage you can set aside $8,300. If you aren't already contributing this much, consider increasing your HSA contribution, even if it is outside the open enrollment period. You should also plan to maximize your HSA contribution before enrolling in an LPFSA. That's because you don't risk losing money you contribute to an HSA—it's yours to save for the future if you don't need it this year.

2. You have known vision, dental, and medical expenses

There are some predictable expenses that are great reasons to contribute to an LPFSA. If you wear contact lenses or prescription glasses, you can estimate the annual cost. You or a dependent could be planning to have orthodontia or a vison correction procedure.

Also, if you know your medical expenses will reach your health plan's deductible, you may be able to roll your LPFSA balance to a Health Care FSA. Many plans allow you to use an LPFSA balance for out-of-pocket medical expenses once you have met your medical plan's deductible.

3. You want to maximize your tax savings

Contributions to both your HSA and LPFSA are free from federal income taxes, so maxing out your contributions is one way to trim the taxes you pay each year. But don't put more in your FSA than you actually think you will spend. While you can contribute as much as $3,2000 to your FSA in 2024, the amount you can carry over is limited to $640, and depends on your employers' policy.

4. You want to use your LPFSA to maximize your HSA and long term savings

One of the best things about the Health Savings Account is that you can keep saving the balance until you need it—whether that means an unexpected medical expense during your career or health care needs during retirement. You can also invest your balance in mutual funds, and the gains will be tax-free,* as long as you use the money for qualified medical expenses.

If you can contribute to both an HSA and an LPFSA, you can use the FSA to cover vision and dental expenses—and save the HSA for the future.

WHAT YOU CAN DO: Before annual enrollment, think about how much money you can be reasonably sure you will spend next year on vision and dental expenses, including things like glasses and contact lenses, dental cleanings or orthodontia. Ask how much planned treatments will cost. That way, you can contribute enough to cover your costs, but not so much that you stand to lose the money.

* With respect to federal taxation only. Contributions, investment earnings, and distributions may or may not be subject to state taxation. The triple tax advantages are only applicable if the money is used to pay for qualified medical expenses.

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