



Chuck's Story

Posted on: Dec 13, 2007

By Gene Marks

Chuck put \$1,500 in his pocket this year just for doing a little paperwork, and boy was he happy. "Honey," he crowed to his wife on the phone. "Tonight it's Seafood Shanty baby...and you can even order the shrimp cocktail!" Man oh man, we're talking payday.

How did he fall into this extra money? By doing something every business owner should do. At the beginning of the year he set up a Health Savings Account.

Wait a second; haven't these things been around for a while? Well, yeah. They're nothing new. But then again, Chuck doesn't like to do new things too often. He still drives a '98 Accord. He's still getting over the purchase of the fax machine. He's more of a wait and see kind of guy. Well, he waited, and then he saw. He saw how much money some of his friends were saving with these plans. "Enough is enough," he finally said. "I'm getting in on this game." So he took a little action. And he's reaping the rewards.

His insurance guy couldn't have been happier either. He's been beating on Chuck for years to set up HSAs for all of his employees. Luckily, he's a patient man. When Chuck said he was ready to move forward, the guy had his paperwork done in ten minutes flat. It's pretty simple stuff nowadays.

So how does this HSA thing work? Believe me, if Chuck can figure it out, then any business owner can do it. And business owners, like yours truly, are sometimes not the brightest bulbs in the bunch when it comes to this stuff.

First you have to make sure your health insurance plan is an approved plan for HSAs. Then you've got to change the plan to allow for higher deductibles. This lowers your premiums. Not bad. Your insurance guy will take care of all of this for you.

Now, here's the big savings part: Every week Chuck put away money from his paycheck before taxes. The money goes directly into his HSA. Chuck put away over \$5,000 this year. The money just stays there in an investment account and can be invested anywhere he wants. So it earns interest and capital gains too.

Now, if Chuck needs the money to pay any health expenses then he takes it out of the account first. If he doesn't need it, then he just keeps it there, earning interest. Basically he uses the money to pay the deductible on his health insurance. If any big medical issue comes along, the insurance would kick in after the deductible.

This past year was a good year for Chuck. His company earned money. His daughter broke up with that squiggly little greaseball. The Yankees were eliminated again. Chuck was happy. But more so, his family had no medical expenses. So the entire 5K stood there in the account. And his salary was reduced by 5K so he paid about \$1,500 less in taxes. Sweet!

OK, it wasn't all so easy. Changing the health plan and explaining the whole HSA thing to his

employees was painful. Doing the paperwork and all the administration is kind of a pain. Some of his employees didn't make out so well, because they had medical expenses. One employee of his decided not to spend some of his savings on medical costs because he didn't want to dip into his account.

But putting aside those drawbacks, Chuck couldn't be happier with his HSA plan. He's saving a bunch of money on taxes. His health insurance premiums are lower. And as long as everyone stays healthy he can build up a nice little nest egg that can one day be withdrawn tax free. Just don't tell the squiggly little boyfriend. Once he finds out there's money in the bank he may want to come back.

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