

MSA Account Work Sheet

Los Angeles County

Premium Savings Example:

Single Male Age 40	<u>Premium Savings</u>	
Current Plan: \$45 Co pay Plan	\$231	
New MSA Plan: \$1650	\$148	<u>\$ 83</u>
New MSA Plan: \$2250 Deductible	\$108	<u>\$123</u>

Allowable contribution to MSA Savings Account Pre Tax (65% of Deductible) monthly

$\$1,650 \times 65\% = \$1,072.50 / 12 = \$ 89.38$ monthly allowable savings deposit

$\$2,250 \times 65\% = \$1,462.50 / 12 = \$121.88$ monthly allowable savings deposit

MSA Savings Account Example:

Using an example of \$110 per month contribution to the MSA savings account.

Your pre tax earnings to save \$110 per month if not in an MSA account would be \$183.33 in the 40% tax bracket.

\$110 saved per month in a tax deferred MSA account at 6% interest compounded annually would be \$1,356.91 the first year.

At the end of two years without any expenses you would more than have the deductible on the \$2,250 plan. If you needed to use some of the money for medical, dental, or Rx expenses it would of course require more time. At the end of just ten years the savings would grow to \$18,026.73 without considering any expenses. Should you need to use the savings for medical expenses, these expenses would then be nontaxable.

You can easily see that you would not only save money, you would be able to accumulate additional savings on a tax differed basis. This any savings left at age 65 may be used like an IRA for additional retirement benefits.

Calculating your example:

Cost of current insurance plan less cost of new MSA plan=premium savings	\$ - =	Deductible x 65% Single or 75% Married divided by 12 = MSA monthly savings in a tax deferred savings account	\$ x =
Premium Savings / your % federal & stare tax bracket = amount necessary to save in a non MSA account	\$ /	Monthly Savings x 6% x 12 = tax deferred annual accumulation	\$ x

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