

Subject: Greenleaf Newsletter: Should Taxes on Social Security Benefits be Eliminated? Plus, the Many Ways You Can Use Your HSA in Retirement.

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**Hello Greenleaf,
Welcome to Our Client Newsletter**

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- **The Many Ways You Can Pay Costs with Your HSA in Retirement**
- **Market News: Turbulence Continues**

Should Taxes on Social Security Benefits be Eliminated?

On the campaign trail, President Donald Trump often proposed eliminating taxes on Social Security benefits. If this is part of new tax legislation, what does it mean to you? And is it good policy?

Better for the Wealthy

According to analysis by the Tax Policy Center, a nonpartisan think tank in Washington, D.C., slashing taxes on Social Security benefits would greatly favor

Question:

I'm investing my HSA contributions and will use my account for medical expenses in retirement. When the time comes, what can (and can't) I pay for with my HSA?

Answer: Many, many medical expenses can be paid for with tax-free debits from your HSA account. The IRS has compiled a list of allowed expenses and it includes any medical co-pay, office visit, prescription, or physical therapy visit.

Market News: Turbulence Continues

Investors retreated from the "Magnificent Seven" tech stocks that drove the U.S. stock market higher last year. Worries about economic growth and trade fights have sent large growth stocks down more than -5% in March.

Similarly, concerns about levies on a wide range of goods (from cars to copper to microchips) have impacted other market segments. Small company stocks also declined in March as consumers and

the wealthy. **Due to deductions and overall income levels, about half of Social Security recipients pay no taxes on their benefits. Elimination of the tax would provide no savings whatsoever to more than 30 million people.**

Specifically for middle-income Americans, three-fourths do not pay taxes on their Social Security benefits. For the approximately one-fourth of middle-income households that do pay taxes, they would save an average \$90 per year.

In contrast, the top 0.1% of Social Security recipients with incomes of \$5 million or more would save \$2,500 per year on average.

How is My Benefit Taxed?

It helps to know how Social Security benefits are taxed. In the 1980s and 1990s, legislation was passed that taxed up to 85% of a benefit for those with incomes above certain levels.

Lawmakers chose the 85% amount because actuaries estimated that no Social Security beneficiary had paid (through withholding from their paychecks) for more than 15% of their own benefit. The rest comes from employer contributions, inflation increases, and benefit calculations that increase your Social Security payment.

Where Does the Tax Go?

About three-fifths of the proceeds from taxing Social

In addition, supplies such as crutches, wheel chairs, orthotics, and many over-the-counter medicines are also valid costs.

You may also use your HSA account for the following:

Vision Care

This category includes exams, new glasses, contact lens solution, and vision correction surgery.

Dental Care

You can use your HSA savings for routine dental needs like cleanings and fluoride treatments or for big bills such as braces.

Health Care Travel

When you travel for surgery or medical treatments, HSA funds can cover hotel and meal expenses during your stay.

Premiums

Your HSA can pay for long-term care insurance premiums, COBRA premiums, and Medicare premiums beginning at age 65.

Weight Loss Programs

If prescribed by a doctor as a treatment for a specific disease -- such as hypertension-- then weight loss programs are a qualified expense.

Don't push the envelope too far, however. You can't use your HSA to pay for expenses that don't meaningfully prevent or treat illness or disease, or that don't meaningfully promote the proper function

businesses remain uncertain about the price and consumer impacts of fiscal policy.

Many analysts point to the role of the higher-income consumer as the engine of economic expansion over the past several years. Lofty stock prices have supported this group's spending habits. Consequently, analysts are watching to see if government austerity measures trickle up to the higher income echelons.

Separately, talk in financial circles the past month has centered on whether investors will stick with U.S. companies -- as they have for the past several years -- or shift into international stocks and bonds. Already, international stocks have easily outpaced the U.S. with a year-to-date gain of more than 6%.

Bonds have not moved much this month, but still show positive gains for 2025. Overall, diversification and asset allocation have been valuable pillars of portfolio construction in your accounts this year.

In addition, as we will further detail in your upcoming quarterly report, we have added strategies for inflation protection and risk management to your accounts. We know investing has a variety of risks and we strive to minimize these risks so that uncertain times like these do not impact your long-term financial security.

As always, we are happy to

Security benefits go into the two Social Security trust funds. In 2025, it's estimated that the amount will be \$60.8 billion or about 4% of the trust funds' income. By 2033, the amount will represent 6% of annual deposits into the Social Security trust funds.

The remaining two-fifths go into Medicare's Hospital Insurance trust fund. In 2025, this will be an estimated \$42.6 billion or 9% of the monies going in. By 2033, the amount will be 13% of the deposit.

In the next decade, the taxation of benefits will provide over \$1.5 trillion to the Social Security and Medicare trust funds. Without that income, the programs will face greater funding shortfalls.

Consequently, while many people will enjoy relatively modest tax savings in the near term, this policy would weaken Social Security and Medicare in the not-so-distant future. Both programs are projected to run out of reserves by 2035, at which point only 80% of benefits can be paid. Any loss of revenue will result in earlier insolvency dates, reduced benefits, or other unpleasant changes.

Was I Double Taxed?

People sometimes claim that taxes on their Social Security benefits are a double tax. However, this is not accurate.

Social Security is an earned

of the body.

Therefore, do not use your HSA for the following:

- Nutritional supplements
- Cosmetics and skin care
- Health club dues
- Protein bars
- Hair growth or removal
- Teeth whitening

Lastly, concierge membership fees are not a qualified expense, nor are Medigap insurance premiums.

With a few exceptions, your HSA account can pay for plenty of your retiree medical expenses. We encourage you to contribute the maximum amount each year and to invest these dollars for future spending that is tax free.

discuss any financial considerations with you. If you have a question or a concern, please contact us!

benefit, meaning that you directly earned your benefit from your contributions (or your spouse's). The more you paid into Social Security, the more you get back out of it. While these contributions are often called a tax, Social Security is much more like a pension, where you pay taxes only on the amounts that came from somewhere other than your earnings.

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