Subject: October Newsletter: More HSA Availability and Roth Catch-Up Contributions
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From: Greenleaf Financial Group
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Hello Greenleaf,
Welcome to Our Client Newsletter

In the October Issue:

- **More People Can Open HSA Accounts in 2026.**
- **Roth Catch-Up Contributions are Coming.**
- **U.S. Stocks Have Been Great; International Stocks Have Been Better.**

More People Can Open Health Savings Accounts Next Year

Many more Americans will be able to cut their taxes with Health Savings Accounts (HSAs) starting January 1, 2026.

Previously, HSAs have only been available to people with high-deductible health insurance policies, typically offered through employers. Due to recent legislative changes, people who purchase certain insurance policies through the Affordable Care Act's health insurance marketplace will also be automatically eligible for

Question:

Will the Roth Catch-Up Contribution Rule Apply to my 401k Next Year?

Answer: Yes, after delaying for two full years, the Roth catch-up contribution rule begins on January 1, 2026.

For individuals who earned more than $145,000 in W-2 wages with the same employer the previous year, catch-up contributions must be made as Roth (after-tax) contributions.

Market News: U.S. Stocks Have Been Great; International Stocks Have Been Better

The U.S. stock market has reached multiple records this year (thanks mostly to soaring AI stocks), but it still trails the rest of the world.

International stocks are on pace to outperform U.S. stocks by the widest margin in 16 years. The MSCI All Country Ex USA Index is up around 26%

HSAs.

Tax Benefits
The triple tax benefits of HSAs beat out all other accounts. Your contributions are tax-deductible, growth is tax-free, and qualified withdrawals are tax-free.

If you invest your HSA savings -- which we strongly recommend -- you can create a powerful way to pay for medical costs in retirement.

New for 2026
Starting next year, if you have a Bronze or a Catastrophic health plan through the ACA marketplace, you are eligible for an HSA. Of the 24 million people with ACA plans, about 7.3 million people enroll in Bronze plans.

Also new is HSA eligibility for individuals with a direct primary care (DPC) physician. Previously, enrolling in a DPC arrangement was considered "other coverage" and made you ineligible to contribute to an HSA. Please note that your DPC membership fees must be no more than $150 per month for an individual or $300 per month for a family, and the arrangement must provide only primary care services.

Maximums
For 2026, you may contribute $4,400 to a Health Savings Account if you are the only person with qualifying insurance coverage. For family coverage, the contribution limit is $8,750.

If you are 55 or older, you may contribute an additional $1,000 per year. Spouses must make their catch-up contribution to separate HSA accounts.

Catch-up contributions are additional amounts that employees age 50 and older can save in their workplace retirement plans.

What are the tax implications of this rule?
If you've previously made catch-up contributions in your 401k or 403b or 457b, you likely made them as pre-tax contributions, meaning that you paid no taxes on those dollars. In retirement, you will pay income taxes on your 401k or 403b withdrawals.

The change, therefore, means you pay more in taxes the year you contribute. However, you are accumulating a retirement asset that is free from future taxes.

How much are catch-up contributions?
The catch-up contribution maximum for 2026 has not been released yet, but is predicted to be $8,000 for individuals age 50 to 59 and age 64 and above. (For 2025, the maximum is $7,500.)

For individuals who turn age 60, 61, 62, or 63 during the calendar year, there is a "super catch-up" limit of $11,250 in 2025. This enhanced limit must also be made as a Roth contribution in 2026 for those with 2025 wages above $145,000.

What if I have self-employed earned income and not W-2 wages?
This new rule only applies to individuals with W-2 wages. Self-employed individuals

this year whereas the S&P 500 Index has gained 15%.

South Korea is the best performing market with a gain of 64%. Germany and Japan have increased 22% and 24%, respectively.

For the past decade, the U.S. market enjoyed a period of so-called "American exceptionalism" -- a belief that strong economic growth, high corporate profits, high worker productivity, and technological innovations made the U.S. stock market the best place for investors.

In addition, stock buybacks, accounting practices that provide transparency, accommodative corporate legislation (such as low corporate tax rates), and low borrowing costs have all been advantageous to U.S. investors and U.S. companies.

This year, several things have contributed to international stocks' outperformance, including a slump in the U.S. dollar, concerns about the Federal Reserve's independence, growing U.S. government debt, and tariffs (which are paid by U.S. companies, not by the country that exports the goods).

Of course, not every international market has

Employer contributions to your HSA count toward your annual maximum amount.

How to Use Your HSA
You can withdraw money from your HSA tax-free if you use it for qualified medical expenses, including doctor visits, vision and dental care, prescriptions, and many over-the-counter medications. Most accounts provide a debit card, which makes recordkeeping easier.

You can contribute to your HSA and withdraw from it the same year, but it's most advantageous if you delay your withdrawals and allow your HSA to grow.

Logistics
You are not limited to using the HSA account connected to your employment. Morningstar rates Fidelity's HSA accounts highly, with HealthEquity, HSA Bank and First American Bank also receiving good marks for their low-cost HSA accounts with competitive interest rates and a range of investment choices.

Emergencies
If you have a *non-medical* emergency cash need before age 65, you can withdraw money from your HSA, but you will pay income taxes on your withdrawal AND a 20% penalty.

After age 65, withdrawals for non-medical needs are subject to income taxes, but no penalty.

Our Recommendation
Although HSAs can be criticized as being only for "the healthy and wealthy," there's no denying their tax advantages.

If you have -- or will have -- an

that report earned income are not subject to the rule.

In addition, if you made more than $145,000 in wages, but with a different employer, then you are also exempt. Your qualifying wages must be with the same employer.

What if my workplace plan does not have a Roth option?
Due to the two-year implementation delay, most plans are ready with a Roth option. However, if your plan is not Roth-ready and your earnings make you subject to the rule, then you will lose the ability to make catch-up contributions.

In such cases, we can help you determine if you qualify for Roth IRA contributions. We can also identify other tax-advantaged savings opportunities or establish a brokerage account for your retirement savings.

What about SEP IRAs, SIMPLE IRAs, and Self-Employed 401k plans?
None of these plans are subject to the Roth catch-up contribution rule. Since SIMPLE IRAs have separate catch-up contribution rules, they are exempt. SEP IRAs do not have catch-up contributions.

Most Self-Employed 401k accounts will be exempt because self-employment as a sole proprietor or partner that receives a K-1 does not have FICA wages from their business and are therefore exempt from the mandatory Roth catch-up rule.

been a winner. Countries such as Argentina, Thailand, and Turkey are grappling with stagnant economies and political instability.

For clients' total stock exposure, we typically maintain U.S. stocks at about 70% to 75% and international stocks at around 25% to 30%. This roughly matches the weight of the US in the MSCI World Index of developed-market stocks.

There are tradeoffs to a higher international stock allocation, but we are reviewing whether to increase your international stock level in light of changing global conditions.

Please let us know whenever you have questions or concerns about your accounts. We appreciate your business!

HSA, make it a priority to put the maximum in your account each year. For out-of-pocket medical expenses, pay with cash and invest your HSA in order to enjoy as much tax-free growth as your circumstances allow.

You have until the tax filing deadline of April 15 the following year to make your contributions.

However, individuals with W-2 income and a Self-Employed 401k account will need to make Roth catch-up contributions.

What are your retirement goals?
While pre-tax contributions reduce your taxable income now, your Roth contributions will provide tax-free withdrawals in retirement. We would be happy to discuss these tradeoffs with you in light of your retirement goals and assets.

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