

# Employee HSA Transfer Process






## Getting HSA Funds Transferred

### Individual Employee HSA Account Transfers

If your current HSA provider is unwilling or unable to send a bulk wire transfer, employees and individuals may transfer any existing HSA funds to Lively individually. This is an automated and completely paperless process at Lively. As part of the employee sign up process, employees can transfer their existing HSA. Employees can roll their funds to Lively (rollover) or make a trustee-to-trustee transfer. We walk through the IRS details of both on the next page.

While transferring funds at Lively only takes a few easy steps, typical transfer times employees can expect are 4-6 weeks. Yes - we find this frustrating too!

## Standard Bulk Transfer Process

- Sign Up**  
 5 Minutes
- Transfer Forms Completed**  
 5 Minutes
- Funds Requested**  
 Same Day
- Funds Sent**  
 4-6 weeks (dependent)
- Funds Available**  
 1 Day

## Transfer Options

### HSA to HSA Rollover

The IRS allows each HSA account holder to “roll over” their funds to a new HSA provider every 12 months and maintain the tax-advantaged status of the HSA. If you request a “rollover,” the HSA custodian will send the funds to you via check or transfer to your personal bank account (not your HSA).

Once you have the funds in your possession, the critical thing to keep in mind is that you have 60 days from receipt to deposit those funds into a new HSA custodian, otherwise it will be considered a taxable distribution which means you pay ordinary income taxes + a 20% penalty! When done properly, these funds are not included in your taxable income and it does not reduce your contribution limit for the year.

Pro tip: Lively can help simplify this process for you (just ask us how).

## Trustee-to-trustee

Unlike a rollover, a trustee-to-trustee transfer can happen as often as you'd like. The transfer happens directly between the providers/custodians – you don't touch the money at all. You simply need to go to the provider where you want your funds transferred into and ask them for a trustee-to-trustee transfer form.

Fill out the information requested and your provider should take care of the rest. When done properly, this avoids any kind of tax penalty. The transferred amount is not included in your annual income, does not count towards your annual contribution, and is not considered a distribution.

## IRA to HSA Rollover

Unlike a rollover, a trustee-to-trustee transfer can happen as often as you'd like. The transfer happens directly between the providers/custodians – you don't touch the money at all. You simply need to go to the provider where you want your funds transferred into and ask them for a trustee-to-trustee transfer form.

Fill out the information requested and your provider should take care of the rest. When done properly, this avoids any kind of tax penalty. The transferred amount is not included in your annual income, does not count towards your annual contribution, and is not considered a distribution.

This is a little-known fact. The IRS has made it so that once in your lifetime (yes, that said lifetime), you are able to move funds from your Individual Retirement Account (IRA) to your HSA. This is incredible. Mainly because you are able to achieve an extra tax advantage and if done so properly, that could be a material difference – say over a 20–30 year period.

### Here is what you need to know regarding an IRA to HSA transfer:

- As mentioned before, this can only occur once per lifetime
- The IRA and the HSA must be in the name of the same person
- Traditional and Roth IRAs are straight forward. SEP or Simple IRAs are a bit more complicated.
- Most importantly, any transfer that takes place counts towards your annual contribution limit. This means that in the year that you do the transfer, you must be eligible to contribute into an HSA, and you probably want to wait until you have a good idea you will be eligible for twelve full months to take full advantage of this one

## In-Kind HSA Investment Transfers

If you have your HSA funds invested in liquid securities (e.g., stocks, bonds, mutual funds, ETFs, etc.), you can inquire about an in-kind transfer. This is when the investment partner where your HSA funds are invested will transfer all your existing positions to the investment partner of your new HSA provider.

Be warned that not every HSA provider allows for this. For those who don't allow your funds to be transferred out using an in-kind transfer, unfortunately, you will need to liquidate your funds before moving them. This is particularly unfortunate because in certain states (e.g., California), any interest, dividends, realized gain, etc. is considered taxable income and you'll have to pay state taxes.