

The Best Health Savings Account



[Update December 2018: [Fidelity](#) came out with a new HSA this year, with no fees. [Lively](#) is also charging no fees starting January 2019. That puts those two HSAs at the top of my list. *Update: January 2019: I just opened a new HSA at Fidelity for my 2019 contribution and initiated a rollover from HSA Bank/TD Ameritrade. More details in an upcoming post.]*

I get asked a lot for recommendations on things like individual [401\(k\)s](#), IRAs, [financial advisors](#), crowdfunding firms, and Health Savings Account (HSA) providers. Every time I get one, I think to myself, "You really need to get around to doing the research so you can write that sort of a post." But it's hard work to do research, especially when I'm perfectly happy with the providers I'm currently using and when I have zero affiliate relationships with any of the firms doing it. See the problem? If I can just pull it out of my brain and type it, great! If I actually have to do work, I want to be paid for it. Greedy capitalist!

[Update just prior to publication: Want to know how greedy? I actually checked to see if any of these companies had an affiliate program after finishing the article. None do, which

isn't surprising given how cheap an HSA is. There just isn't much money there to pay an affiliate for a lead when your annual fees are under \$100.]

However, I've overcome my greedy ways today and I'm going to write a review about which HSA you should be using. As I write this paragraph, I haven't done a lick of research. I have no idea who is going to come out on top in this little comparison. And it really doesn't matter much to me personally, since I won't make a dime from any of these companies and I probably won't switch from the one I have.

I'm NOT going to explain [what an HSA is](#) or why you should be using one. I've done that many times before and if you still don't know, click on that link and learn about the first investing account I fund each year.

In this post, we're going to discuss which HSA is best for those who use it as an investing account, a [Stealth IRA](#) if you will. [Yup, still using that term, despite being [threatened with a painful death](#) if I continue to use it.] Maybe a follow-up post will discuss which HSA is best if you're actually using it all year long to pay for health care expenses. Be aware that if your employer puts money into an HSA for you, or pulls it out of your paycheck and puts it in, then let them keep doing that. There is some free money there or at least a little savings on payroll taxes. But if your employer's chosen HSA stinks, you can do a rollover into a better one once a year.

Best HSAs for Investing

If you, like me, mostly just use your HSA as another IRA (although one mostly intended to pay for health care in retirement), you will have a laser focus on the investing features of the account. That means the lowest possible fees and the best possible investments. Good customer service and lack of hassle are important too, but honestly, I only touch

my HSA once a year. I can deal with some minor hassles once a year so I don't put too much stock on that stuff. I just want someone to charge me nothing and let me buy [Vanguard index funds](#). Is that too much to ask?

Okay, here we go. I looked through a few similar articles on the internet and then went to each company's site. I wrote up a little paragraph about each one, and then AFTER I had collected all the information, I put them in this rank order. Bear in mind this is all subject to change at the whims of these companies. As they change fees and offer new investments, this rank order could change.

[# 1 Lively](#)



The savings account only pays 0.05%-0.55%, but they have no investing threshold, so you can invest your first dollar. Lively allows you to invest at TD Ameritrade, with a \$2.50 monthly (\$30/year) investing fee. Adding in the once a year \$6.95 trading fee I would pay for what I'm doing, that's only \$36.95, which makes Lively the second cheapest on this list. The only downside? They're pretty new. But frankly, none of these companies are all that old. Even the concept of an HSA isn't very old. The Bogleheads had a [big discussion](#) about them if you want more details, but the first mention of this company there was only 6 months ago.

[# 2 HSA Bank](#)

I have had an HSA with HSA Bank for about 6 years, so I know it well. I think my HSA is pushing \$60K, as I've maxed it out each year and never taken anything out of it. The entire thing is invested in the [Vanguard Total Stock Market Index ETF](#). With HSA Bank, you basically split your money between two accounts- the savings account at HSA Bank (pays 0.05%-0.45% depending on balance) and a linked investing account at TD Ameritrade. You have two options with fees. You can either leave at least \$5K in the savings account and pay no fees to HSA Bank, or you can pay [\\$5.50 a month](#) (\$66/year) and invest the whole thing at TD Ameritrade. Once you get over to TD Ameritrade, they have a [list of ETFs](#) that you can trade commission-free. Unfortunately, they recently removed the Vanguard ETFs, including the one I was using, from the list. So that means every time I buy and sell, I've [got to pay \\$6.95](#). There are similar ETFs (such as SPTM) that trade commission-free, but I'd rather pay \$7 a year to get the real thing and a much more liquid ETF with thinner bid:ask spreads. Maybe that's right, maybe that's wrong, but I'm not going to argue about it for \$7. So total annual fees for what I want to do? \$72.95 and I get exactly the investment I want. HSA Bank offers one other investment option. Instead of going to the brokerage window at TD Ameritrade, you can also buy mutual funds from "Devenir," whoever they are. The mutual funds include the usual assortment of [high-priced, actively managed funds](#) found in bad 401(k)s- Goldman Sachs, JP Morgan, American Funds etc. Don't do that.

[# 3 HSA Authority](#)

Update after publication: I had an appallingly bad customer service experience on the phone with these guys just trying to get information about the HSA, and ended up with some wrong information (i.e. I thought \$1,000 had to be left in the

savings account paying literally 0.01%, but it turns out you just have to have \$1,000 to start investing and can invest every dollar. So I've moved them up from # 8 to # 3 in this list.]

Devenir runs their investments, like the second option at HSA Bank. Unlike with HSA Bank, HSA Authority has apparently gotten Devenir to offer [Vanguard Admiral Share Index fund](#), without commissions. You do have to have \$1,000 in the account before you are allowed to invest anything, but that shouldn't be a significant hurdle for readers of this blog.

[# 4 Elements Financial](#)



The savings account pays 0.25-1%, but once you have \$2,500 in it, you can invest at TD Ameritrade like with HSA Bank where you could buy Vanguard ETFs inexpensively. Fees are \$4/month (\$48/year) if you have less than \$2,500 in the savings account. Not a bad deal, right? However, they charge \$24 to wire money from the HSA to TD Ameritrade. What's that about? Why would they need to wire it when everyone else does an ACH transfer? So if I want to invest it all like at HSA Bank and buy the Vanguard ETF once a year, my annual fees would be \$48 + 24 + \$6.95, for a total of \$78.95, just slightly more than HSA Bank. That gets them third on my list.

[# 5 Saturna](#)

Saturna could be the cheapest option on the list for what I want to do. Saturna doesn't charge an annual fee, but I did notice they have a \$75 fee to close the account, which is higher than the usual \$20-25 I see. The problem I have with Saturna is their investments. They offer their own selection of funds, none of which I recognized including some random Idaho tax-exempt bond fund, as well as their own brokerage window, with [\\$14.95 commissions](#). Actually, that's not entirely true. I have heard of some of their funds, the Amana ones. These are funds that invest in accordance with the principles of Islam. I've had a reader or two ask about them in the past, so if you want an HSA where you can invest in Islamic-compliant mutual funds, maybe Saturna is for you. The brokerage also charges you \$25 a year if you haven't made any trades in 365 days. I wonder if I could get hit with that given my once a year trading frequency, but I think I could work around it with one trade per calendar year. I couldn't find anywhere that they pay any sort of interest on uninvested money other than some Dreyfus money market funds in the brokerage area. Potentially, I could buy that Vanguard ETF through Saturna brokerage once a year for \$14.95, making this perhaps the cheapest possible option out there for me. Still hard to feel comfortable recommending this one to readers though. I guess I just don't like that there isn't a household name involved here anywhere. Idaho tax-exempt fund. Proprietary mutual funds. A little-known brokerage. Why won't Vanguard just start offering HSAs? It would make things so much easier.

[# 6 Bank of Cashton](#)



The Bank of Cashton offers relatively high interest rates on cash, ranging from [0.4%-1.65%](#). Their fees are also low at \$25/year. There is no threshold to invest, but investments seem to only be done through a “Cetera” brokerage account, which charges \$14.95 commission. Adding the \$25 annual fee to the \$14.95 commission, gets me to \$39.95, one of the cheapest options on the page. That said, I prefer a big household name brokerage (i.e. TD Ameritrade) to one I’ve never heard of before this review and if for some reason you needed to do more than one transaction a year, the commissions could add up quickly at \$14.95. Similar issues to Saturna, but with an extra \$25/year fee, puts them at # 6 on the list. That said, Saturna and Bank of Cashton became more attractive when TD Ameritrade took Vanguard ETFs off their commission-free list.

[# 7 Select Account](#)

The Select Account HSA charges anywhere from \$0-4/month in fees, but the more you earn and the more you have in the account, the higher the interest rate. The [interest rate ranges from 0-2%](#). It’s like a choose your own adventure book or something. There are literally 45 combinations of fees/interest rates. You can’t make this stuff up. If you want to invest the money, the fee for that is \$18 a year but you have to leave \$1000 in the regular account (earning 0-1.05% depending on how you solve the fee matrix.) Their mutual fund investments are also managed by Devenir. There are [some](#)

[Vanguard funds](#), but not even Total Stock Market Index fund. Could you make do with the 500 index fund admiral shares? Probably. Once you get \$10K in there, you can go to a brokerage window at Charles Schwab where you could buy Vanguard ETFs or anything else you want with the usual \$5 commissions. Bottom line, I think I could do my once a year ETF buy for \$18 + \$4.95 commission for a total annual cost of \$22.95, minus whatever the cash drag on \$1,000 would be. On a mutual fund earning 8%, that's another \$80, so perhaps \$102.95 total.

[# 8 BenefitWallet](#)

These guys have a \$1,000 threshold to invest, and offer a handful of good Institutional (even lower expense ratio than Admiral) [Vanguard index funds](#). The checking account only pays 0.05%, and there is a \$2.90/month (\$35.80/year) fee to invest. There is also a \$3.50/month fee for balances under \$1,000, but that is relatively easily avoided for readers of this blog. So all in, perhaps \$80 of cash drag + \$35.80 = \$115.80/year in fees. Not bad, but that cash drag is the biggest "fee" for many of these HSAs.

[# 9 Optum Bank](#)

There is some sort of monthly maintenance fee, but they won't tell me what it is without opening an account. They do pay some interest on the account, but they won't tell me what it is unless I open an account. There is an investing threshold, but I can't seem to find it on their website. They do offer [Vanguard index funds](#). I finally broke down and called them. It was an intricate phone tree, but I fought my way through by using a fake social security number to get to a real person. She wasn't able to answer any of my questions and wanted me to give her my insurance policy number. I didn't get the

impression they get a lot of business like what mine would be. i.e. somebody who just wants to open an HSA and invest the proceeds. The representative finally came back. My monthly maintenance fee would be \$1 per month, the account pays no interest, there is a \$2,000 threshold before you can invest, and there are no additional investing fees. \$12 a year sounds great, but the cash drag on \$2K is not insignificant. At 8%, that's \$160 a year, quite a bit more than I'm paying now.

[# 10 HSA Administrators](#)

I love how HSA Administrators is always open about fees and investments. It was a hard decision between HSA Bank and HSA Administrators years ago when I had to decide. Back then, the fees at HSA Administrators were slightly higher, and that's why I'm at HSA Bank. Currently, their [fees](#) are \$45 plus a 0.25% AUM fee. That's it. But in my case, with a \$60K balance, that AUM fee is \$150 and growing. So a grand total of \$205 per year, almost three times the price of HSA Bank. Hard to get excited about that. The [investments](#), however, are easy to get excited about. Vanguard admiral share index mutual funds plus some [DFA funds](#) for those who are into that sort of thing. But overall, it's cheaper for me to just buy the Vanguard ETFs at HSA Bank than pay the HSA Administrators AUM fee. However, if you were doing a lot of transactions every year, and had a much smaller HSA balance than I do, I could see where someone would choose HSA Administrators.



[# 11 HealthEquity](#)

HealthEquity made my research job pretty tough, but I think I found the information I was looking for eventually. [They pay](#)

[from 0.05-1.40%](#). There is some sort of an investment option, but you seem to have to open an account before they'll tell you what you can invest in. I did see [something in a brochure](#) that there was at least one Vanguard fund, but most were not. It bothers me that they spend most of the brochure trying to sell you some advisory services and a book. The [account maintenance fee](#) is \$3.95 a month, or \$47.40/year. There is also a 0.4% AUM fee for invested money, and that's before the advisory fees if you choose to use an advisor. Between the fees, the lack of transparency, and the apparently limited investments, it's tough to place this one very high on the list.

[Update after publication: A number of readers wrote in or commented that HealthEquity offers a bunch of [Vanguard funds](#). They also all claimed all kinds of varying amounts of fees that HealthEquity charges from nothing 3 basis points. In fact, even in HealthEquity's own brochures I found different levels of fees. No wonder everyone is so confused. As of the day of publication of this post, this is what was found on [HealthEquity's site](#):

Accounting & Investing Fees

HSA Administration fee	\$36/yr*
HSA Investment fee	2 bps/mo or 0.24%/yr

I really don't like AUM fees on these. When you combine that with an administrative fee and the fact that you can't invest your first \$2,000, I'm not sure why this particular HSA has any fans at all. Nice to see the Vanguard funds though.]

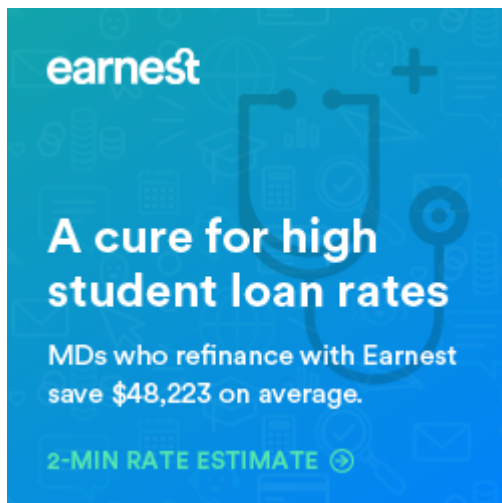
[# 12 Bank of America](#)

BOA HSAs pay 0.1-0.3%. There is a \$1,000 investment threshold.

There are two reasonable iShares [investment options](#) (500 index and a developed markets fund.) The [fees](#) are \$4.50 a month (\$54.) Add another \$80 worth of cash drag from that threshold, and you're at \$134/year. Between the fees, the low interest rate, the threshold, and the poor investment options, this one is low on the list. Bank of America might be the only household name on this list (outside of TD Ameritrade), but their reputation isn't so hot. It's not Wells Fargo, but I wouldn't open a bank account there, so it is hard to recommend their HSA.

Conclusions

Well, you can see my biases when you look at how I made the rank list. I don't like annual fees, I really don't like AUM fees, I dislike having an investment threshold, and I prefer a big name brokerage with lower commissions or being able to directly purchase Vanguard Funds. If you prefer the absolutely lowest annual fee, you may wish to go with Saturna instead of Lively. If you actually plan to make a bunch of trades each year, it may be worthwhile getting an HSA without commissions, such as Select Account, BenefitWallet, or HSA Authority. If you have a tiny account where the AUM fees won't add up to much, you might consider HSA Administrators. If you plan to leave a significant chunk of money in cash, Select Account or Bank of Cashton may be attractive to you.



The bottom line is that the HSA market is now very competitive. Fees are low across the board and you should be able to easily limit fees and commissions to less than \$150/year. On the investing side, the differences between the top companies are not great, so if you are actually spending from the account, it may be best to make your final decision based on the non-investing features of the account. Since our account is currently with the firm I ranked second on this list, we considered changing from HSA Bank (# 2) to Lively (#1). I figure this could save us about \$36 per year. However, then I got to thinking about the costs of closing the HSA Bank Account (\$25.00), the cost of selling our shares (\$6.95), the potential market losses of having the money out of the market during the transfer (just a 1% market change could be \$600), and the cost of buying the shares back (\$6.95) and it didn't seem so wise. But I figured, hey, both accounts would be at TD Ameritrade, why would I have to liquidate the investment at all? I called TD Ameritrade and they confirmed that I would not have to liquidate the investment or pay them any fees or commissions to switch. So it would only cost \$25 to start saving \$36 per year. It's not quite enough money for me to justify the hassle unless Lively's HSA is easier to use for spending and keeping receipts, especially since fees can change so quickly. I called HSA Bank to give them a chance to keep my business by lowering their fees, but they refused, so we may have a new HSA provider by the time you read this. *[Update just prior to publication: Inertia is a powerful*

thing, still at HSA Bank. We're too busy getting ready for the WCI conference in Park City this week to take care of our own finances!]

What do you think? Which HSA provider do you use? Are you considering changing? Why or why not? Comment below!