Fidelity estimates that a couple retiring today at age 65 will spend an average of $260,000 in out-of-pocket medical costs.* But you can plan ahead by contributing to an HSA, which is considered to be one of the most tax-efficient ways to pay for qualified medical expenses today and in retirement. What you don’t use you can save from year to year, and if you invest any extra savings in your account, you won’t be taxed on those earnings.

A $3,000 contribution each year to your Health Savings Account for 20 years can make an impact in paying medical expenses in retirement.

This hypothetical example is illustrative and doesn’t represent the performance of any security in a Fidelity HSA. Assumes the investor receives 2% investment growth on funds in the default investment option and that once the balance in this account reaches $2,500, excess funds will earn 7%. Actual net returns will be based on the investor’s investment choices within the Fidelity HSA. This example does not account for the effect of interest, dividends, and taxes. Systematic investing does not ensure a profit and does not protect against loss in a declining market. Consider your current and anticipated investment horizon when making an investment decision, as the illustration may not reflect this. The assumed rate of return used in this example is not guaranteed. Investments that have potential for a 7% annual rate of return also come with risk of loss.

Investing involves risk, including risk of loss.

*Estimate based on a hypothetical couple retiring in 2016, 65 years old, with average life expectancies of 85 for a male and 87 for a female. Estimates are calculated for “average” retirees, but may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes. The Fidelity Retiree Health Care Costs Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government’s insurance program, Original Medicare. The calculation takes into account cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services and long-term care. Life expectancies based on research and analysis by Fidelity Investments Benefits Consulting group and data from the Society of Actuaries, 2014.

Fidelity does not provide legal or tax advice. The information herein is general in nature and should not be considered legal or tax advice. Consult an attorney or tax professional regarding your specific situation.

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