

Unlocking Hidden Value: How Employers Can Maximize Impact Through a Holistic Tax-Advantaged Benefit Strategy

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As economic pressures and competition for talent intensify, employers are under increasing pressure to maximize the return on benefits spending. This article explores how forward-thinking employers are using a unified, tax-advantaged benefits strategy to deliver meaningful employer savings while strengthening employee financial wellness and retirement readiness.

What if your organization could save tens of thousands of dollars or more annually without cutting benefits? In today's unpredictable economic climate, employers are under pressure to do more with less. Escalating healthcare costs, market uncertainty, and competition for talent are driving organizations to rethink how they invest in employee benefits.

THE FINANCIAL CASE FOR ALIGNING RETIREMENT AND EMPLOYEE BENEFITS

Health and retirement benefits are often man-

aged separately by companies, which leads to missed opportunities to optimize the full spectrum of employee benefit offerings. One key factor frequently overlooked is that U.S. employers pay 7.65% in Federal Insurance Contributions Act (FICA) taxes on employee compensation (typically including employee benefits contributions). By taking an integrated approach to managing health and retirement programs, employers can unlock meaningful tax efficiencies across health savings accounts (HSAs), flexible spending accounts (FSAs), transportation benefits and retirement plans like 401(k)s or 403(b)s. The real driver of these savings? Increasing employee participation in tax-advantaged plans.

When Employees Engage More Fully, Employers Benefit Directly

An integrated tax-advantaged benefit strategy enhances employee financial wellness, reveals opportunities to streamline administration, and helps employers and employees extract more value from every dollar spent on benefits.

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For example, employers with average participation in HSAs, FSAs, and retirement plans can expect to save approximately \$300 to \$400 per employee in FICA taxes annually, while higher engagement can yield approximately \$500 to \$600 per employee.¹ For a 100-person company, that could mean up to \$60,000 in annual sav-

ings—and for larger employers, six-figure reductions are within reach. To put it in perspective, if just one employee maxes out their tax-advantaged account contributions, it could reduce the employer's federal tax liability by \$1,483.²



Average Participation

\$300-\$400 per employee



Enhanced Participation

\$500-\$600 per employee



Maximum Participation

Up to \$1,483 per employee

HSAs: THE TRIPLE-TAX ADVANTAGE THAT BOOSTS RETIREMENT READINESS

HSAs have been around for years and are widely recognized by human resources (HR) managers and employees. However, organizations often overlook the significant value HSAs deliver when their employees participate. Available to enrollees in a qualified high-deductible health plan (QHDHP), HSAs offer unique advantages including:

- **Tax-free contributions** for both employers and plan participants (up to the annual limit).
- **Tax-free investment growth and with-**

drawals for qualified medical expenses for the account holder.

- **Greater after-tax spending power** for participants who combine HSA and 401(k) retirement savings strategies vs. a 401(k)-only strategy.
- **Expanded flexibility after age 65** when HSA funds can be used tax-free to reimburse medical expenses incurred in prior years, to pay for ongoing medical expenses, or withdrawn as cash and taxed as ordinary income, similar to assets in a 401(k) account.

For employers, the benefits go beyond supporting employee financial wellness. **Every dollar contributed to an HSA reduces taxable payroll, lowering FICA obligations and creat-**

ing direct cost savings. When participation increases, those savings compound—making HSAs not just a smart choice for employees, but a strategic advantage for employers.³



With average healthcare costs for retirees estimated at \$172,500, HSAs can be a powerful planning tool, helping employees prepare for expenses in retirement.

A SMARTER BLUEPRINT FOR EMPLOYEE CONTRIBUTIONS AND EMPLOYER TAX SAVINGS

Employees can maximize their financial outcomes by following a “next best dollar” approach: prioritizing contributions to available tax-advantaged accounts, focused on maximizing retirement savings and reducing out-of-pocket costs.

Employers can further drive HSA engagement by shifting from seed contributions to an HSA match strategy. This approach encourages employee participation, increases savings and supports the adoption of QHDHPs—delivering cost-savings for both parties.⁴

QUANTIFYING SHORT- AND LONG-TERM IMPACT

As previously noted, the immediate financial impact to an employer in a given year can be tens of thousands of dollars, or more.

Beyond annual tax savings, an effective tax-advantaged benefit strategy also helps address long-term workforce challenges, such as delayed retirement, which can cost employers up to

\$103,000 per employee per year in wages and healthcare premiums.⁵ For larger organizations, this can translate into millions of dollars in avoidable costs over time.

EMPOWER EMPLOYEES AND STRENGTHEN THEIR RETIREMENT READINESS

By offering the right mix of benefits—HSA match programs, automatic retirement plan enrollment, and well-designed benefit offerings—employers can empower employees to save effectively and retire on time while optimizing the value of benefit spend. Financial education and easy-to-use benefit platforms also maximize impact. All these elements work together to drive participation, improve financial outcomes and build a more engaged, productive workforce.

THE BOTTOM LINE

Building a holistic tax-advantaged benefit strategy is not just smart, it is essential. It helps employers optimize spending, reduce tax liabilities, and support employee financial wellness. In a competitive labor market, it is a

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strategic advantage that pays dividends immediately and well into the future.

Do not leave savings on the table. Now is the time to audit your benefits strategy and uncover hidden value that supports your bottom line and your workforce.

NOTES:

¹Tax savings presented here are illustrative only and do not reflect actual savings. Actual savings will be dependent on a number of factors, including member participation,

actual contributions, and performance of nondiscrimination testing.

²Based on 2026 federal maximums, assuming the employee maxes out single HSA, limited-purpose FSA, dependent care FSA, and transportation accounts.

³Fidelity Viewpoints, September 2025.

⁴Health Equity, "Cutting benefit costs: How an HSA contribution match can be a game changer," Health Equity (Feb. 27, 2024), https://blog.healthequity.com/cutting-benefits-costs-hsa-contribution-match?utm_source=openai.

⁵Okwaning, "Cutting the Cost of Delayed Retirement with an Employee-First Strategy," Principal (Sept. 15, 2025), https://www.principal.com/businesses/trends-insights/cutting-cost-delayed-retirement-employee-first-strategy?utm_source=openai.

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