Money left over in your health savings account?

By Kim Clark, Money Magazine
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(Money Magazine) -- **Q:** *I have a large balance in my health savings account. What's the safest way to invest the money and maximize yield*? -- *Mark Paine, Cincinnati*

A: Before you start chasing yields, make sure your bases are covered.

Since health savings accounts (HSAs) are linked to high-deductible insurance plans, you should keep enough in a savings or money-market account to meet your deductible (in fact, many HSAs require this).

To be safe, you should also make sure you have enough resources -- in or out of your HSA -- to pay your annual out-of-pocket maximum, which can run as high as $11,900 in an HSA-eligible family plan, says Devon M. Herrick, a senior fellow for the National Center for Policy Analysis.

With a larger HSA balance, you can take on more risk in the hope of earning a better return. That's especially true if you roll over funds every year.

A recent Fidelity survey found that 95% of the firm's HSA investors spent less than their annual contributions, essentially treating their HSAs as another tax-advantaged investment account.

Last year 12% of employers offered HSAs; 25% of large firms did so. You can put up to $3,050 a year in an HSA as an individual, $6,150 for a family; those 55 and older can save an extra $1,000.

Some HSAs let you buy equities, but consider that riskier path only if you're sure you won't need the money for several years.

A relatively safe way to beat a savings account is to buy a short-term bond fund (recent yields averaged 1.75%). Your principal will dip slightly if rates rise, but a better yield will cushion those losses.

Remember: If you don't like your employer's HSA options, you can move your account; most major banks and credit unions, as well as a few investment firms, offer HSAs.