



Espresa
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RESOURCE GUIDE

LSA vs. HSA vs. FSA: Choosing the Right Account for your Workforce

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LSA vs. HSA vs. FSA: Understanding Key Differences

Employers today are looking for ways to provide meaningful financial support for their employees' well-being. Lifestyle Spending Accounts (LSAs), Health Savings Accounts (HSAs), and Flexible Spending Accounts (FSAs) all offer ways to assist employees, but they serve different purposes and come with distinct rules.

Comparison at a Glance

Feature	LSA	HSA	FSA
Purpose	Covers well-being and lifestyle expenses (e.g., fitness, mental health, personal development)	Covers medical expenses	Covers medical expenses
Eligibility	Employer-defined, no health plan required	Must have a High-Deductible Health Plan (HDHP)	Available if employer offers an FSA
Funding	Employer-funded	Employee and/or employer-funded	Employee-funded (pre-tax payroll deductions)
Tax Treatment	Pre and post-tax for employees, tax-deductible for employers	Pre-tax contributions, tax-free withdrawals for medical expenses	Pre-tax contributions, tax-free withdrawals for medical expenses
Portability	Not portable—expires if employment ends	Portable—funds stay with the individual	Not portable—funds typically expire if employment ends
Rollover	Employer decides	Funds roll over indefinitely	Use-it-or-lose-it (some plans allow carryover)
Regulations	No IRS or ERISA restrictions	IRS-regulated with contribution limits	IRS-regulated with contribution limits
Expense Flexibility	Broad—well-being, lifestyle, family support, and more	Limited to IRS-approved medical expenses	Limited to IRS-approved medical expenses
Globally Available	Globally available	Limited to U.S. (or as per IRS regulations)	Limited to U.S. (or as per IRS regulations)

Diving Deeper: How Each Account Works

Lifestyle Spending Account (LSA)

An LSA is an employer-funded account designed to support a broad range of well-being and lifestyle expenses. Unlike HSAs and FSAs, LSAs are not regulated under the IRS tax code, allowing employers to customize eligible expenses.

Key Benefits of LSAs:

- Covers physical, mental, and financial well-being expenses (e.g., gym memberships, meditation apps, childcare, student loan repayments)
- Highly customizable—employers set spending categories
- No “use-it-or-lose-it” rule, depending on employer designs

Key Considerations:

- Post-tax for employees—unlike HSAs and FSAs, funds are not tax-advantaged for employees
- No portability—benefits usually expire when employment ends
- No IRS restrictions—offering maximum flexibility for employers



Diving Deeper: How Each Account Works

Health Savings Account (HSA)

An HSA is a tax-advantaged account for employees enrolled in a High-Deductible Health Plan (HDHP). Employees can contribute pre-tax dollars, and employers may also contribute.

Key Benefits of HSAs:

- Triple tax advantage—pre-tax contributions, tax-free growth, and tax-free withdrawals for medical expenses
- Portable—employees keep their funds even if they change jobs
- No “use-it-or-lose-it” rule—funds roll over year to year

Key Considerations:

- Only available to employees with an HDHP
- Strict IRS rules—funds can only be used for qualified medical expenses
- Contribution limits apply—set annually by the IRS

Flexible Spending Account (HSA)

An FSA is a pre-tax, employee-funded account for medical expenses. Employers offer FSAs as part of their benefits package.

Key Benefits of FSAs:

- Pre-tax savings—employees contribute via payroll deductions
- Available to employees regardless of their health plan
- Some employer contributions may be allowed

Key Considerations:

- Use-it-or-lose-it rule—most funds must be used within the plan year (some plans allow a carryover)
- Not portable—funds expire if employment ends
- Strict IRS regulations—only approved medical expenses qualify

Which Account is Right for your Workforce?

- Choose an LSA if you want to offer flexible well-being benefits beyond healthcare, with employer control over eligible expenses
- Choose an HSA if you want long-term tax-free medical savings and your employees have an HDHP
- Choose an FSA if you want a pre-tax option for medical expenses with an annual budget that doesn't roll over indefinitely

Bringing It All Together

Each of these accounts serves a different purpose—LSAs enhance overall well-being, HSAs offer long-term medical savings, and FSAs help manage short-term healthcare expenses. The right mix can help you support your employees in a way that aligns with your company's goals and workforce needs.

Ready to explore how LSAs can transform your benefits strategy?

[Learn how they support employee well-being, boost engagement, and offer ultimate flexibility.](#)

