

Becoming ABLE Account Ready

The Stephen Beck Jr., Achieving a Better Life Experience Act, better known as the ABLE Act, is perhaps the most important law passed by Congress since the passage of the Americans with Disabilities Act (ADA) in 1990. Why? ABLE recognizes there are often added costs to living with a disability. The ABLE Act responds to these significant daily and weekly out-of-pocket expenses by creating a tax-advantaged savings account (an ABLE account). However, an ABLE account has a second powerful advantage. For the first time, eligible individuals and their families will be allowed to establish ABLE savings accounts that will not affect their eligibility for Supplemental Security Income (SSI), Medicaid and other public benefits. (For ABLE account basics, please watch the video: [ABLE Accounts: 10 Things You Should Know.](#))

ABLE accounts are tax-advantaged savings accounts for individuals with disabilities and their families. The beneficiary of the account is the account owner, and income earned by the accounts will not be taxed. Contributions to the account made by any person (the account beneficiary, family and friends) will be made using post-tax dollars and will not be tax deductible for purposes of federal income tax, although some states may allow for *state* income tax deductions for contributions made to an ABLE account.

Millions of individuals with disabilities and their families are often relegated to a life of poverty as a result of not being allowed to build even the most modest levels of resources. Individuals receiving supports through Social Security, Medicaid and other publicly-funded programs are often disqualified from those supports if they have more than \$2,000 worth of resources or assets. Now, eligible individuals with disabilities and their families will be able to take a step to better secure their financial futures and to help offset the often significant financial challenges that can accompany living with a disability.

2018 marks the fourth year in which ABLE accounts will be available to qualified beneficiaries. Thirty-three states have now opened ABLE programs and most are open to residents of others states. Each state program has different investment choices and costs and fee structures. To learn more, visit ABLENRC.org.

How can you become ABLE ready?

1. Identify your need for savings

Whether you are working and producing income and/or a Social Security beneficiary of SSI and/or Social Security Disability Insurance (SSDI) monthly income payments, make a list of short- and long-term needs to set aside for funds in an ABLE account. Consider whether these needs will be covered by any public benefit program you currently receive or may receive in the future. Some examples include:

- Long-term supports like personal assistance services which a government funded benefit may cover, but restricts the number of hours per week or month;
- Renovations to where you live to be more accessible;
- Assistive technology like hearing aids or repairs to a wheelchair;
- The purchase of a computer or iPad;

- Supported or customized employment assistance including on-the-job training;
- Public benefits planning; and
- The purchase and retrofitting or modifying of a van.

Investigate costs to meet identified needs and develop a short-term (up to three years) and longer term budget.

2. Identify potential sources for income

Friends, family and an employer may all be invited to contribute to your ABLE Account. The total allowable contributions from all contributors combined is currently \$15,000 in any given tax year. Your contributions to an ABLE account are not tax deductible for purposes of filing your federal taxes, but may be deductible for purposes of your state income tax depending on where you live. While you or your family may not have the resources to contribute \$15,000 annually, you might also consider crowdsourcing or letting relatives and friends know about your specific future savings goals and how they can help make it happen.

3. Consider an ABLE account as part of long-term financial goals

If you already have or are considering a Special Needs Trust, or SNT, discuss your long-term goals with your financial advisor or attorney about whether an ABLE account could be established to complement the goals of the trust. The ABLE account funds will not impact continued eligibility for SSI, Medicaid and other public benefits. The SNT also protects against loss of eligibility for public benefits. The costs of establishing an SNT with the engagement of a knowledgeable attorney will more likely be higher than establishing an ABLE account with a state. An ABLE account can cover a broader array of qualified disability expenses than a Special Needs Trust.

4. Be aware of stipulations related to all ABLE accounts

- You may not be eligible for an ABLE account if your age of onset of disability is after age 26, or your disability does not meet the threshold to document significant disability below age 26. The greater disability community will continue to work with Congress to raise the age of onset beyond age 26, however, this will take time.
- If you establish an ABLE account and do not use all the resources in the account before you die, the remaining funds are subject to a payback provision to the state if you used Medicaid for any supports and services. A few states have passed laws to eliminate the Medicaid payback provision.
- You are limited to total contributions of \$15,000 annually. There are no such restrictions in an SNT or Pooled Income Trust (PIT).

5. Start saving now

You do not have to wait until your state or another state establishes their ABLE account program. While you should still be aware of your asset limits as they relate to your benefits, you can begin to save now! Set aside a dollar amount weekly or monthly from your paycheck and/or Social Security check if you receive SSI and/or SSDI. Visit with a local financial institution, such as a bank or credit union, and open a savings account if you do not have one. Find a financial

institution with no monthly administrative fees, an interest bearing savings account, any matched saving options and discuss minimum balance requirements and how many transactions you may make monthly at no cost. Set a savings goal for the calendar year and invite family and friends to contribute to your savings account. These funds will be moved to an ABLE account when you select a state's ABLE program that is a good fit for your needs.

6. Compare state ABLE programs

More than 30 states will have opened ABLE programs and invite eligible individuals nationwide to open an ABLE account outside of their state of residence. Below are some questions to keep in mind when comparing state ABLE account programs.

- A. Is there a minimum contribution to open an ABLE account?
- B. Is there a fee to open an account and, if so, how much is that fee?
- C. Is there a required minimum contribution to your account? If so, what is the amount?
- D. Are there restrictions on how often you can withdraw funds from your account?
- E. What are the investment options the state ABLE program offers?
- F. Are the options likely to meet your needs for limiting risk with the growth of your contributed dollars to the ABLE account?
- G. Are there options to help increase income from your invested dollars? What has been the history of the rate of return of the investment fund?
- H. Do you have a clear understanding of the fees associated with management of the fund?
- I. Are the fees front end loaded or are they reduced if you leave your funds invested for several years?
- J. What access will you have to learn about the current rate of return on funds invested? Could you access the information daily online?
- K. What proof will the ABLE program require to document:
 - a. Your eligibility to open an account
 - b. That your disbursements are qualified expenses?
- L. Does the program offer any unique or value added program elements to help you save, contribute to your account, grow the account and manage your invested dollars?
- M. Does your state have a program and, if so, do they offer a state income tax deduction for contributions to their account?

7. Your needs are unique

No two eligible individuals have the same needs for opening and managing an ABLE account. You may have set short-term priorities and be withdrawing funds weekly or monthly. Another individual may have longer term needs and priorities for saving and using an ABLE account.

Talk with people you trust. Create a circle of support of family and friends. Though not required in order to open an ABLE account, you may consider consulting a financial advisor who has documented experience with creating and/or managing a Special Needs Trust. Find out if there is a Pooled Income Trust in your community. Then talk with the program administrators and seek referrals from families who have experience using the trust.

For many families, the ABLE account will be a significant and viable option in addition to, rather than instead of, a trust program.

8. Be an informed consumer

As states continue to open ABLE programs, the [ABLE National Resource Center](#) will compare and contrast individual state programs to help you make informed decisions.

For more information related to ABLE programs and accounts in general, and for the latest news regarding state programs, please visit the ABLE National Resource Center, managed by National Disability Institute (NDI), at www.ablenrc.org.