

## 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 disability 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 and investment account (an ABLE account). However, an ABLE account has a second powerful advantage. For the first time, eligible individuals and their families are allowed to establish ABLE savings accounts that largely do not affect their eligibility for Supplemental Security Income (SSI), Medicaid and other means-tested, federally-funded public benefits.

ABLE accounts are tax-advantaged savings and investment accounts for individuals with disabilities and their families. The beneficiary of the account is the account owner, and income earned by the account will not be taxed when used for expenses which enhance that individual's health, independence or quality of life. 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 federally-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 are able to better secure their financial futures and help offset the often significant financial challenges that can accompany living with a disability.

More than 40 states have now opened ABLE programs and most are open to residents of other states. Each state program has different savings and investment choices, costs and fee structures. To learn more, visit [ablenrc.org](http://ablenrc.org).

### How can you become ABLE ready?

#### 1. Identify your need for savings

Whether you are working and earning 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;
- 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;
- The purchase and retrofitting or modifying of a van; and
- Renovations to where you live to be more accessible and/or the purchase or down payment on a home;

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 contribute to your ABLE account. The total allowable contributions from all contributors combined is currently \$15,000 (2021) in any given tax year. A working account owner may be able to contribute more. 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 consider providing others with the direct crowdsourcing link to your state ABLE account for direct contributions. Crowdsourcing through non-ABLE accounts are subject to income counting rules. As a rule of thumb, always let relatives and friends know about your specific future savings goals so that they understand how they can help you reach them.

## **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 and if an ABLE account could be established to complement the goals of the trust. ABLE account funds will largely not impact continued eligibility for SSI, Medicaid and other public benefits. Many SNTs also protect against loss of eligibility for public benefits. The costs of establishing an SNT with a knowledgeable attorney will likely be higher than establishing an ABLE account with a state. An ABLE account can cover a broader array of qualified disability expenses (QDEs) 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 26, or your disability does not meet the threshold to document significant disability before age 26. The greater disability community will continue to work with Congress to raise the age of onset beyond 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 may be subject to a payback provision to the state if you used Medicaid for any supports and services. Outstanding qualified disability expenses, funeral and burial expenses and Medicaid buy-in premiums will be reimbursed to the estate prior to payback and, if funds remain, they are payable to your estate according to the probate laws in your state. Remember to research your state because some, but not all states, have eliminated the Medicaid payback provision.
- You are limited to total contributions of \$15,000 annually unless you are employed and meet the rules for additional ABLE to Work contributions. There are no such restrictions in an SNT or Pooled Trust.

#### **5. Start saving now**

You do not have to wait until your state or another state establishes an ABLE 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 under the resource limit if there is one for your benefits, 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 the right fit for your needs.

#### **6. Compare state ABLE programs**

More than 40 states 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.

- Is there a minimum contribution to open an ABLE account?
- Is there a fee to open an account and, if so, how much is that fee? Is the fee



different for in-state and out-of-state residents?

- Is there a required minimum contribution to your account? If so, what is the amount?
- What is the state maximum account limit and does it matter to me (i.e., will I be using the account as a “transactional account?”)?
- Are there restrictions on how often you can withdraw funds from your account?
- What investment options does the state ABLE program offer?
- Are the options likely to meet your needs for limiting risk with the growth of your contributed dollars to the ABLE account?
- 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?
- Do you have a clear understanding of the fees associated with the management of the fund?
- Are the fees front-end loaded or are they reduced if you leave your funds invested for several years?
- What access will you have to learn about the current rate of return on funds invested? Can you access the information daily online?
- What proof will the ABLE program require to document:
  - your eligibility to open an account?
  - that your disbursements are qualified expenses?
- 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?
- Does your state have a program and, if so, do they offer a state income tax deduction for contributions to your 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**

The state ABLE program comparison tools on the ABLE National Resource Center (ABLE NRC) website can help you make informed decisions about the right ABLE program for you.

For more information related to ABLE programs and ABLE 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 [ablenrc.org](http://ablenrc.org).

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