

The ABLE Case Summary Series

A Range of Strategies for Funding an ABLE Account: a 2026 Update

Our case summary series explains the use of ABLE accounts to accumulate savings to purchase items or services called Qualified Disability Expenses (QDEs) without jeopardizing eligibility for means-tested benefits such as Supplemental Security Income (SSI), Medicaid, and a range of other federally funded benefits. The purpose of the series is to help current and future ABLE account owners, their families, community agencies, and others understand the possibilities of an ABLE account complementing other strategies to improve health, independence and quality of life. Each case summary provides a deeper dive into a topic unique to ABLE accounts by providing examples for application of the key concepts. Visit [ABLE National Resource Center's ABLE Case Summary Series](#) to access the full series.

Introduction

This article presents a range of strategies for funding an ABLE account, including funding strategies not covered in our original 2019 article. After reviewing the basic rules governing contributions (e.g., who can contribute, annual contribution limits, permitted rollovers from other ABLE accounts or 529 college savings accounts), we walk through a number of strategies that have been or could be used to ensure that contribution money is available and contributions are easy to make. We also use case scenarios to illustrate the use of these methods to fund an ABLE account.

The case scenarios are for illustrative purposes only. As additional facts appear in a real case, the outcome in that situation could be different from that of the case scenario. Since ABLE eligibility criteria changed effective January 1, 2026, to allow eligibility for a person whose disability occurred before age 46 (previous policy required a disability onset before age 26),¹ some of our examples involve persons whose disability first occurred after age 26 and who can now benefit from the policy change.

The Basic Rules on Contributions to ABLE Accounts

Several funding strategies emerge as we lay out the rules governing contributions to ABLE accounts.

¹ See [ABLE Case Summary #7, The ABLE Age Adjustment Act \(Sept. 15, 2025\)](#).

Any “Person” Can Contribute²: This includes the designated beneficiary (i.e., the individual with a disability who owns the account), a parent or other relative, a friend or any other third party. A person, as defined by Internal Revenue Service (IRS) rules, includes “a trust, estate, partnership, association, company or corporation.”³

Annual Contribution Limits: The contribution limit for 2026 is \$20,000,⁴ from all combined contributions. IRS regulations allow the account owner who works to exceed the annual contribution limit. In 2026, the account owner can contribute from their earnings up to a maximum of 100 percent of the federal poverty level (FPL) for the previous year, \$15,650 (\$19,550 for Alaska, \$17,990 for Hawaii) or their actual gross earnings, whichever is less.⁵ The person can only contribute earnings under this policy if no contributions have been made, for that tax year, to a range of employer-sponsored retirement plans including, for example, a defined contribution plan, such as a 401(a), 401(b), or 401(k) plan, a 403(b) annuity contract, or a deferred compensation plan. Note that the annual contribution limits are subject to change annually.⁶

Example: Simone, age 33, receives Social Security Disability Insurance (SSDI)⁷ based on injuries suffered in a car accident in 2021 at age 28. She received \$300,000 from a lawsuit settlement that was placed into a Special Needs Trust (SNT). In early 2026, the SNT’s trustee, her mother, sets up an ABLÉ account for Simone and contributes \$20,000 from the SNT into the ABLÉ account. Simone graduates from college in May 2026 and will start a full-time job in August 2026. Even though the \$20,000 maximum in ABLÉ contributions has already been reached, Simone can contribute some of her earnings, up to a maximum of \$15,650 during the remainder of 2026. Keep in mind that Simone can only contribute some part of her 2026 earnings if, as laid out above, no contributions were made to one or more of the referenced employer-sponsored retirement plans.

Note: Although Simone’s disability did not occur until 2021 at age 28 when ABLÉ criteria required a disability before age 26, as of January 1, 2026, revised ABLÉ criteria allows eligibility if the disability occurs before age 46.

Contributions to an ABLÉ account may be made “in the form of a check, money order, credit card, electronic transfer, after-tax payroll deduction, or similar method.”⁸

² IRS ABLÉ regulations, [26 CFR 1.529A-2\(a\)\(3\)](#).

³ [26 US Code \(USC\) 7701\(a\)\(1\)](#).

⁴ [26 CFR 601.602](#) (see section 4.34 of this revenue procedure).

⁵ IRS ABLÉ regulations, [26 CFR 1.529A-2\(g\)](#).

⁶ Visit the [ABLE Contribution Limits webpage](#) to access up-to-date information for annual contribution limits as these amounts are subject to change annually.

⁷ SSDI is used in this article to refer to Social Security Disability Benefits on the worker’s earnings record, Childhood Disability Benefits, and Disabled Widow’s/Widower’s Benefits, often collectively referred to as Title II Disability Benefits.

⁸ [26 CFR 1.529A-2\(g\)](#).

Permitted “Rollovers” – From Another ABLE Account or 529 Education Savings Account

Rollover from a Family Member’s ABLE Account: A designated beneficiary of an active ABLE account can make a distribution to be paid into another person’s ABLE account so long as the distribution from the first ABLE account is paid into an account owned by a family member, and that amount is paid into the family member’s account within 60 days of the original distribution. There are two ways that rollovers can occur, by check or by electronic transfer. ABLE to ABLE rollovers may only take place once every 12 months. The IRS defines family member to mean “a sibling, whether by blood or by adoption, and includes a brother, sister, stepbrother, stepsister, half-brother, and half-sister.”⁹

Example: Alan, age 38, is the older brother of Sharon, age 21. Alan has had an ABLE account since 2020, and its current balance is \$38,000. He wishes to give Sharon, an SSI beneficiary with no ABLE account, \$14,000 from his account so that she can purchase a used car. If he just gave \$14,000 directly to Sharon from his ABLE account, some of that money would be considered part of his taxable income under IRS policy,¹⁰ and the \$14,000 gift would be considered by SSI to be unearned income to Sharon. If Alan took the \$14,000 from his ABLE account, bought the vehicle in Sharon’s name and gave it to her, Sharon’s SSI would not be affected as the vehicle she was given is an exempt asset under SSI policy. However, the use of Alan’s ABLE assets to purchase a gift for someone else would not qualify as a Qualified Disability Expense and, as above, some of the money taken from his ABLE account would be considered his taxable income.

Alan and Sharon decide on a different approach. Sharon opens an ABLE account with a \$150 deposit from her modest savings. Once that account is established, Alan takes \$14,000 from his ABLE account and three days later contributes it to Sharon’s ABLE account. Since the \$14,000 was deposited in an ABLE account of Alan’s family member (his sister), this permitted rollover is not considered taxable income to Alan, nor is this deposit into Sharon’s ABLE account treated as her income by the SSI or Medicaid programs.

While all three approaches accomplish the same result, i.e., Sharon ends up with a \$14,000 used car, only the last approach does so with no adverse consequences for either Alan or Sharon.

ABLE Tip: IRS ABLE policy allows Alan’s tax-free rollover contribution because it occurred within 60 days of when he first took that money out of his ABLE account!

⁹ IRS ABLE regulations, [26 CFR 1.529A-1\(b\)\(12\) and \(16\)](#).

¹⁰ [26 USC 529A\(c\)\(1\)\(A\)](#) (explaining that the part of the non-QDE distribution that represents untaxed ABLE account earnings is included in taxable income).

Rollover from a 529 College Savings Account (also known as a Qualified Tuition Program or QTP): The person who established the 529 account (e.g., to meet higher education, secondary education, or elementary education expenses of a designated beneficiary) may make a rollover to the ABLE account of the 529 account's designated beneficiary or to the ABLE account of a member of that designated beneficiary's family. The term "member of the family" includes biological parents and stepparents, aunts, uncles, siblings, children, first cousins, nieces and nephews; parents, siblings, children, nieces and nephews by marriage; legally adopted children; and half-brothers or half-sisters of the designated beneficiary. The rollover amount, in combination with other contributions made in the calendar year, can be no more than the current year's ABLE account contribution limit. The rollover deposit into the ABLE account must occur within 60 days of the date the money is distributed from the 529 account ¹¹

Example: Donna, age 76, started 529 college savings accounts 15 years ago for each of her six grandchildren. Her grandson, 23-year-old JP, is a designated beneficiary of one of the 529 accounts. His account balance is now \$53,500. JP has a severe learning disability and was recently approved for SSI. JP struggled with most subjects in high school, despite getting extra help through the school's special education program and, Donna believes, he is not expected to enroll in a 529-eligible college/university or other program where he would make use of the 529 savings. However, JP has a good aptitude for working with small engines and recently was approved for a 12-month small engine repair training program to be funded by his state vocational rehabilitation (VR) agency. JP has been able, without any formal training, to do minor repairs to the family lawn mower and snow blower, has done the same for three different neighbors and hopes to establish his own business after the training program.

After discussing the matter with JP and his parents, in April 2026 Donna does the following:

- She agrees to provide JP with \$500 to open an ABLE account. Her check is made payable to the entity that operates the ABLE program to avoid any possibility of the SSI program treating the \$500 as income to JP.
- She then makes a \$19,500 rollover from the 529 account, set up for JP's benefit, to JP's ABLE account. Since total contributions to the ABLE account are within 2026's \$20,000 annual contribution limit, this is a permitted rollover under IRS policy.
- If JP's parents, in March 2026, had deposited \$2,000 from their federal tax refund into his ABLE account, Donna's rollover could not exceed \$17,500 to keep combined ABLE account contributions within the \$20,000 limit for 2026.

¹¹ [26 USC 529\(c\)\(3\)\(C\)\(i\)\(III\) and \(e\)\(2\)](#).

JP's long-term plan, if the training program goes well, is to establish a small engine repair business in a section of his parents' three-car garage. JP hopes to get some assistance from his state VR agency to purchase equipment and supplies and to pay for business cards to start his business. JP wants to keep his ABLE account available to pay for items the VR agency does not pay for, including a pickup truck to transport lawn mowers and snow blowers. Donna has decided to retain the remaining \$33,500 in the 529 account, knowing she can either move additional money from the account into JP's ABLE account, or roll over some of his account's money into the account of his younger sister or a cousin as permitted by IRS policy.

JP's Other Funding Options to Meet His Long-Term Goals

While 529 accounts are typically referred to as college savings accounts, the permitted uses of these funds go far beyond typical college expenses. See [IRS Publication 970, Tax Benefits for Education](#), p. 50 (Qualified Tuition Program). In addition to expenses related to college or university attendance, 529 account funds can be used for expenses related to elementary or secondary school. As related to JP's case, the 529 account is a potential source of payment for his vocational program expenses or related to an apprenticeship program meeting requirements of the National Apprenticeship Act.

Based on the limited facts presented, the smart move in JP's case is for Donna to use the rollover option to move funds into JP's ABLE account. The ABLE account could be used to fund any expenses allowed under federal 529 account criteria and, if in doubt, the ABLE account could be used to pay for items not clearly allowed under federal 529 policy. Keep in mind that if JP earns any money through his business or as an employee for some other business, he could put some of those earnings into his ABLE account even if the maximum yearly contribution limit has been met so long as he meets the criteria discussed above.

In the end, JP should be encouraged to seek out first any free support through his State VR program before he uses either his ABLE account or the 529 account to meet those expenses.

Using SSI and Social Security Disability Insurance (SSDI) Work Incentives to Create ABLE Account Funding

SSI's Earned Income Exclusions: If the ABLE account owner receives SSI payments and works, the SSI program will ignore or "exclude" a significant portion of their monthly gross wages after deducting a \$20 general exclusion:

- **The general rule:** After excluding the first \$20, the first \$65 and half of the remaining monthly wages are excluded.
- **The Student Earned Income Exclusion (SEIE):** In 2026 the first \$2,410 of earned income per month, up to a yearly maximum of \$9,730, is excluded, if they are a student who is regularly attending school and under age 22.¹²
- **Blind Work Expenses:** If the person is blind, all expenses that enable the person to work are excluded, even those not related to their blindness.¹³

Each of these “work incentives” allow the SSI beneficiary to reduce countable earnings, thereby qualifying for SSI or maintaining SSI at a higher payment rate. Since use of the work incentives results in the beneficiary having more disposable income, some part of that extra income could be used to contribute to an ABLE account.

Example Using the General Rule: April, age 37, receives SSI at the 2026 federal benefit rate of \$994 with no State supplement. She works part-time at a restaurant and is paid \$685 gross per month. The SSI program will reduce her countable income to \$300 per month after applying the earned income exclusions ($\$685 - 20 - 65 = \$600/2 = \$300$). Her SSI payment is then reduced to \$694 ($\$994 - \300).

After applying these SSI work incentive rules, April’s disposable income goes up by the \$385 that the SSI program does not count each month (minus taxes withheld from her paycheck). April could use some of that extra money to start an ABLE account or to make contributions to an existing account.

If April was Eligible for the Student Earned Income Exclusion (SEIE): Let us change the facts and assume April is 20 years old, working part-time and getting SSI payments as noted above. She now begins regularly attending college as a part-time student, attending classes 9 hours per week (SEIE policy requires college attendance at least 8 hours per week to meet the “regularly attending school” requirements).¹⁴ As a college student, under age 22, who is regularly attending college, she is eligible for the SEIE. This means the SSI program will not count the first \$2,410 she earns as a student each month in 2026, up to a yearly maximum of \$9,730. In April’s case, the full \$685 she earns each month will be excluded and allow her to continue getting the maximum \$984 SSI payment. Even if April earns more during the summer and during school breaks, monthly earnings will be ignored up to the \$2,410 limit. So, for example, if April earned \$1,000 gross each month at a summer job during June, July and August of 2026, the full \$1,000 is excluded each month and she retains the \$994 SSI payment based on no countable income. Again, once April’s total gross earnings for 2026 reach the \$9,730 maximum she will no longer be eligible for that SEIE in that calendar year.

¹² See SSI [Spotlight on Student Earned Income Exclusion](#).

¹³ See [Spotlight on Special SSI Rule for Blind People Who Work](#).

¹⁴ See SSI [Spotlight on Student Earned Income Exclusion](#).

The very generous exclusions allowed by the SEIE rules put April in a great position to contribute significant amounts to her ABLE account.

ABLE Tip: To keep her SSI, April's traditional bank account(s) cannot exceed \$2,000. However, any money she contributes to her ABLE account will not be considered a resource by the SSI program unless the total value of her ABLE account exceeds \$100,000 and the excess ABLE resources, combined with any non-ABLE resources exceed \$2,000.¹⁵

Funding an ABLE account from the Increased Cash Flow During the Designated Beneficiary's SSDI Trial Work Period (TWP): Social Security Disability Insurance (SSDI) beneficiaries benefit from a 9-month TWP to test their ability to work while retaining their SSDI payments during months when they are also getting a paycheck.¹⁶

Using the Trial Work Period to Create a Better Cash Flow: Noah started receiving SSDI in 2020 at age 32, following a motor vehicle accident. He then attended college and graduated in August 2025 with a master's degree in social work. He starts work in January 2026, at age 37, for a \$2,500 per month salary. January 2026 will be Noah's first TWP month. He will earn \$2,500 gross each month through the end of 2026.

Noah's 9-month TWP will end in September 2026. TWP rules will allow him to receive both a paycheck and an SSDI payment throughout 2026 (9 TWP months plus a three-month grace period). The extra cash flow created by the TWP provides Noah with the extra money to both start an ABLE account and make regular contributions throughout 2026. For example, if Noah continues to receive a \$1,500 per month SSDI payment throughout 2026 while also keeping his earnings, the continued SSDI will generate \$18,000. This income potentially enables him to set aside thousands of dollars in an ABLE account during his TWP.

Note: Despite being age 37, Noah can establish an ABLE account in early 2026 as the ABLE Age Adjustment Act, effective January 2026, allows eligibility if a disability first occurred before age 46.¹⁷

¹⁵ SSI's policy on money held and used in ABLE accounts is available in its [Program Operations Manual System \(POMS\) SI 01130.740](#).

¹⁶ See Social Security's Choose Work publication on the [Trial Work Period](#). During 2026, a TWP month is used each time a beneficiary's gross earnings are \$1,210 or more.

¹⁷ See [ABLE Case Summary #7, The ABLE Age Adjustment Act \(Sept. 15, 2025\)](#).

Federal and State Tax Refunds and the Earned Income Tax Credit

If the ABLE account owner works and files a tax return, they may qualify for a federal and/or state tax refund. The refund(s) could range from a few hundred dollars to a much larger amount, particularly if the beneficiary qualifies for the federal Earned Income Tax Credit (EITC).¹⁸ A tax professional, including those at free tax preparation sites for low and moderate income taxpayers, can identify key tax deductions and credits that will reduce taxes and often result in a larger tax refund.¹⁹ If the refund is not needed to pay off debt or to purchase necessary items, all or part of it can be contributed to an ABLE account.

The Earned Income Tax Credit (EITC): A Source of Significant Federal and State Refunds

Our focus here is on the federal EITC, as this is available throughout the country. Since many states have their own version of the EITC, we encourage readers to find out if their state has its own version of this tax credit.

ABLE Account Owner May Qualify for Refund Based on Federal EITC: SSI and SSDI beneficiaries who are working or may soon start working often are good candidates for the EITC.

Example: Hani, age 29, became eligible for SSI disability payments in 2022 at age 25. She lives with her two children, ages 3 and 5. During 2025, she worked and earned \$14,000 in gross wages. When she files her 2025 tax return in early 2026, she will likely qualify for an EITC credit of \$5,610. Even though Hani will owe little or no federal taxes based on her income and 2 dependents, she could get up to the full \$5,610 as a tax refund because the EITC is a “refundable credit,” meaning the credit can be paid out as a tax refund even if her taxes owed are \$0 or well below the value of the EITC credit.²⁰

Hani uses \$3,000 of the refund to start an ABLE account. Although the refund will not begin to count against her SSI \$2,000 resource limit for 12 full months after receipt,²¹ putting it into the ABLE account will mean the money will not count against the SSI resource limit even if she retains that money as a “rainy day fund” or as savings toward a future purchase well past the 12-month exclusion period.

¹⁸ See IRS website, [Who Qualifies for the Earned Income Tax Credit](#).

¹⁹ See National Disability Institute’s [Quick Reference Guide – “can’t afford to file my tax return”](#) for information about free tax preparation sites and other resources to support low and moderate income taxpayers.

²⁰ See [IRS 2025 Publication 595 Earned Income Credit](#) (for tax year 2025 returns). See the Earned Income Tax Credit table beginning at page 29 of the publication.

²¹ [POMS SI 01130.676](#).

A Parent or Parents' Tax Refund Based on the Earned Income Tax Credit:

Under IRS policy, the highest federal EITC amounts are for a working parent or parents who have one or more dependent children, with refundable credits as high as \$8,046 for tax year 2025 (based on taxpayer's adjusted gross income and the number of dependent children). Generally, a dependent child, under EITC policy, must be under age 19 or under age 24 if attending high school or college. However, an adult child of any age can be considered a dependent child if they are permanently and totally disabled (such as one meeting the SSI criteria). This credit, payable as a refund, creates a prime opportunity for parents to fund their minor or adult child's ABLE account.

Example: Jenna, age 32, is deaf and lives with her father and 16-year-old brother. She receives SSI and has an ABLE account with a small amount of funds in it. Her father had \$24,000 in adjusted gross income (AGI) in 2025. Both Jenna and her 16-year-old brother meet the IRS definition as dependent children under the IRS's EITC policy (in Jenna's case because she has a disability). With AGI of \$24,000, and two dependent children, Jenna's father could qualify for an EITC of \$7,010 when he files his 2025 tax return and will receive up to this full amount as a tax refund.²² Jenna's father can use part of his EITC-based tax refund to contribute to Jenna's ABLE account.

A Taxpayer's Use of a Range of Other Tax Credits and Deductions Can Increase Their Tax Refund

The ever-changing list of IRS credits and deductions is extensive and subject to change each tax year. Readers can review summaries of this range of federal credits and deductions on the [IRS Credits and Deductions for Individuals](#) page.

New or Improved Credits and Deductions Under Recent Federal Tax Law: The major 2025 tax legislation and key changes are summarized by the IRS on its [One, Big Beautiful Bill Act: Tax Deductions for Working Americans and Seniors](#) page. Key changes include (with changes effective for 2025 through 2028 tax years):

- **No Tax on Tips:** Up to a \$25,000 annual deduction is allowed on income generated through tips for people who work in fields where tips are regularly received by the person including, for example, those working as hair stylists or as restaurant wait staff. Employees and self-employed people may deduct tips. This deduction is available for both itemizing and non-itemizing taxpayers.

²² See EITC table, starting at page 29 in [IRS 2025 Publication 595 Earned Income Credit](#), note 19, above.

- **No Tax on Overtime:** If an individual's overtime compensation meets IRS criteria, they may deduct the pay that exceeds their regular rate of pay. For example, if the worker gets paid time-and-a-half hourly pay when working an extra day, the extra half is eligible for this deduction. E.g., if usual hourly rate is \$20 per hour and overtime rate is \$30 per hour, the extra \$10 per hour qualifies for the deduction. The maximum annual deduction is \$12,500 (\$25,000 for joint filers).
- **No Tax on Car Loan Interest:** This applies to vehicle purchases for personal use but does not include lease payments. The maximum annual deduction is \$10,000. To qualify, purchase must be for a new vehicle, purchased after December 31, 2024, where the vehicle's final assembly took place in the U.S. The deduction is available for both itemizing and non-itemizing taxpayers.
- **Deduction for Seniors:** Individuals who are age 65 and older may claim an additional \$6,000 deduction (\$12,000 total for a married couple where both spouses qualify). This is in addition to the current standard deduction for seniors under existing law.
- **Increased Value of Child Tax Credit:** This goes up by \$200 to \$2,200 maximum credit per child.
- **Increased Standard Deduction Amount:** Because the IRS did not adjust its employee withholding table to reflect the reduced tax bill created, taxpayers may see refunds increase as a result.

These tax changes will allow many employed ABLE account owners to generate higher federal refunds at tax time, with some of that money potentially available for contributions to their ABLE account. This will also allow the parents, siblings, and other family members of an ABLE account owner to receive unexpected tax refund windfalls that open the door to contributions to the family member's ABLE account.

A Mix of Other Strategies Available to Fund ABLE Accounts

Depositing Earnings to an ABLE Account Through a Direct Deposit: In some states, the ABLE program has established a system for employers to allow an individual to make a direct deposit from their paycheck into an ABLE account. This could involve a direct deposit from the account owner's earnings. Direct deposit, however, cannot be used to avoid SSI income counting rules.

Using an SSI or Social Security Lump Sum Retroactive Payment: A retroactive payment could occur for any number of reasons: for example, to cover months of back benefits when an application is approved; to cover one or more years of back benefits when the social security beneficiary wins an appeal; or to correct an underpayment of benefits if the Social Security Administration (SSA) had been paying the wrong benefit level. Subject to the annual limits on ABLE account contributions, this results in a unique circumstance to fund the account and save for future purchases.

A Parent or Other Family Member's Required Minimum Distribution (RMD) from a 401(k), Individual Retirement Account (IRA), or other retirement account:

Generally, IRS policy requires the holders of 401(k), traditional IRA, and some other retirement accounts to take RMDs in the year they turn age 73 and every year thereafter while the person is living. The RMD amount is based on an IRS-created table. Typically, the taxpayer will arrange with the company that holds the retirement account to distribute the annual RMD in one or more payments throughout the calendar year.

Often, the ABLE account owner will have one or more retired people in their extended family who must take an RMD payment that is not fully needed to meet anticipated living expenses. In such a case, the beneficiary's parent(s), aunt, uncle, or other family member may choose to contribute a part of that RMD to their family member's ABLE account.

ABLE Tip: Many retired people will wisely choose to retain the extra money from their RMD payment(s) to be able to meet any unexpected expenses that occur during the year. If that family member has been thinking about an ABLE contribution for their family member with a disability, they could make a modest contribution earlier in the year, then in November or early December make a more generous contribution after they have seen what "extra expenses" may have occurred during the year.

Contributions Through a Will: If the ABLE account owner receives SSI, parents and grandparents will often avoid direct bequests (gifts through a will) to the child or adult who gets SSI because anything received by the SSI beneficiary in cash would be treated as income in the month of receipt, with any remaining money treated as a resource in the following month. Often, the alternative is to have the bequest go directly into a special needs trust (SNT) to avoid negative SSI implications. An alternative that now exists is to leave money through a will to go into an SSI beneficiary's ABLE account (subject to annual contribution limits). As noted below, parents and grandparents may still opt to make the bequest to an SNT with the trustee given authorization to make contributions to the ABLE account.

ABLE Tip: Discussions with an SNT attorney suggest that the best strategy might be to make the bequest to the SNT while making sure the trust document has language giving the trustee clear authority to use trust money to contribute to the beneficiary's ABLE account. This allows the trustee to limit ABLE contributions based on how much has been contributed by others in a calendar year, so as not to exceed yearly contribution limits. This also allows the SNT to retain funds to be used for expenses not easily justified under ABLE policies.

Contributions from a Trust to an ABLE Account

As noted above, IRS policy includes trusts in the definition of “person,” allowing the trustee to make contributions to an ABLE account. One concern we hear from trust lawyers and trust experts is whether the trustee, who decides on trust distributions, has the authority to contribute to the beneficiary’s ABLE account. To date, trustees of SNTs drafted before ABLE accounts existed must rely on language used in the trust to decide, in consultation with a trust attorney, whether they have authority to make a distribution into an ABLE account.

Use Language in Trust Document Giving Trustee Authority to Make Distributions into an ABLE Account: Going forward, this may be the best approach for newly created SNTs. In fact, if state or local practice make it possible to amend trust language, it may be advisable to amend the trust document to clarify that the trustee has this authority.

Bequest in a Will to a Trust with Trustee Authority to Deposit to ABLE Account: An SNT may be the preferred place for a bequest through a will if the amount to be given to the ABLE account’s designated beneficiary is expected to be more than the contribution limit for a future year. Additionally, even if the bequest is safely below the ABLE contribution limit in place as the will is written, that bequest, combined with other account contributions, might exceed the annual limits. By depositing the bequest into the trust, the trustee has maximum flexibility to distribute or not distribute to the ABLE account based on changing annual contribution limits and other factors.²³

Funding an ABLE Account for a Younger Child with a Disability

Many parents, grandparents, and other family members have used any of the strategies just discussed to fund the ABLE account of a minor child, including children as young as four or five years old. Depending on the child’s disability and expected needs in the present and future, it may be clear to the family that the range of public benefits and services available will not be enough to meet all the child’s needs. Even if the child in question may be a future candidate for higher education and employment, the early establishment of an ABLE account will create a source of assets to help support future goals.

²³ A much longer discussion of the relative merits of ABLE accounts and SNTs appears in another case summary, [ABLE Accounts Compared to Special Needs Trusts \(May 2018\)](#).

Conclusion

This article has presented several key options available to ABLE account owners and family members to fund an ABLE account. As ABLE policy and implementation improve, we expect that creative, new approaches to funding an ABLE account will continue to emerge.

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