



## **Passage of ABLE Age Adjustment Act and Other Enhancements Are Critical for Sustainability**

In early 2018, the ABLE Committee of the National Association of State Treasurers (NAST), made up of state ABLE administrators and program managers, analyzed national program data from the first few years of ABLE. Based upon findings, NAST believes that the ABLE Age Adjustment Act (H.R. 1874/S. 817), along with several additional enhancements, are critically important to achieve ABLE sustainability. As an added benefit, these proposals will empower even more individuals with disabilities to maintain health, independence and quality of life.

### **What the Data Tells Us**

Data from June 30, 2016 through December 31, 2017 was collected from states, ABLE program managers and the National Disability Institute (NDI), and analyzed with the help of AKF Consulting and Strategic Insight.

The analysis shows that approximately 390,000<sup>1</sup> funded ABLE accounts will be needed by June 2021, the five-year anniversary of the first program, in order to achieve bare bones sustainability of ABLE.

NDI estimates that 8 million individuals with disabilities are eligible to open ABLE accounts under the current age of onset of birth through 25. With 17,000 accounts open nationwide, three years after the passage of the ABLE Act, the ABLE adoption rate stands at 0.22%. This is less than half the 0.53% rate of adoption of the 529 college savings programs seen over a comparable point in time<sup>2</sup>. 529 was also considered to be slow-growth in its early years.

In order to arrive at 390,000 open accounts under the current age requirement, the industry will have to achieve a 4.9%<sup>3</sup> adoption rate by June 2021. Based on 529 program history and anticipated continued slow growth of ABLE, we believe a 4.9% adoption rate is unlikely.

Passage of the ABLE Age Adjustment Act will provide eligibility to approximately 6 million more individuals to open ABLE accounts. With 14 million total eligible individuals, the industry would only need a 2.8%<sup>4</sup> adoption rate to reach 390,000 open accounts by June 2021 – a difficult but more achievable sustainability goal, similar to the adoption rate achieved by 529 savings and prepaid plans combined in their early years.

Additional changes that the NAST ABLE Committee views as key to achieving ABLE sustainability are: (1) eliminating the Medicaid payback provision under 529A; (2) allow multiple accounts for the benefit of the same beneficiary, and eliminate the requirement that the account owner and beneficiary be the same person; (3) increase or eliminate the annual contribution limit and allow five-year advance payment option; and (4) allow lump sum contributions in certain circumstances including insurance settlements, early retirement disability payouts, etc. Several of these proposals will align treatment of 529A accounts more closely with 529 accounts, providing added flexibility for beneficiaries.

We believe that age increase legislation, packaged with other enhancements outlined in the NAST ABLE Resolution, will be paramount to achieving ABLE sustainability by June 2021.

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<sup>1</sup>390,000 accounts nationwide = 30,000 accounts per program x 13 open programs. An average of \$50 in annual account maintenance fees x 390,000 accounts = \$19,500,000 in required total annual program fees. Data collected from participating program managers.

<sup>2</sup> As of December 31, 2000

<sup>3</sup> 4.9% = 390,000 accounts / 8,000,000 eligible individuals

<sup>4</sup> 2.8% = 390,000 accounts / 14,000,000 eligible individuals

## Why Sustainability Matters

- Greater numbers of individuals with disabilities will save funds and employment earnings for disability expenses.
- More individuals with disabilities will experience a loosening of dependence upon government supports.
- More individuals with disabilities will achieve long sought-after increase in self-reliance.
- More individuals with disabilities will have an Improved quality of life.
- The broader disability advocacy community will support ABLE across the nation.
- ABLE programs will reach scale sooner, thereby reducing account management costs for account beneficiaries.
- States will have greater ability to pay back state investment loans for ABLE programs.
- ABLE programs will achieve the financial viability needed to foster program manager willingness to continue investing in ABLE as contract renewal negotiations begin in 2019.

### ABLE-Eligible Population Estimate

Population Category		Age of Onset		
		0-25	26-45	Total (0-45)
Children		3,300,000	0	3,300,000
Working Age Recipient of:	SSI only	1,780,000	1,100,000	2,880,000
	SSDI only	1,650,000	3,200,000	4,850,000
	Both SSI and SSDI	660,000	450,000	1,110,000
	Neither Benefits	650,000	1,400,000	2,050,000
Total		<b>8,040,000</b>	<b>6,150,000</b>	<b>14,190,000</b>

Source: ABLE-Eligible population estimates provided by NDI as of February 7, 2018.

### ABLE Snapshot

Year	2016			2017			
Quarter	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Assets	\$820,000	\$4,133,146	\$13,910,026	\$25,442,538	\$36,944,785	\$48,520,170	\$71,978,679
Accounts	820	1,934	4,064	7,169	10,358	13,190	17,314
Average Account Size	\$1,000	\$2,137	\$3,423	\$3,549	\$3,567	\$3,679	\$4,157

Source: Assets and accounts data provided by Strategic Insight as of February 7, 2018.

### Comparison of Early 529 vs Early ABLE Adoption Rates

	529 Savings and Prepaid	529 Savings Only	ABLE
Total Program Accounts	1,568,081	425,674	17,314
Eligible Population	80,486,665	80,486,665	8,040,000
Adoption Rate	1.95%	0.53%	0.22%

Source: Total 529 accounts from College Savings Plans Network as of December 31, 2000. Population of individuals ages 0-19 from US Census Bureau as of April 1, 2000. Total ABLE accounts from Strategic Insight as of December 31, 2017. Population estimate from NDI as of February 7, 2018.