

## **ABLE Accounts Empower People with Disabilities to Save While Protecting Benefits**

### **What is an ABLE account?**

An ABLE account is a tax-advantaged savings account that empowers people with disabilities to save money without losing their state and federal benefits.

### **Why the need for ABLE accounts?**

People with disabilities who receive SSI benefits may not have more than \$2,000 to remain eligible for SSI. This limitation makes it difficult for many people with disabilities to live the independent lives they desire. Additionally, before ABLE accounts, families were discouraged from saving for their children with disabilities because of the potential future impact on benefits. With ABLE accounts, individuals and their families can save funds without losing SSI, Medicaid, HUD and other benefits.

### **How do ABLE accounts impact federal benefits?**

- SSA – Up to \$100,000 can be saved in an ABLE account without affecting SSI benefits.
- Medicaid – ABLE account savings do not impact Medicaid benefits.
- HUD and other means-tested benefits – ABLE account savings do not impact other means-tested benefits.

### **Who is eligible for an ABLE account?**

ABLE accounts are available to people with disabilities who meet all of the following requirements:

- The disability started before the age of 26;
- The disability is severe enough to qualify the individual for SSI or SSDI (Note: you do not have to be receiving benefits to open an ABLE account.);
- The eligible individual has a Social Security Number or Tax ID Number

### **Who may open an ABLE account?**

Adults with disabilities may open and manage their own ABLE account. Minors and adults who need assistance to manage their accounts can have an authorized representative open and manage the account for them. Parents of minors, legal guardians, custodians, or someone with power of attorney may manage an ABLE account on behalf of someone else. Eligible individuals may only have one ABLE account at any time, and the eligible individual with a disability is always the account owner.

### **How much money may be contributed to an ABLE account?**

Currently, up to \$15,000 total from all sources can be contributed each calendar year (this amount changes whenever the federal gift tax exclusion is updated. Check with plans for future changes in the gift tax exclusion). Working account owners may save up to an additional amount equal to the total of their wages, or the poverty limit whichever is less, as long as they are not participating in a retirement plan through their job. (Check with state plans for poverty limits)

### **Who may contribute to an ABLE account?**

Anyone can contribute to an ABLE account including the account owner, friends, family and others.

## **How can funds in an ABLÉ account be used?**

ABLE accounts can be used to pay for expenses that improve the health, independence, and quality of life of the account owner, including:

- Health, prevention and wellness
- Housing and other basic living expenses
- Transportation
- Education
- Assistive technology
- Personal support services
- Employment training and support
- Financial, administrative, legal fees
- And more

## **What are the tax advantages of an ABLÉ account?**

Earnings on ABLÉ accounts grow free of federal and most states' taxes if used for qualified expenses. Some states offer a state income tax deduction for contributions to ABLÉ accounts. See each state's plan for more information.

## **Do individuals have to open their ABLÉ account in their state of residence?**

A person with a disability may open an ABLÉ account with any state program that offers nationwide enrollment. Individuals are encouraged to look at their own state's program first for special tax advantages and compare investment options, fees and expenses.

## **Where can an ABLÉ account be opened?**

All ABLÉ plans provide online enrollment on their websites. Some ABLÉ plans accept paper applications, as well. Individuals may also work with a financial advisor to open an account in certain ABLÉ plans. To look at different state plans visit [nast.org/able](http://nast.org/able) or [ablenrc.org](http://ablenrc.org).

## **What are the fees associated with an ABLÉ account?**

Programs have annual fees, asset-based fees, or both. Fees are generally low, and, in some plans, fees are reduced or waived in certain circumstances, for example, if one maintains a certain account balance, chooses electronic statement delivery, or opens an account in one's state's plan. Each ABLÉ program describes its plan, including all fees, in a program disclosure booklet. Compare ABLÉ programs at [nast.org/able](http://nast.org/able) or at [ablenrc.org](http://ablenrc.org).

## **What happens to an ABLÉ account when the account owner dies?**

Funds in the ABLÉ account can be used to pay for remaining qualified expenses, including funeral and burial costs. If the account owner received Medicaid benefits while the ABLÉ account was open, Medicaid may file a claim for repayment after outstanding qualified expenses and funeral and burial costs are paid. Some states have passed laws that prohibit their state's Medicaid agency from recovering ABLÉ funds in certain circumstances. Check with your state's ABLÉ program and your state's Medicaid agency for more information.

### References:

- ABLÉ National Resource Center
- National Association of State Treasurers
- Municipal Securities Rulemaking Board, ABLÉ FAQs
- National Down Syndrome Society
- Various state ABLÉ plan FAQs

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These FAQs are provided to give general guidance on ABLÉ accounts. For more information on the benefits, risks, tax and other benefits of an ABLÉ account please read the program description or other disclosure documents of the ABLÉ program you have selected to invest in.