

► ABLE ACCOUNTS

A Savings Opportunity for Qualified Individuals with Disabilities



The goal of this guide is to help you understand the essentials of ABLE accounts and how to integrate ABLE knowledge into lessons to benefit young adults, adults and entrepreneurs.

Acknowledgements

This guide was developed by National Disability Institute's Training and Technical Assistance Team.

National Disability Institute is a national research and development organization with the mission to drive social impact to build a better economic future for people with disabilities and their families.

National Disability Institute's Real Economic Impact (REI) Network is comprised of an alliance of organizations and individuals dedicated to advancing the economic empowerment of people with disabilities. The network consists of more than 4,500 partners in all 50 states.

Members include nonprofits, community tax coalitions, asset development organizations, financial education initiatives, corporations and private-sector businesses, federal/state/local governments and agencies, and individuals and families with disabilities. All partners join forces to embrace, promote, pursue access to and the inclusion of people with disabilities in the economic mainstream.

To learn more about how to make a Real Economic Impact, join us: www.realeconomicimpact.org.

For more information about the guide, please send an email to: ask@ndi-inc.org.

National Disability Institute would like to thank Wells Fargo for their support of the Disability Supplemental Guide.



Financial Education Tools and Resources

OVERVIEW OF HANDS ON BANKING®

Hands on Banking®/El futuro en tus manos® (handsonbanking.org/ndi) is a free, fun, non-commercial financial education program available in both English and Spanish that teaches people, in all stages of life, about the basics of responsible money management, including how to create a budget, save and invest, borrow responsibly, buy a home, and establish a small business.

Program Highlights

- Available online with printed instructor guides;
- Courses for kids, teens, young adults, and adults;
- Financial fundamentals for entrepreneurs;
- Personal finance lessons for members of the military, seniors, and their families;
- Resources for individuals, educators, non-profits, and workplace
- Available in English and Spanish;
- Designed for individual or classroom learning;
- Aligns with state and national education standards for mathematics, reading, and economics;
- Free, non-commercial content;
- Animated, interactive, and entertaining; and
- Easy to navigate and fun to present.

Hands on Banking offers flexibility in the ways information can be delivered in the American Job Centers. The program includes individual resources and instructor guides with tools and detailed information on content, activities, and tips on how to deliver the information.

Hands on Banking can be offered as a workshop or job seekers can access the online program, courses and more at handsonbanking.org/ndi



**Hands on
Banking®**

Money skills you need for life

TABLE OF CONTENTS

The ABLE Act and ABLE Accounts	5	Case Studies	11
What is an ABLE account?	5	JOHN: MAKING INFORMED FINANCIAL DECISIONS	11
Why the need for an ABLE account?	6	WHAT SHOULD JOHN DO?	11
Who is eligible to be an ABLE account beneficiary?	7	MARY AND JUAN: SETTING FINANCIAL GOALS	12
What are qualified disability expenses?	7	WHAT SHOULD MARY AND JUAN DO?	12
How do you decide which state ABLE program is right for you?	8	Handout for Individuals	13
OPENING AN ACCOUNT	8	STEPS TO CHOOSING THE RIGHT STATE ABLE PROGRAM FOR YOU	13
SELECTION OF INVESTMENT OPTION	6	ABLE ACT: WHAT YOU NEED TO KNOW	14
MAINTAINING THE ACCOUNT	8		
VALUE-ADDED PROGRAM FEATURES	8		
Next Steps: When to Open and Make Deposits to an ABLE Account	8		
STEP ONE: SELECT THE INVESTMENT OPTION	9		
STEP TWO: CREATE A PLAN	9		
STEP THREE: MANAGE THE ACCOUNT	9		
STEP FOUR: REGULARLY REVIEW ACCOUNT STATEMENTS	10		
Key Terms and Definitions	10		
1. ABLE	10		
2. ABLE ACCOUNT OWNER	10		
3. CONTRIBUTIONS	10		
4. DISTRIBUTIONS	10		
5. INVESTMENT CHOICES	10		
6. MEANS-TESTED PUBLIC BENEFITS	11		
7. QUALIFIED DISABILITY EXPENSE	11		



ABLE ACCOUNTS

A Savings Opportunity for Qualified Individuals with Disabilities

 This guide integrates content from Hands on Banking® to provide additional information specific to adults with disabilities. Each of the topics and lessons provided in the *Hands on Banking* instructor guides are important topics for people with disabilities to learn as well.

The disability community is very diverse. Some individuals with a disability may be employed, while others may rely on public benefits as their main sources of income. Some of the public benefits they receive might have limitations. Income, resource and savings limits often prevent individuals from enhancing their financial well-being and self-sufficiency as they concentrate efforts on retaining their benefits. New and existing programs are available to help people with disabilities develop skills in financial management and self-sufficiency.

The goal of this supplemental guide is to help you understand the essentials of ABLE accounts and how to integrate ABLE knowledge into lessons to benefit young adults, adults and entrepreneurs.

To learn more about disability, please refer to the Disability Sensitivity Guide, a tool to increase awareness among educators and instructors and provide communication strategies to create a more inclusive environment.

The ABLE Act and ABLE Accounts

The Achieving a Better Life Experience Act (ABLE), signed into law on December 19, 2014, opens new pathways to financial stability for millions of Americans with disabilities and their families. For the first time, **eligible** individuals with disabilities and parents raising a child with a disability may select a state ABLE program and open an ABLE savings account that will not adversely impact continued eligibility for federal benefits, such as healthcare, Social Security, food and housing assistance. Funds contributed to an ABLE account grow tax-free. ABLE offers opportunities and choices, both short- and long-term, for setting financial savings goals, creating and managing the funds in an ABLE account, involving family and friends to contribute resources to the account and keeping track of expenses. Contribution to an ABLE account and its growth represents a down payment on freedom, better health and quality of life.

Hands on Banking can help current and potential ABLE account owners gain the knowledge, skills and confidence they need to make informed financial decisions that improve their financial health and stability.

What is an ABLE account?

ABLE accounts are tax-advantaged savings accounts for individuals with disabilities and their families. Contributions may be made to an ABLE account by the account beneficiary, family members, friends or an employer. There are no restrictions on who can contribute to an account.

There are restrictions on how much can be contributed to an ABLE account each year. The total contributions by all participating individuals, including family and friends, in a single tax year is \$15,000. Each state sets limits as to the maximum contributions over time that can be contributed to an ABLE account. Most states have set the lifetime limit of contributions to an ABLE account at about \$300,000.

For individuals with disabilities who are recipients of Supplemental Security Income (SSI), the ABLE Act sets further limitations. The first \$100,000 contributed to an ABLE account does not count against the SSI \$2,000 resource limit to remain eligible for monthly SSI payments. When an ABLE account exceeds \$100,000, the beneficiary's SSI cash benefit is suspended until such time as the account falls back below \$100,000 as a result of distribution of some of the funds to meet financial goals and expenses. The temporary suspension of benefits has no effect on the ability to receive or be eligible for medical assistance and other services and supports through Medicaid.

Since the ABLE Act was signed into law, 28 states have created ABLE programs and more states are planning to provide ABLE accounts. To open an ABLE account, eligible individuals with disabilities and families may choose which state ABLE program best meets their needs. Some state ABLE programs offer their residents a tax deduction, up to a certain dollar amount, for their contributions to an ABLE account in their home state, in addition to no federal taxes on income growth when funds are distributed from an ABLE account for qualified disability expenses.

The selection of the right ABLE program for an individual with a disability and their family should take into account a number of other factors, including:

- ➔ fees and costs to open and maintain an account,
- ➔ choice of investment options to grow funds in the ABLE account with varied degrees of risk,
- ➔ restrictions on how often you can withdraw funds,
- ➔ the availability of financial education to improve the knowledge and skills to make informed financial decisions, and
- ➔ other value-added elements to help an individual save, manage and grow the account savings.

Why the need for an ABLE account?

For parents raising a child with a disability, or a working-age adult with a disability, there are extra costs associated with the disability that occur on a regular basis. Those extra costs could include healthcare, medications and assistive technology. Assistive technology can be as diverse as including screen readers, hearing aids, communication devices and wheelchairs, personal assistance services, transportation and home and vehicle modifications for improved access and use. Government benefits and programs may cover some, but definitely not all of these costs. In addition, many assistance programs have set resource limits that can affect eligibility for assistance. The ABLE Act, for the first time, allows millions of individuals with disabilities and their families to set money aside in a savings account managed by state ABLE programs that will not adversely impact resource-tested eligibility for federal government benefits. The purpose of the ABLE account is to supplement, not supplant, benefits provided through the federal government.

For a young adult, a working-age adult or an entrepreneur with a disability, contributions to an ABLE account is a critical new way to help improve their health, independence and quality of life. The ABLE account presents important opportunities to set short and longer-term financial goals, create and manage a budget, engage others to become contributors from a circle of support and establish a plan for spending the savings for qualified disability expenses.

The account owner is the account beneficiary. There is the need for an ABLE account owner to learn skills around financial capability and stability. For individuals with disabilities, the opportunity presented by opening an ABLE account provides a new level of need, urgency and relevance to learn about:

- ➔ creating a budget,
- ➔ setting financial goals,
- ➔ the importance of saving,
- ➔ comparing financial products and services,
- ➔ identifying sources of contributions, such as income tax refunds, gifts and earnings,
- ➔ keeping track of expenditures and account distributions, and
- ➔ making informed financial decisions.

An ABLE account is not for every individual with disabilities and their families. To open an ABLE account, the person must meet the eligibility requirements related to age of onset of the disability and level of disability. Even if an individual meets the eligibility requirements, there are other factors to consider including, but not limited to:

- ➔ current debt status and need to pay down debt first,
- ➔ the use of other protected savings such as an Individual Development Account (IDA) where savings are matched to help meet specific financial goals for home purchase, education or starting a business, and
- ➔ focus on short-term needs with little opportunity to grow contributions through selected investment options in an ABLE account.

Who is eligible to be an ABLE account beneficiary?

The ABLE Act limits eligibility to individuals with significant disabilities with an age of onset of disability before turning 26 years of age. If a person meets this age criterion, and they also receive Social Security benefits under Supplemental Security Income (SSI) and/or Social Security Disability Insurance (SSDI), they are automatically eligible to establish an ABLE account with the state program of their choice. If the person is not receiving Social Security disability benefits, but still meets the age of onset of disability requirement, they can still prove eligibility by an alternative method. A licensed physician can provide a letter of certification that the person meets the Social Security definition and criteria regarding significant functional limitations. The person does not have to prove inability to work, nor is there any type of income or asset test that would limit a person's eligibility for opening an ABLE account.

The account beneficiary is allowed to have only one ABLE account and all the current state programs will allow a person to move the funds from one state ABLE program to another. To learn more about all state ABLE programs, use the interactive map on the ABLE National Resource Center website (ablenrc.org). The website, managed by National Disability Institute, provides objective, independent information to help eligible individuals and families make an informed choice in selecting a state ABLE program that meets their needs.

A parent may open an ABLE account for an eligible son or daughter who is under the age of 18. An eligible individual with a disability may open their own account when they are 18 or older. There is no upper age limit for an individual with a disability who meets eligibility criteria to limit their opening an account, as long as the onset of disability occurred before their 26th birthday.

What are qualified disability expenses?

Funds contributed to an ABLE account, and income growth from selected investment options, can be distributed from an ABLE account to purchase products and services that are "qualified disability expenses." A qualified disability expense must relate to the designated beneficiary of an ABLE account. The purchase of the item or service must assist him/her in increasing or maintaining their health, independence and/or quality of life. These may include expenses related to:

- | | | |
|------------------|------------------------|---------------------------------|
| ➔ Education | ➔ Healthcare | ➔ Assistive technology |
| ➔ Housing | ➔ Financial management | ➔ Personal support services |
| ➔ Transportation | ➔ Legal services | ➔ Employer training and support |

The purchase of a product or service need not be for the exclusive use of the beneficiary. A van for transportation and/or a computer for learning and communication would qualify as a disability-related expense that could be paid for by an ABLE account, with no taxes paid on income generated through investment of individual, family and/or friend's contributions to the account. The interpretation of "qualified disability expense" is meant to be broad and comprehensive, including basic living expenses and additional types of products and services that may be approved in the future by the Secretary of the Treasury.

Please note: Upon the death of the beneficiary, the state in which the beneficiary lives, and any state from which that beneficiary may have received Medicaid services since the creation of the ABLE account, may file a claim for all or a portion of the funds remaining in the account after all qualified disability expenses have been paid. The amount of funds cannot exceed what the state spent on the beneficiary regarding Medicaid-related expenses, starting at the time the account was originally established. This is known as the “Medicaid Payback Provision.” Some states have moved ahead to bar filing a claim of reimbursement against an ABLE account and additional states are considering similar restrictions on the Medicaid Payback Provision. However, not all ABLE beneficiaries receive Medicaid supports; therefore this provision would not apply to them. Check with your state ABLE program administrator for further guidance on this issue.

How do you decide which state ABLE program is right for you?

To make an informed decision about which state ABLE program is right for you, consider the following four areas to compare and contrast programs:

OPENING AN ACCOUNT

- ➔ Is there a minimum contribution to open an account?
- ➔ Is there a fee to open an account and how much is the fee?

SELECTION OF INVESTMENT OPTION

- ➔ Is there an investment option that matches your needs for limiting risk or focusing on long-term growth?
- ➔ What is the history of the rate of return of the fund?
- ➔ What are the fees for managing the investment option?

MAINTAINING THE ACCOUNT

- ➔ What are the fees for managing the account?
- ➔ Does the program offer a free debit card to help manage distributions and purchases?
- ➔ Is there a limit on monthly distributions?

VALUE-ADDED PROGRAM FEATURES

- ➔ Is there a state income tax-deduction for contributions made to the account if the owner is a state resident?
- ➔ Does the state offer a financial education program to help make informed decisions?
- ➔ Are there any other unique program elements, such as a gift platform to make it easier for others to contribute to the account?

Visit the ABLE National Resource Center website (ablenrc.org) and use the comparison tool that provides questions and answers about state ABLE programs. The tool allows people to compare three state programs at a time. There are also links to each state ABLE program, enabling users to become more informed about program features, investment choices and costs to open and maintain an account.

Next Steps: When to Open and Make Deposits to an ABLE Account

Similar to 529 college savings plans, which are tax-advantaged savings plans designed to encourage saving for future college costs, the earlier an account is opened, the greater the opportunity to grow assets over a longer period of time with income generated from investment choices.

Each individual and family will have to decide on when opening an ABLE account will be possible and makes the most sense to meet their needs. None of the current state ABLE programs has an age limit on establishing an ABLE account.

Once the choice is made to open an ABLE account with the selected state ABLE program, there are four next steps to consider:

STEP ONE: SELECT THE INVESTMENT OPTION

Each state ABLE program offers investment choices. The choices offered provide options to make a selection based on needs, risk tolerance and the level of fees or costs to manage the investment. The choices offered by most states include a no-risk option of an FDIC insured savings account that will, in the current economic environment, produce a very limited return on investment. It is a safe investment choice that protects the account owner from any loss of funds contributed to the account. Other choices offered involve a mix of stocks and bonds in a mutual fund that are described as capable of modest to high yield growth with varying degrees of risk that cannot guarantee that the funds contributed to the account will be protected against any loss. Each investment choice must indicate as well the fees and costs to manage the investment.

Each account owner and beneficiary must decide the primary purpose for which the ABLE account funds will be used. If the short-term needs occur weekly, such as extra therapy sessions for a child or transportation to and from work for an adult, then the most appropriate choice would be a low or no risk choice of an FDIC insured savings account. If the financial goal is more long-term, such as the purchase of a van to have accessible transportation, one could consider carefully the investments that offer greater growth potential, but more risk.

ABLE account contributions may also be split among several investment choices to reflect the need for both short-term access for funds and the need for longer-term growth to help achieve a longer-term financial goal.

The ABLE Act does allow, twice a year, for the account owner to change investment choices that may reflect a change in their identified financial goals.

STEP TWO: CREATE A PLAN

To make the most appropriate use of an ABLE account, it is critical to create a plan that sets financial goals and identifies the need for saving, as well as a budget and timeline for distribution of funds from the account.

An ABLE account can help meet the needs of paying for extra costs of living with a disability. It is important to set financial goals, both short and longer term, that identify unmet needs and estimate the costs for each identified item.

For short-term financial goals to be met, how much in contributions will need to be made to the account monthly, without going above the \$15,000 annual limit? For longer-term financial goals, how much in funds will need to be contributed over a defined longer period of time that will be years, rather than months?

To meet the goals and timelines for identified short and longer-term savings, it will be necessary to identify potential contributors to an account in addition to the account beneficiary. A circle of support, including family and friends, can be asked to commit to one time or recurring contributions that will help the account beneficiary meet their goals and improve their health, independence and quality of life, without exceeding the \$15,000 contribution limit each year.

An ABLE account contribution can be an alternative way to celebrate a birthday or a special event like a graduation from high school or college. Some of the state ABLE programs have a gift platform that makes it simpler to contribute to an ABLE account.

STEP THREE: MANAGE THE ACCOUNT

To achieve the most value from an ABLE account, it is important to establish a spending plan that sets priorities for when to use funds from the account and for which qualified disability expenses identified for financial and savings goals.

It is important to keep receipts for each expense that may be needed for validating to the IRS that all purchases were for "qualified disability expenses." A folder and/or electronic file can be created that indicates the date of purchase, the amount and the purpose to improve an individual's health, independence and/or quality of life.

STEP FOUR: REGULARLY REVIEW ACCOUNT STATEMENTS

For all account owners, it will be important to regularly review the account statement to accomplish multiple objectives:

- check for any possible errors in the statement in terms of contributions and/or distributions made and notify the ABLE program manager to correct errors,
- compare the account balance to the savings plan to learn if the contributions are on target for meeting the savings goals or if there is a need to increase contributions through the circle of support,
- compare the account balance to learn the status of income generated from the account,
- compare the account balance and statement of distributions to records and notify the ABLE account manager of any discrepancies,
- compare the account balance to the spending plan to see whether any adjustments need to be made to the contribution or investment plan, and
- learn more about listed fees and charges to manage the account to help make informed decisions about any changes needed to reduce fees or costs.

For ABLE account owners who are SSI recipients, it is important to keep the ABLE account under the \$100,000 limit in order to avoid suspension of SSI cash payments. By regularly checking the account balance, the account beneficiary can identify when it may be necessary to distribute funds to make a purchase in order to keep the balance under \$100,000.

Key Terms and Definitions

1. ABLE Act

The ABLE (Achieving a Better Life Experience) Act was signed into law on December 19, 2014. ABLE amends the tax code to allow states to establish ABLE programs that offer eligible individuals with disabilities, and their families, the opportunity to open one ABLE account. ABLE accounts are tax-advantaged savings accounts designed to help pay for the extra costs of living with a disability.

2. ABLE Account Owner

The ABLE account owner is also the account beneficiary. The account owner is responsible for managing the account, including making informed decisions about the priorities for use of the funds in the account, short and longer term. A parent can be the account owner for a child under age 18. A guardian or an individual with power of attorney can serve as the account owner if there is documentation that the account beneficiary does not have the ability to manage the account on their own. All ABLE accounts are set up online.

3. Contributions

Funds placed in an established ABLE account are considered contributions to the account. Anyone, including an account owner, family and friends, can contribute to an ABLE account. In any calendar year, a total amount of contributions to a single ABLE account cannot exceed \$15,000. Some states offer a state income tax deduction to contributors to an ABLE account up to a specific dollar amount.

4. Distributions

The funds in an ABLE account can be withdrawn to cover qualified disability expenses. The funds withdrawn from an account are called distributions. The account owner makes decisions about when to withdraw funds for qualified disability expenses.

5. Investment Choices

Funds contributed to an ABLE account can grow based on the account owner selecting from a list of possible investment choices and then the production of income from the investments. The account owner and family should consider their tolerance for risk of possible loss of funds from the investment choice, the need for growth and the comparison of fees and costs for managing the selected investment option.

6. Means-tested Public Benefits

Individuals who receive SSI and/or Medicaid benefits have to meet eligibility criteria that includes a means or resource test. For eligibility for SSI, an individual with a disability cannot save more than \$2,000 (\$3,000 for a married SSI couple) and remain eligible for public benefits. An ABLE account is not considered an asset for purposes of eligibility for means-tested federal benefits, such as SSI, Medicaid, SNAP (food stamps) and housing assistance. An ABLE account, for the first time, lets millions of individuals with a disability save and build the size of their ABLE savings account to help with emergencies, as well as set new short- and long-term financial goals. Contributions to the account become a down payment on freedom and a better quality of life.

7. Qualified Disability Expense

Funds contributed to an ABLE account and income growth from the selected short- and long-term investment choices can be used to pay for “qualified disability expenses” (QDE). A QDE covers the cost of many products and services that assists the ABLE account beneficiary to increase and/or maintain their health, independence or quality of life. A QDE may include expenses related to education, housing, transportation, employment training and support, healthcare, financial and legal services and technology-related assistance.

Case Studies

JOHN: MAKING INFORMED FINANCIAL DECISIONS

John was injured in a surfing accident at the age of 21. He benefits from a monthly SSI payment and receives long-term support services from his state's Medicaid program. He is currently 23 years old and is attending a local community college in Northern Virginia, near where he lives with his parents. He is hoping to become a computer programmer and is currently a client of the state Vocational Rehabilitation (VR) agency who is paying for his education. John was recently told about the Virginia ABLEnow program and is thinking that, with the help of his parents, he should open an account. His VR counselor suggests he look at some of the other state ABLE programs as well and to be careful that it does not impact his Medicaid and SSI benefits.

WHAT SHOULD JOHN DO?

John visits the website for the Virginia ABLEnow program and learns that, for contributions to an ABLE account for Virginia residents, there is the added benefit of a state income tax deduction. He also learns about the ABLE National Resource Center and its interactive website and tool which compares the costs and benefits of up to three state ABLE programs at a time.

John meets the requirements for being eligible to open an ABLE account; the age of onset of disability was before age 26 and he currently receives SSI benefits. He asks his parents to make the first contribution to the account he would like to open with the Virginia program. They say yes and are pleased that their contribution will bring with it a state income tax deduction for the amount of their contribution.

John also learns that all the information his VR counselor provided him about ABLE accounts was not completely correct. He learns from the Virginia ABLEnow website and the ABLE NRC website that the funds and interest in an ABLE account will not adversely impact his continued eligibility for Social Security and Medicaid benefits.

John's VR counselor suggests he set some priorities and financial goals that will help him to create a savings plan to make the best use of the account in the future. Short-term, John needs to purchase a computer to help him with his classwork. Long-term, John would like to save for his own means of transportation. John creates a plan for how much he needs contributed to his ABLE account for the short-term (less than one year) and how much will be needed over the next three years to purchase a van. He shares his savings goals with his parents, his brother, his grandparents and friends to build a circle of support to help commit contributions to his account.

John selects, with his parents' help, investment choices that place 50 percent of contributed funds in a savings account choice and 50 percent of his funds in a mutual fund choice with stocks and bonds with medium level growth potential.

John monitors his account statement regularly to check on the status of funds in his account, both in terms of meeting his savings goals and whether disbursements are keeping within his developed budget.

MARY AND JUAN: SETTING FINANCIAL GOALS

Mary was very proud to be one of the first families in Ohio who opened an ABLE account in the Ohio STABLE program. Mary's daughter was born with cerebral palsy and is now in the third grade in her neighborhood elementary school. Mary and her husband, Juan, are looking well into the future when their daughter, Jennifer, is an adult, has a job and is living independently. Mary and Juan want to use the ABLE account for long-term savings and growth to support Jennifer as an adult. They need help setting financial goals and creating a circle of contributors.

WHAT SHOULD MARY AND JUAN DO?

To set long-term financial goals, Mary and Juan reached out to other families in their community who also receive assistance from the same nonprofit agency that provides supports and services to Jennifer. Mary and Juan talk, as well, to the family support coordinator at the nonprofit to learn more about possible needs for Jennifer as an adult, that may not be paid for by government or private insurance.

The family support coordinator helps them with development of a person-centered plan for Jennifer as an adult. Together, they explore future areas of need related to education, housing, employment, technology-related assistance, healthcare, benefits planning and financial advising. Working together, they set financial goals for the future that also estimate savings goals over the next 10 years. Mary and Juan invite other relatives and friends to join them in creating a circle of support for Jennifer that envisions a self-directed and better quality of life for Jennifer as an adult.

Using the gift platform for the Ohio STABLE program, Mary and Juan invite members of the circle of support to make a commitment of contributions to Jennifer's account on a regular basis, monthly, quarterly or annually, keeping in mind the annual limit of \$15,000.

With each contribution made, Mary, Juan and Jennifer send a note of appreciation to their friends and family who make up their circle of support. Monthly, they review the account statement to make sure their savings goals are on track to accomplish the plan for Jennifer.

HANDOUT FOR INDIVIDUALS

Steps to Choosing the Right State ABLE Program for You

To make an informed decision about which state ABLE program is right for you, consider the following four areas to compare and contrast programs:

OPENING AN ACCOUNT

- ➔ Is there a minimum contribution to open an account?
- ➔ Is there a fee to open an account and how much is the fee?

SELECTION OF INVESTMENT OPTION

- ➔ Is there an investment option that matches your needs for limiting risk or focusing on long-term growth?
- ➔ What is the history of the rate of return of the fund?
- ➔ What are the fees for managing the investment option?

MAINTAINING THE ACCOUNT

- ➔ What are the fees for managing your account?
- ➔ Does the program offer a free debit card to help manage distributions and purchases?
- ➔ Is there a limit on monthly distributions?

VALUE-ADDED PROGRAM FEATURES

- ➔ Is there a state income tax-deduction for contributions made to the account if you are a state resident?
- ➔ Does the state offer a financial education program to help make informed decisions?
- ➔ Are there any other unique program elements, such as a gift platform, to make it easier for others to contribute to your account?

Visit the ABLE National Resource Center website (ablenrc.org) to use a comparison tool that provides questions and answers about state ABLE programs. The tool allows you to compare three state programs at a time. There are also links to each state ABLE program listing individual program features, investment choices and costs to open and maintain an account.

HANDOUT FOR INDIVIDUALS

ABLE Act: What You Need to Know

The Achieving a Better Life Experience (ABLE) Act was approved with overwhelming support in the U.S. Congress and signed into law by President Obama on December 19, 2014. Currently, millions of eligible Americans with disabilities have the ability to choose among multiple state ABLE programs to open an ABLE account. These tax-advantaged savings accounts can help individuals with disabilities save funds to meet their short- and long-term financial goals aimed at helping them maintain or increase their health, independence and/or quality of life. When funds are withdrawn from an account, to pay for qualified disability expenses, income earned by the accounts from investment of the funds will not be taxed. Additionally, and perhaps most importantly, the funds in the ABLE account, distributed for qualified expenses, will not be taken into consideration when determining the beneficiary's eligibility for various means-tested federally-funded supports, such as Supplemental Security Income (SSI) and Medicaid.

Wells Fargo and National Disability Institute (NDI) are committed to helping individuals and their families become financially successful. This handout provides an overview of the benefits of an ABLE account and can help you make informed decisions about opening an account, selecting an investment option and managing disbursements for qualified disability expenses.

Below is basic information about ABLE accounts:

1. Why is there the need for ABLE accounts?

The extra costs associated with raising a child with a disability, or a working age adult with a disability, may result in expenses for accessible housing and transportation, healthcare, personal assistance services, assistive technology and so much more. Contributions to an ABLE account by the individual with a disability, parents, family members and friends could help cover some or all of these extra expenses, and income made from investment of contributions can be withdrawn tax-free.

2. Am I eligible for an ABLE account?

If the age of onset of a disability is prior to 26 years of age, and you are already receiving Supplemental Security Income and/or Social Security Disability Insurance (SSDI), you are automatically eligible to establish an ABLE account. If you are not a recipient of SSI and/or SSDI, but still meet the age of onset disability requirement, you could still be eligible to open an ABLE account. You will need a letter of certification from a licensed physician that you meet the Social Security definition of disability and criteria regarding significant functional limitations. You can open an ABLE account even if you are over the age of 26, as long as you had the onset of disability prior to age 26.

3. Where do I open an ABLE account?

More than half the states in the country now offer ABLE programs. Each state ABLE program provides information on how to open an account, offers a choice of investment options to consider, explains any limits on how often funds can be distributed from an ABLE account and discloses any fees for opening and managing an account. The ABLE National Resource Center (ANRC) website (ablenrc.org), which is managed by National Disability Institute, provides objective, accurate information about state ABLE programs and compares and contrasts differences regarding fees, investment choices and other unique program management features. Web links are provided to each state program to help make choosing an ABLE account easier.

4. Do I have to wait for my state to establish an ABLE program before opening an account?

No. The residency requirement of the law was amended in 2015 so now, regardless of where you live and whether or not your state has decided to open an ABLE program, you are free to enroll in any state ABLE program that reflects your interests and needs. (Florida, Georgia, Kentucky, Louisiana, Missouri, Oregon and Vermont only allow state residents to open ABLE accounts.)

5. How much money can I put in an ABLE account?

The total annual contribution by all participating individuals, including family and friends, is \$15,000. The total limit over time that could be made to an ABLE account is subject to the individual state and its limit for education-related 529 savings accounts. Most states have set limits around \$300,000 per plan.

6. Who is the owner of an ABLE account?

The beneficiary is also the owner of the ABLE account. The presumption is that the account owner is capable of making informed decisions, rather than an automatic transfer of decision-making responsibility to a third-party trustee or guardian. It is important that a circle of support helps ABLE account owners develop the knowledge and skills needed to create and manage a budget, set and manage savings goals and track disbursements for qualified disability-related expenses. Wells Fargo offers *Hands on Banking*, a financial education program to help you develop critical money management skills. Visit the *Hands on Banking* website (handsonbanking.org/ndi) to learn more.

7. What are my next steps?

Learn more about ABLE accounts by visiting the ABLE National Resource Center website (ablenrc.org). Begin to talk with family members, friends and others you trust about your goals for a better life, which may include more education, access to technology, a new place to live and greater freedom and independence – all of which can be realized through the opening of an ABLE account. Build a circle of support by sharing your dreams and inviting family and friends to contribute to your ABLE account. An ABLE account can become your down payment on a better life with a new sense of security and freedom. Believe in the power of ABLE to change expectations of what is possible. To receive the most up-to-date ABLE National Resource Center alerts and announcements, join the ANRC mailing list at ablenrc.org.

Helping you prepare for financial success



It's never too soon to teach the importance of saving, and to show our commitment, Wells Fargo has developed a free, financial education program to make learning about saving easy. Hands on Banking® helps take learning to the next level.

To find out more, visit handsonbanking.org.

Wells Fargo salutes the National Disability Institute's commitment to increasing financial capability among people with disabilities.

Together we'll go far



© 2017 Wells Fargo Bank, N.A. All rights reserved. IHA-21760