



## smart ABLE account

### 1. What is it?

The full name of the act is the Stephen Beck, Jr. Achieving a Better Life Experience (ABLE) Act which was introduced in Section 529A of the federal tax code to enable eligible individuals with disabilities to save money in a tax exempt account to spend on qualified disability expenses while maintaining eligibility for other public benefits.

An ABLE account is a savings account that allows after-tax contributions from any individual (contributions may or may not be deductible according to state law). Earnings grow tax-deferred and are permitted to be withdrawn tax-free for qualified disability expenses. While the beneficiary is the owner of the account, contributors can assist in making investment decisions.

### 2. How is an ABLE account different from a 529 account or a Special Needs trust?

The funds in 529 and ABLE accounts are designated for different purposes: qualified higher education expenses receive favorable tax treatment in a 529, whereas qualified disability expenses receive favorable tax treatment in an ABLE account.

An ABLE account has the additional benefit of allowing the beneficiary to remain eligible for other Social Security, Medicaid, and disability benefits (subject to certain limitations). An account beneficiary may have more than one 529 but is only allowed one ABLE account.

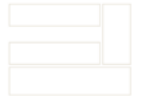
ABLE accounts have stricter eligibility guidelines than Special Needs trusts but offer greater control of funds by the beneficiary and family. ABLE accounts are less expensive to establish and maintain than Special Needs trusts. Consider ABLE accounts as an option in addition to a Special Needs trust.

### 3. Who is eligible?

Two requirements determine eligibility for an ABLE account:

- **Age:** The onset of symptoms related to the disability must have occurred before age 26.
- **Severity:** The disability must have been deemed as "marked and severe functional limitations" (similar to the Social Security definition of disability).

An individual whose disability occurred prior to age 26 who is already receiving SSI and/or SSDI is automatically eligible to establish an ABLE account. All others who meet the two requirements are eligible to open an ABLE account upon receiving a disability certification from his/her physician.



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### 4. What is a disability certification?

Depending upon the state's ABLE program, a disability certification may vary from a form to a letter from the physician clarifying information regarding the disability.

A disabled individual will need to certify that he/she obtained this certification prior to opening the ABLE account. Recent U.S. Treasury guidelines have stated this disability certification may be held privately and only submitted upon request.

### 5. What can the funds in an ABLE be used for?

ABLE account balances can be withdrawn tax-free for Qualified Disability Expenses. Beneficiaries must maintain documentation of expenses.

Qualified disability benefits include:

- Health
- Education
- Transportation
- Housing
- Legal fees
- Financial management
- Funeral and burial
- Employment training and support
- Assistive technology and personal support services
- Oversight and monitoring
- Other expenses approved by the Treasury Regulations

Note: Any unqualified account distributions will be taxed.

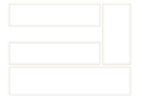
### 6. How will a beneficiary be able to access his/her ABLE account funds?

Beneficiaries will likely have the following options:

- Using a debit card
- Setting up direct pay to providers
- Transferring ABLE funds into another bank account

### 7. Are there contribution limits to an ABLE account?

Each individual participating may contribute up to the annual federal gift tax exclusion (\$14,000 in 2016), which will be adjusted annually for inflation. The total amount of contributions allowed to the ABLE account is equal to the maximum contribution amount for regular 529 accounts (typically \$350,000).



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### 8. How do contributions affect eligibility for SSI/SSDI and Medicaid?

Ordinarily, individuals with disabilities are only permitted to have \$2,000 in assets to remain eligible for many federal means-tested benefit programs. ABLE accounts were established to supplement the other programs, while not affecting the beneficiary's eligibility for SSI (up to \$100,000), Medicaid, or other public benefits.

The first \$100,000 in the ABLE account balance will be exempt from the SSI \$2,000 resource limit. Balances over \$100,000 will disqualify the account beneficiary from receiving SSI benefits (until the account balance falls below \$100,000).

Medicaid eligibility will remain intact, even surpassing a \$100,000 account balance.

### 9. Will investment options be available for ABLE account balances?

Similar to state-run 529 plans, states will likely offer multiple investment strategies to ABLE account beneficiaries and families. Each family should consider the amount of time the beneficiary will require support as well as the beneficiary's projected needs when choosing how to invest. Account contributors and designated beneficiaries will have the option of updating the investment strategy twice a year.

### 10. What happens to the ABLE account funds upon the beneficiary's death?

The ABLE account balance will be allocated three ways:

- To satisfy all outstanding qualified disability benefits (including burial costs).
- To repay all Medicaid services the beneficiary received upon opening an ABLE account.
- To serve as a remainder in the beneficiary's estate.

### 11. When will ABLE accounts become available, and how can I open one?

Most states are expected to launch programs in 2017 or later (although a few states expect to begin in 2016). Review a list of the passage and status of state ABLE accounts [here](#).

A majority of states' ABLE accounts applications will be available online, or a personal financial planner can be an excellent resource to assist in the account application process.