



# PROTECTED TOMORROWS®

*Saving Money with the ABLE Account*

Presented by  
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# Purpose of the ABLE Act

- The ABLE Act amends Section 529 of the Internal Revenue Service Code of 1986 to create tax-advantaged savings accounts for individuals with disabilities
- Encourages and assists individuals and families in saving private funds
- Provides and secures funding for individuals with disabilities that will supplement, but not replace benefits.



## Why the Need?

- The ABLE ACT finally recognizes the extra & significant costs of living with a disability
- Allows individuals to report more than \$2,000 in Savings
- Allows eligible individuals and families to establish ABLE savings accounts that will not affect their eligibility for public benefits

# THE BASICS

- Yes, Tax Free Savings
- To be used for only approved expenses
- Onset of Disability must have occurred prior to age 26
- One ABLE account per qualified person
- Total annual contribution limited to federal gift amount
- Maximum amount capped by state (529 amount)



# THE BASICS

## Yes, Tax Free Savings

- If used for approved expenses...
- Otherwise income taxable plus 10% penalty

# THE BASICS

## Used for Only Approved Expenses

- Education, housing, transportation
- Employment training & support
- Assistive technology
- Personal support services, health care expenses
- Financial management and administrative expenses



# THE BASICS

**Onset of Disability must have occurred prior to age 26**

Meet other criteria:

- Be entitled to SSI because of disability
- Be entitled to SSDI because of disability
- Have condition on compassionate allowance list
- Be able to “Self Certify”

# THE BASICS

- One ABLE account per qualified person
- Total annual contribution limited to federal gift amount currently \$15,000 (2018)
- Maximum amount capped by state (529 amount)



# What IS it?

- A tool in the tool box
- Flexible and accessible
- A learning tool
- Makes sense in certain situations
- Another way to “get in trouble”



## What ISN'T It?

- Not for everyone
- Not same as a 529
- Doesn't replace Special Needs Trusts
- Doesn't allow maximum funding

## “Different/Same as 529’s?”

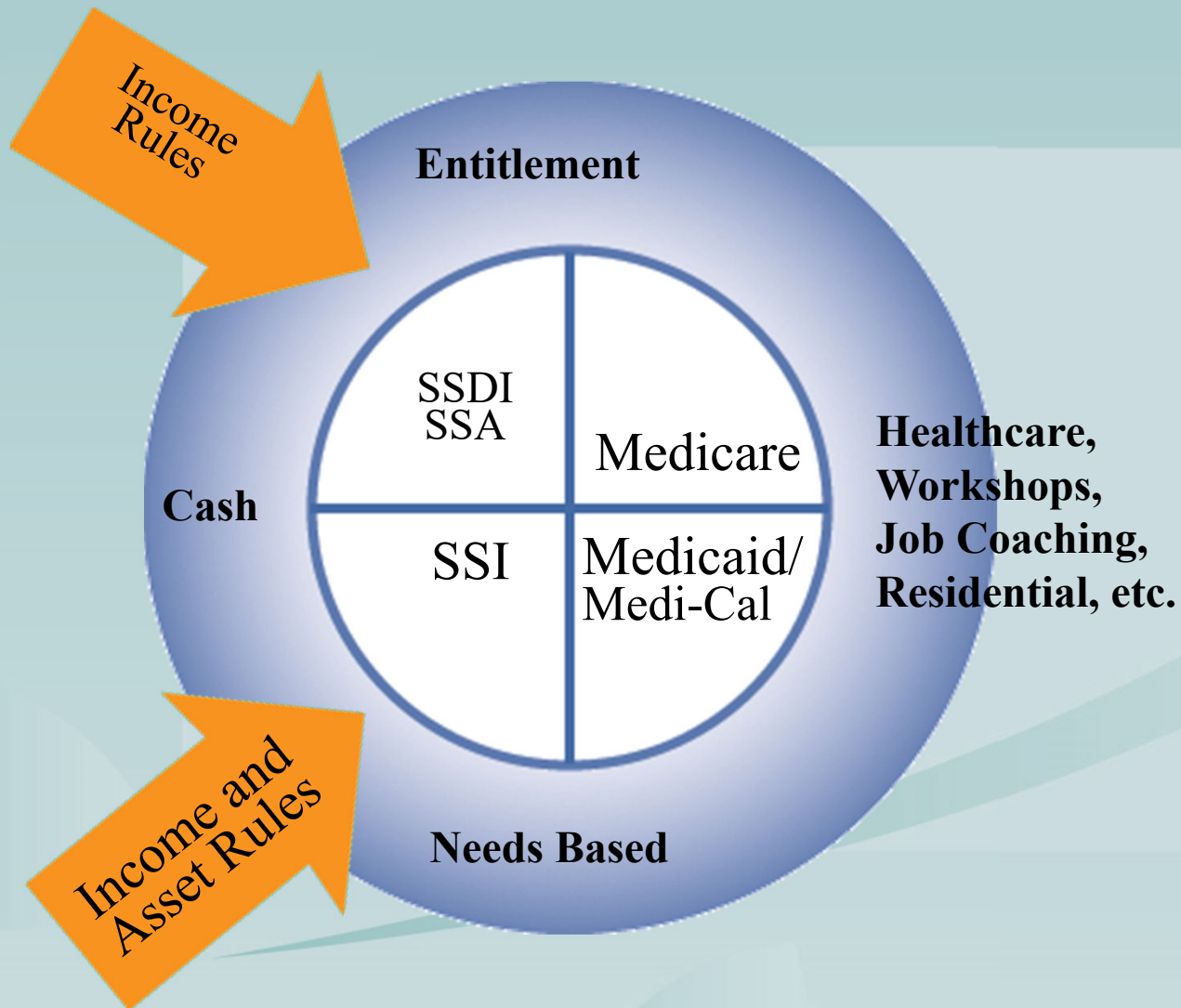
### **Same**

- Tax free if used correctly
  - State determines investment choices
- 

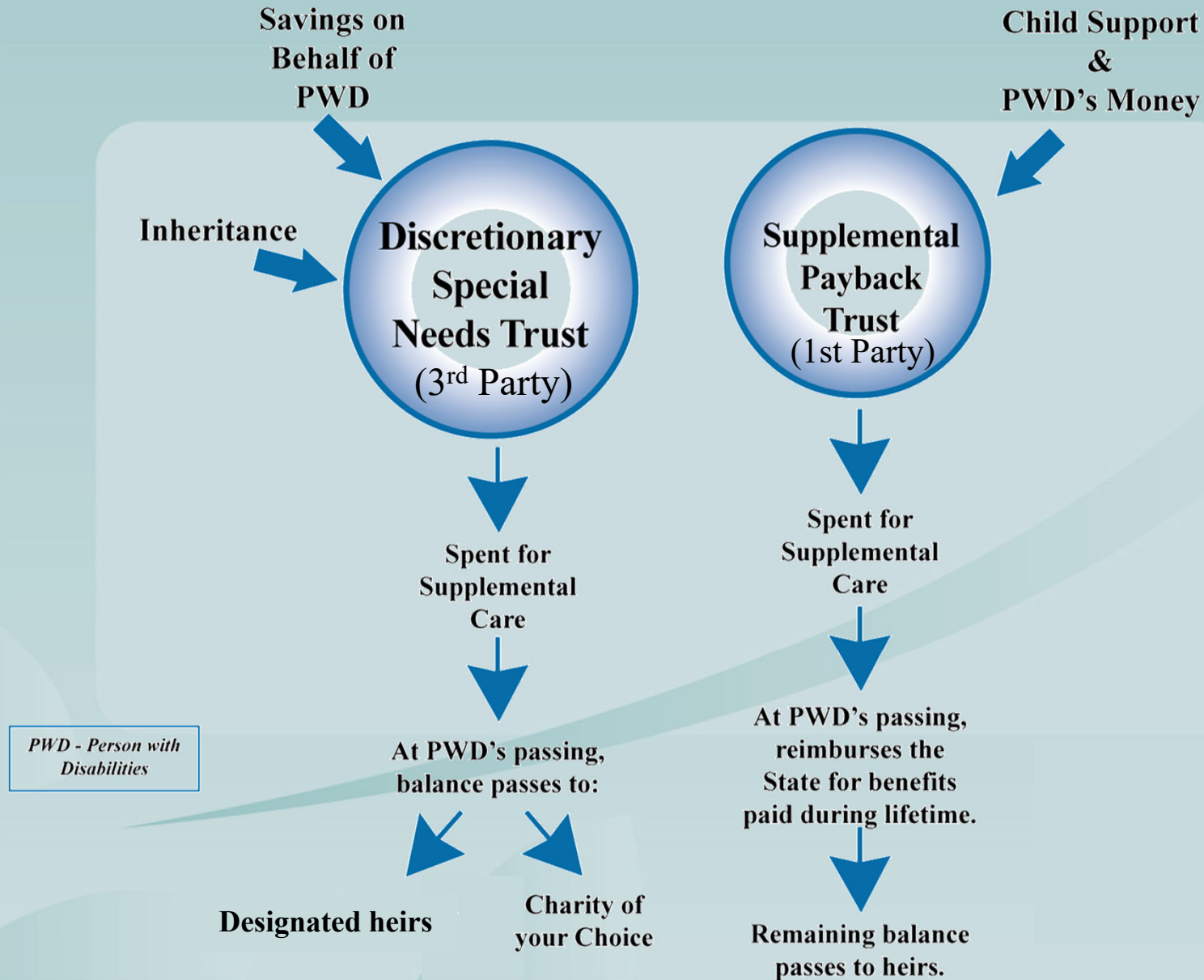
### **Different**

- Single Account Requirement
- Annual Contribution Limitation
- No 5 year funding up front

# Old Rules / Old Tools



# Special Needs Trust



# What are the Rules?

	<b>Individual's Own Name</b>	<b>3<sup>rd</sup> Party SNT QDT Eligible</b>	<b>1<sup>st</sup> Party SNT</b>	<b>ABLE Account</b>
<b>Maximum Assets for SSI</b>	\$2,000 + Exempt Assets	UNLIMITED	UNLIMITED	\$100,000
<b>Maximum Contributions Per Year</b>	N/A	UNLIMITED	UNLIMITED	Federal Gift Amount
<b>Allowable Expenditures</b>	Anything for the benefit of the Beneficiary	Anything for the benefit of the Beneficiary	Anything for the sole benefit of the Beneficiary	LIMITED: Must be "Disability Related" and on list of expenditures in law or regulation
<b>Federal 2018 Income Tax Exclusion</b>	Taxed to the individual at the individual's tax rate	A) Qualified Disability Trust (QDT) Exclusion B) Distributions taxed on the individual's return C) Rest of income taxed at trust rates	Taxed to the individual at the individual's tax rate	NO TAX... <u>Only</u> if all expenditures are for the "Disability Related" expenses approved. If not, 10% penalty on applicable income tax
<b>Required Reporting of Expenditures</b>	NONE	NONE	UPON REQUEST ONLY	REQUIRED

# What Are The Tools?

	3 <sup>rd</sup> Party SNT QDT Eligible	1 <sup>st</sup> Party Payback SNT	Pooled Trusts		ABLE Account
			3 <sup>rd</sup> Party	1 <sup>st</sup> Party	
<b>Parent's Money or others</b>	✓		✓		✓
<b>Person with Disability's (PWD) Money</b>		✓		✓	✓
<b>Limit to Funding</b>	None	None	None	None	Greater than \$100,000 = suspension of SSI Contribution limited to \$15,000/year
<b>Control of Fund / Owner</b>	Non-PWD	Non-PWD	Non-PWD	Non-PWD	PWD
<b>Efficient for Small Accounts?</b>	No	No	Yes	Yes	Yes
<b>Tax-free Savings</b>	No	No	No	No	Yes

## Limitations – Beware

- SSI suspended if account exceeds \$100,000
- Payback at death of person with disability on Medicaid spent from date of account setup





# **ABLE Accounts – Updates in 2018**

- **Maximum Contribution Increased to \$15,000**
- **ABLE Financial Planning Act – 529 rollovers**
- **Retirement Savings Tax Credit (Saver's Credit)**
- **Able to Work Act – (Additional Contributions from ABLE beneficiaries who work – Max \$12,140\*)**

## **How Will it Probably Be Used?**

### **3<sup>rd</sup> Party Money**

- Gifts from Grandma / Family
- Low income.. very small estates

# How Will it Probably Be Used?

## 1st Party Money

- Small inheritances
- Small litigation settlements
- Too much earnings and savings is a problem

## **“Dangers to Families”**

- Lack of understanding of rules
- Lack of understanding how to use
- Overfunding beyond allowances
- Loss of SSI -
- Payback at death

# OK I'm Ready

- My state has a plan
  - If eligible, you can use it
- My state doesn't have a plan
  - Use another state's plan if that state allows it.
  - Other state can restrict outside users

# Helpful Resources

- ABLE National Resource Center
  - <http://ablenrc.org>
- Tool to Compare State Programs
  - [http://www.ablenrc.org/state\\_compare](http://www.ablenrc.org/state_compare)

## **OK I'm Ready**

**I want to open an account.  
Is there a cost to do so?**

Accounts will vary by state. Fees for residents will probably be lower than non-residents.  
There will probably be investments fees as well.

# **OK I'm Ready**

## **I opened an Account - NOW what?**

- Track your Expenses - The IRS can ask
- Decide How It Best Fits
- Manage Your Investment Choices



# **Will Things Change?**

## **Things always change**

- Be Proactive
- Clarification of the rules will continue
- Stay tuned for future webinars



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**Questions?  
Contact Us!**

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