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ABLE Accounts: **Building Financial Independence**

PRESENTED BY

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Presented by INNERSENSE ORGANIC BEAUTY

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Agenda

- **Overview of the ABLE Act**
- **Eligibility** requirements
- Who can **open an ABLE account** and how
- **ABLE account limits**
- **Qualified Disability Expenses** (QDEs)
- **Funding options**
- ABLE account **payback**
- What happens when **medical improvement** changes ABLE eligibility
- How **special needs trusts** may be another planning tool
- Some **differences** between an ABLE account and special needs trusts

ABLE Act Overview (Achieving a Better Life Experience)

- Part of the Tax Extenders package signed into law by President Obama on 12/19/2014
- Tax-advantaged savings account for eligible individuals with a disability (modeled after 529 accounts) to use for “Qualified Disability Expenses”, including housing
- Effective 1/1/2026, **disability onset must have occurred before age 46** – changed from age 26 in 2025
- Most states allow out-of-state residents, and many plans offer debit cards for easy administration and recordkeeping
- Contributions can come from either the account beneficiary or any third person (including family, friends, co-workers, Special Needs Trust, or Pooled Trust)

ABLE Account Eligibility Requirements

CAN BE ANY AGE WHEN OPENING THE ACCOUNT, BUT THE DISABILITY ONSET MUST HAVE OCCURRED PRIOR TO AGE 46 (PREVIOUSLY AGE WAS 26)

If age criteria is met AND:

- Already receiving SSI and/or SSDI benefits **= Automatically eligible**
- **NOT on SSI and/or SSDI benefits**:
  - ✓ must meet Social Security's definition of a disability

    AND

  - ✓ provide a letter certifying their disability from a licensed physician, an M.D. or D.O., a doctor of dental surgery or dental medicine, and, for some purposes, a doctor of podiatric medicine, a doctor of optometry, or a chiropractor

Source: ABLE National Resource Center, URL: https://www.ablenrc.org/what-is-able/what-are-able-acounts/

Who Can Open an ABLE Account?

<u>ONE</u> ABLE ACCOUNT PERMITTED PER ELIGIBLE INDIVIDUAL (AKA BENEFICIARY)

- ABLE account can be established by person selected by the eligible individual; **OR**
- If an eligible individual (whether a minor or adult) is unable to establish his or her own ABLE account, the account may be established on behalf of the eligible individual by the following **(and in this order)**:
  - ✓ the eligible individual's agent under a **power of attorney**
  - ✓ or, if none, by a **conservator or legal guardian**;
  - ✓ **spouse, parent, sibling, grandparent** of the eligible individual;
  - ✓ or a **representative payee appointed** for the eligible individual by the Social Security Administration (SSA)

Source: ABLE National Resource Center, URL: https://www.ablenrc.org/frequently-asked-questions/

ABLE Account Limits

- Maximum annual contribution limit: **$20,000 in 2026** ($19,000 in 2025).
- **Additional $15,650 in 2025** ($15,060 in 2025) can be contributed from earnings of **employed beneficiary** IF they don't have a retirement plan available to which they or their employer contributed within the same calendar year.
- States have set limits for total allowable ABLE savings. Ranges from **$235,000-$596,925**.
- IF ABLE beneficiary is receiving SSI, the account combined with their other resources **cannot exceed $100,000**, or SSI will be suspended until all resources are <$100,000 limit. Does <u>not</u> affect Medicaid.

Source: ABLE National Resource Center, URL: https://www.ablenrc.org

Qualified Disability Expenses (QDEs)

- **ALL EXPENSES MUST BE RELATED TO THE DISABILITY OF THE INDIVIDUAL**
- **ANY "NON-QUALIFIED" DISTRIBUTIONS WILL BE SUBJECT TO FEDERAL INCOME TAX AND 10% PENALTY**

✓ Health, Prevention & Wellness

✓ Education

✓ Assistive technology & related services

✓ Employment training & support

✓ Housing & basic living expenses (i.e. food)

✓ Transportation

✓ Legal fees, and financial management & administrative services

✓ Funeral & burial expenses

Source: ABLE National Resource Center, URL: www.ablenrc.org

ABLE Account Funding Options

- **Funds can come from either the beneficiary or any third person** (including family, friends, co-workers, a corporation, trust or estate, Special Needs Trust, or Pooled Trust)
- **Income earned by the ABLE account is not taxed**. Contributions must be made with post-taxed dollars and is not tax deductible for federal taxes, however, some states may allow for state income tax deductions for contributions made to an ABLE account.
- Funds in a 529 college savings plan can be moved into an ABLE account without incurring tax or penalties IF both accounts have the same beneficiary or a qualifying member of the beneficiary's family. The rollover amount must be within the ABLE annual contribution limit **($20,000 in 2026**).
- **Money from the beneficiary's special needs trust moved into their ABLE account will have no tax consequences**, while staying within the ABLE annual contribution limit.

Source: ABLE National Resource Center, URL: https://www.ablenrc.org

When Beneficiary Passes

APPLIES FOR MEDICAID ONLY

- Most states will file for **Medicaid recovery** of funds paid since the account was opened, regardless of who deposited the funds
- Funds in account **can be used for any outstanding QDEs**, including funeral and burial expenses
- If the state pursues Medicaid recovery claim, in addition to allowing for the repayment of outstanding QDEs, **Medicaid buy-in premiums paid** since opening the ABLE account will be reimbursed. Thereafter, the **remainder of funds are payable to the Estate**
- The specific ABLE account plan can advise what is needed such as a death certificate or whether there is a special form to complete

Source: ABLE National Resource Center, URL: www.ablenrc.org

Medical Improvement Changes Eligibility

WHAT HAPPENS WHEN BENEFICIARY NO LONGER MEETS ABLE ACCOUNT'S ELIGIBILITY BECAUSE OF MEDICAL IMPROVEMENT?

- ABLE account remains open and can be used until **end of the calendar year**
- After end of the year:
  - ✓ Beneficiary is no longer eligible,
  - ✓ No new contributions are permitted, and
  - ✓ Account withdrawals treated as non-qualified withdrawals
- Distributions when individual is no longer eligible **may be subject to taxation** and earnings of the distribution **may be taxable**
- **Non-qualified withdrawals may affect SSI and other federal benefit eligibility**

Source: ABLE National Resource Center, URL: www.ablenrc.org

Opening an ABLE Account

- Individual can enroll in any state's ABLE program that offers ABLE & **accepts out-of-state residents**
- State determines enrollment process
- Online applications available in most states
- **Minimum contribution required** to open the account, **and/or an annual maintenance fee** in some states
- **Debit cards** offered with most plans for easy administration and recordkeeping

Resources

ABLE NATIONAL RESOURCE CENTER

www.ablenrc.org

ABLE today

www.abletoday.org

Source: ABLE National Resource Center, URL: www.ablenrc.org

Another Planning Tool May Be a Special Needs Trust

Special Needs Trusts (SNTs)

- **FIRST-PARTY (D)(4)(A) SNT**
- **SELF-SETTLED SNT**
- **THIRD-PARTY SNT**
- **POOLED (D)(4)(C) SNT**

✓ How does it protect government benefit eligibility?

✓ What can it provide?

✓ Are there restrictions?

Comparison of ABLE Account and Special Needs Trusts

	ABLE Account	SNTs
Annual Contribution Limit	**$20,000 in 2026** *($19,000 in 2025)*	**None**
Shelter Payments w/o SSI reduction	**Yes**	**No**
Taxable Income	**No**	**Yes**
Beneficiary Eligibility Requirements	Disability onset **before age 46** *(Prior to 1/1/2026, age was 26)*	Federal definition of disability **before age 65** (Third-Party: any age)
Medicaid Pay-back	**Yes** First & Third-Party funds (most states)	**Yes** for First-Party funds **No** for Third-Party funds
Account Balance Maximum *(to prevent SSI disqualification)*	**>$100,000**	**None**

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