

ABLE Account Planning: Six Next Steps in 2015

I am Michael Morris, the executive director of National Disability Institute.

Now that President Obama has signed the ABLE Act into law, the National Disability Institute has six steps you can take to become ABLE account ready.

To review, ABLE Accounts are tax advantaged savings accounts for eligible individuals with significant disabilities, which will become a new financial planning option in 2015. Income made on dollars saved is tax free when placed in an ABLE account and used to reimburse for qualified expenses as diverse as housing, employment, transportation, health care and technology expenses. The Treasury Department will then write proposed rules. After a public comment period, final rules will be published. States will then have the guidance they need to establish an ABLE Account program in 2015.

So how can you plan ahead for you, your child or other family member when ABLE accounts become available later in 2015? Here's how in six steps.

1. Identify your need for savings

Whether you are working and producing income and/or a Social Security beneficiary of SSI and/or SSDI monthly income payments, make a list of short and longer term needs to set aside for funds in an ABLE account. Consider whether these needs will be covered by any public benefit program you currently receive or may receive in the future. Some examples include:

- Long-term supports like personal assistance services which a government funded benefit may cover, but restrict the number of hours per week or month;
- Renovations to where you live to be more accessible;
- Assistive technology like hearing aids or repairs to a wheelchair;
- The purchase of a computer or iPad;
- Supported or customized employment assistance including on-the-job training;
- Public benefits planning; and
- The purchase and retrofitting or modifying of a van.

Investigate costs to meet identified needs and develop a short-term (up to three years) and longer term budget.

2. Identify potential sources for income

Friends, family and an employer may all be invited to contribute to your ABLE Account. The total allowable contributions is \$14,000 annually. Your contributions to an ABLE account are not tax deductible. While you or your family may not have the resources to contribute \$14,000 annually, you might also consider crowdsourcing or letting relatives and friends know about your specific future savings goals and how they can help make it happen.

3. Consider an ABLE account as part of long-term financial goals

If you already have or are considering a Special Needs Trust (SNT) discuss with your financial advisor and attorney your long-term goals and whether an ABLE account could be established to complement the goals of the Trust. The ABLE account funds will not impact continued eligibility for SSI, Medicaid and other public benefits. The SNT also protects against loss of eligibility for public benefits. The costs of establishing an SNT with the engagement of a knowledgeable attorney will more likely be higher than establishing an ABLE account with the state.

As the Treasury Department develops regulations to implement the ABLE Act, the best strategy for your situation may become clearer. National Disability Institute will continue to analyze the options and provide information materials to help inform your decisions. Ask your trusted advisors, such as lawyers, financial planners and pooled trust managers, about opportunities to utilize the full advantage of an ABLE account to complement your participation in or instead of a Trust.

4. Be aware of some disadvantages to an ABLE account.

- You may not be eligible for an ABLE account if your age of onset of disability is after age 26, or your disability does not meet the threshold to document significant disability below age 26.
- If you establish an ABLE account and do not use all the resources in the account before you die, the remaining funds are subject to a payback provision to the state if you used Medicaid for any supports and services. The amount owed will need to be defined in the final ABLE Act regulations.
- You are limited to total contributions of \$14,000 annually. There are no such restrictions in an SNT or Pooled Income Trust.

5. Make sure your state is moving forward to establish an ABLE account program.

While your state has the option to create an ABLE account program, they are not obligated to and may instead contract with another state to offer ABLE accounts to you.

Call and email your Governor's office and ask for the name of the lead contact working on the establishment of an ABLE account program. Let the Governor's office, the lead contact and your state legislators know the importance of the ABLE account program to people with disabilities and ask them to keep you informed on its progress. Ask whether the state will consider, when you make an ABLE account contribution, that it be tax deductible for state income tax purposes like the 529 college savings account program. Your advocacy will make a difference!

6. Start saving now!

You do not have to wait until your state establishes their ABLE account program or decides to contract with another state to benefit eligible individuals with disabilities.

Begin to save now! Set aside a dollar amount weekly or monthly from your paycheck and/or Social Security check if you receive SSI and/or SSDI. Visit with a local financial institution, such as a bank or credit union, and open a savings account if you do not have one. Find a financial institution with no monthly administrative fees, an interest bearing savings account, any matched saving options, and discuss minimum balance requirements and how many transactions you may make monthly at no cost. Set a savings goal for 2015 and invite family and friends to contribute to your savings account. These funds will be moved to an ABLE account when your state puts their structure in place to meet federal guidelines later in the year.

For additional information on the ABLE Act and ABLE accounts, please visit the National Disability Institute website: www.realeconomicimpact.org. Thank you.