ABLE Accounts

The ABLE Act allows individuals who were deemed disabled before the age of 26 to save money in specific accounts and not jeopardize necessary government benefits. Before The ABLE Act was passed, an individual with a disability who relied on government benefits, like SSI and Medicaid, could not save more than $2,000 or else they would lose all their benefits which can impact housing, employment, transportation and more; losing these benefits would be catastrophic.

The ABLE Act and the resulting ABLE Accounts will provide individuals with a disability the right to save money above the $2,000 asset limit for SSI and Medicaid. The ability to work and save money provides a deep feeling of accomplishment, confidence and success. These feelings will help those with disabilities reach levels of independence not seen in the past.

At this time, the ABLE account includes some drawbacks. For the majority of families, these accounts do not lend themselves to be the primary account for family (ie. Parents and grandparents) to save their money with the hopes of providing financial resources for the future support of their loved one with Special Needs.

For most families these accounts will **not** replace other lifetime planning tools such as Special Needs Trust due to 3 main drawbacks:

- Annual Funding limitations based upon the annual gift tax exclusion amount ($14,000 in 2015)
- Maximum funding of $100,000 before losing SSI (a monthly income that is used for many individuals to fund housing and other necessary life-long supports)
- Payback Provision to Medicaid at the passing of the individual with the disability (meaning any remaining money in the ABLE Account, at death, will be susceptible to government payback

As with any available Planning Tool, it is important to understand how best to use The ABLE Account for your own family's specific situation before jumping in!

Other Facts about The ABLE Account:

- ABLE accounts are tax-advantaged in the sense that annual growth is not taxed, and if the money is spent on Qualified Disability Expenses then no taxes will be paid. Contributions to the account are not tax deductible.
- Qualified Disability Expenses include costs for education; housing; transportation; employment training and support; assistive technology and personal support services; health, prevention, and wellness; financial management and administrative services; legal fees; expenses for oversight and monitoring; funeral and burial expenses; and any other expenses approved under regulations.
- Each Individual with a disability (diagnosed before the age of 26) can only have 1 ABLE Account
- Each Individual State is responsible for Administering and Operating their ABLE Program

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