

# ABLE 101 Part 1:

## Intro to ABLE Accounts

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ABLE accounts allow people with disabilities to save without losing benefits.

### ABLE Basics

ABLE accounts are groundbreaking resources for certain people with disabilities to save money and invest for their future. These specialized savings accounts were signed into law in 2014 through the Achieving a Better Life Experience (ABLE) Act and have expanded to nearly all states. Individuals receiving SSI and other benefits usually have a \$2,000 “asset limit,” which means they can’t save much money without losing their benefits.

ABLE accounts allow people who acquired a disability before the age of 26 to save up to \$100,000 and still receive SSI and/or SSDI benefits, Medicaid, or other federal or state benefits, such as Supplemental Nutrition Assistance Program (SNAP). This means that ABLE account holders can save money and still receive vital benefits to protect their health and wellbeing. ABLE accounts also feature other advantages, including tax-free investing.

### I want to open an ABLE account! Do I have any options?

Yes! ABLE programs are run at the state level. The majority of ABLE programs let out-of-state residents open accounts. There can be big differences between state programs. For example, they have different investment options. Some have debit cards and checking options while others don’t. States have varying maximum account limits. There are different management fees and tax benefits between accounts. Some states also offer specific tax advantages and lower fees to in-state residents.



Because of this, it's a good idea to research the best option for you before you open an ABLE account. Compare each state's ABLE account features at the [ABLE National Resource Center's State Comparison Guide](#).

## Are there limits to ABLE accounts?

There are a few limits to ABLE accounts. First, you are only allowed to deposit a certain amount of money per calendar year. In 2022, the maximum annual contribution amount was increased to \$16,000. Somebody who earns money from a job can contribute an additional \$12,880 annually from their job earnings.

ABLE accounts have maximum savings amounts of \$100,000. This amount could be higher depending on the state's program.

In general, funds in ABLE accounts can only be spent on ["qualified disability expenses" \(QDEs\)](#), which include housing, utilities, transportation, medical devices, personal attendant care, and assorted other items. Some states allow for expenses not directly related to the disability but to items that improve one's quality of life, hence Achieving a Better Life Experience.

## Can anybody contribute to my account?

Yes! ABLE accounts can receive contributions from friends, family members, or account holders themselves.

It is also possible to transfer money from 529(a) educational expense accounts, which many people open for their children's future education costs (but these transfers count toward the annual contribution limit).

## Can I invest money in an ABLE account?

Yes, you can! ABLE programs provide opportunities to invest in stocks and bonds through mutual funds, which can allow your money to grow over time. You will likely be asked to choose an investment option offered by your ABLE program of choice. States use a range of investment managers and may feature anywhere between 3 and 5 account options, or more.



You may change investment options up to two times per tax year. Some options include more “aggressive” investments, which means they have a higher potential gain when the market grows, but also a higher risk if the market goes down. More “conservative” investments grow more slowly when the market goes up but are safer if the market drops.

Finally, some programs offer FDIC-insured accounts (like a bank account), which provide a safe place to keep your money without any market risk. Depending on the state’s ABLE programs, investment managers may collect some additional fees, such as asset management fees.

### **What is tax-free investing? Do ABLE accounts have other tax benefits?**

Usually, when people invest money, and their investments grow in value, they pay taxes on any earnings from those investments. When money in an ABLE account grows, the account holder doesn’t have to pay any taxes.

However, there may be tax penalties if the account holder uses the ABLE funds for items other than QDE items. (Make sure to check state-specific rules.)

ABLE accounts feature other tax benefits as well. Some states provide tax deductions for contributions to ABLE accounts by in-state residents, up to certain amounts. Under the 2017 Tax Cuts and Jobs Act, certain ABLE beneficiaries are eligible for federal tax advantages known as the “Saver’s Credit.” The Saver’s Credit is now a permanent addition to the U.S. tax code.

ABLE beneficiaries who are unable to take advantage of the credit may want to consult a tax professional for recommendations on maximizing the federal and state tax benefits of an ABLE account (see the [ABLE account tax advantage credit resource](#)).



## Is it hard to open an ABLE account?

Not at all. Some accounts can be opened online in half an hour or less. All you will need is your personal information (name, address, birthday, and Social Security number), an account and routing number for your regular checking account to transfer initial funds (this information can be found on a physical check or your bank's website), and the means to show that you have a qualifying disability.

Demonstrating a disability can be as easy as marking down that you receive SSI, SSDI, and/or Medicaid and that your disability occurred before the age of 26. You can also self-certify that you have a qualifying disability and provide your doctor's information in case the ABLE program needs to verify your situation. (This can be useful if you apply for benefits later on and need to start saving in a way that won't affect future asset limits or if you just want to invest in a tax-advantaged account for more gains.) You can then transfer money to your ABLE account and choose your investment options.