

ABLE 101 Part 3: Savings and Benefits

How do ABLE accounts affect my benefits?

The main goal of ABLE accounts is to allow people with disabilities to save money without losing vital benefits. Normally, people who get means-tested benefits, including SSI and Medicaid, are limited to having \$2,000 in assets (the limit is \$3,000 for eligible couples).

However, ABLE accounts transform this rule. The first \$100,000 in an ABLE account is not considered countable assets for means of determining eligibility for SSI.

ABLE accounts may have higher levels for Medicaid and other means-tested federal benefits, such as the Supplemental Nutrition Assistance Program (SNAP). Some state programs allow savings to be considerably higher than \$100,000 before affecting these benefits.

How do the ABLE account limits work?

Social Security and other federal benefits look at your “countable assets” to determine if you are eligible (check out [the Social Security Administration’s page on countable resources](#)). Funds in an ABLE account up to \$100,000 are not considered countable assets for SSI. This means you can have up to \$100,000 without losing your SSI benefit.

Once your ABLE account holds more than \$100,000, whether alone or with other countable resources, your SSI income benefit will stop. But it will immediately resume when your account balance drops back below \$100,000. The rest of the funds in an ABLE account are exempt when counting assets for Medicaid and other federal benefits.

However, ABLE accounts themselves have maximum savings limits, and once you reach the limit, you cannot deposit any more money into your ABLE account. Some states allow ABLE funds to be higher than \$100,000. So, compare available options to find the best one for your needs.



Are there different limits in different states?

Yes. Different state programs have different maximum account limits, which are related to the state's 529 account rules. A 529 plan is a tax-advantaged savings plan designed for saving for future education costs. State limits can vary widely.

Is there a limit to how much I can deposit in a year?

Yes. ABLE accounts can only receive a certain amount of money per calendar year from all contributions combined (from the account holder, their family, or others). This amount is tied to the federal gift tax and was raised to \$16,000 in 2022. Because the amount is per calendar year, it is possible to deposit \$16,000 in December of one year and start over in January. Prescheduling contributions is a great way to set up deposits and future contributions.

Account holders who earn money from work can also deposit an additional \$12,8000 annually from their job earnings. States outside the contiguous United States (Hawaii and Alaska) may have higher earned income limits.

I have a 529(a) educational savings account and would like to deposit the funds into my ABLE account. Is that possible?

Yes. It is possible to transfer funds from a 529(a) account to the same individual's ABLE account. However, the transfer amount cannot be more than the annual contribution limit of \$16,000.

Are there limits on what I can spend money on?

Yes. All ABLE funds must be spent on "qualified disability expenses" (QDEs). According to the [ABLE National Resource Center](#), a QDE "means any expense related to the designated beneficiary as a result of living a life with disabilities. These may include education, housing, transportation, employment training and support, assistive technology, personal support services, health care expenses, financial management and administrative services, and other expenses that help improve health, independence,



and/or quality of life.” The IRS may question the use of the funds from ABLE accounts. Therefore, it is recommended to keep detailed records of expenses paid for by ABLE account assets.

Some states are more flexible on what they consider “qualified disability expenses” and may allow for items that simply help a person with a disability in “Achieving a Better Life Experience”.

With a regular bank account, I can use cash, checks, or a debit card to purchase items and pay bills. How do I spend money from my ABLE account?

There are a few ways to spend money from an ABLE account. All ABLE programs allow account holders to transfer money from the ABLE account into their conventional bank account through an electronic funds transfer (EFT). When money is transferred, the account holder must keep track of expenses and use the funds on “qualified disability expenses” (QDEs) in the same month the money was transferred.

For example, if a person has a \$2,500 rent check, they can transfer \$2,500 to their bank account even though it puts them over the \$2,000 asset limit. But, they must withdraw the \$2,500 for rent before the end of the month. If it is difficult to time transfers and withdrawals (say, when rent is due on the 1st of the month), account holders can consider using cashier’s checks since the money is officially withdrawn at the bank rather than when the check is cashed.

Some ABLE programs have linked debit cards that an individual can use at a store or online. A few programs now feature checking options, which can be useful for writing rent checks or making similar payments. When using a debit card or check, it is important to spend money only on “qualified disability expenses” (QDEs); otherwise, account holders may face tax penalties.

To find out spending options for different states, check out the [ABLE National Resource Center](#).



What happens with the funds in my account when I pass away?

Most states feature what is called a “Medicaid claw-back” tied to ABLE accounts. With the claw-back, Medicaid will look at the amount of money that it spent on an account holder’s health care during the time they had the account. When the individual passes away, Medicaid will recoup up to that amount from the ABLE account. Any money that is left in the account can then go to the individuals the account holder previously designated to receive the money.

Some states are looking into removing the Medicaid claw-back. Without the claw-back, all the funds in an ABLE account will be returned to the individual’s family or other legally designated people after the death of the account holder.

You can also work with a trust expert to see how an ABLE account can work together with a special needs trust.

