

ABLE 101 Part 1: Intro to ABLE Accounts

ABLE accounts allow people with disabilities to save without losing benefits. Here are some ABLE basics!

ABLE accounts are groundbreaking resources for certain people with disabilities to save money and invest for their future. These specialized savings accounts began in 2015 through the Achieving a Better Life Experience (ABLE) Act and have been expanding through state programs over the past several years. Usually, individuals receiving SSI and other benefits have a \$2000 “asset limit,” which means they can’t save much money without losing benefits. ABLE accounts allow people who acquired a disability before age 26 to save up to \$100,000 and still receive SSI benefits and \$300,000 or more without jeopardizing Medicaid or other federal benefits such as Supplemental Nutrition Assistance Program (SNAP). This means that account holders can save money and still receive vital benefits to protect their health and well-being. ABLE accounts also feature other advantages, including tax-free investing. There are over 30 programs nationwide (January 2018), with more on the way.

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

Yes! ABLE programs are run at the state level – but as of January 2018, more than two-thirds of ABLE programs let out-of-state residents open accounts. There are differences between state programs as well. 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.

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 2018, the maximum is \$15,000 from all contributions in total, but that amount will increase every few years. Somebody who earns money from a job can also contribute their annual gross earnings, up to the federal poverty level for a single individual, in addition to the regular \$15,000 limit. ABLE accounts have maximum savings amounts, which range between \$300,000 and \$465,000 depending on the state program. Finally, 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.

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 \$15,000 annual contribution limit).

Can I invest money in an ABLE account?

Yes, you can! ABLÉ programs provide opportunities to invest in stocks and bonds through mutual funds, which can allow your money to grow over time. States use a range of investment managers and most feature anywhere between 3 to 5 account options. 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.

What is tax-free investing? Do ABLÉ 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 ABLÉ account grows, though, the account-holder doesn’t have to pay any taxes! (However, the account-holder always needs to use the ABLÉ funds for QDEs; otherwise, there can be tax penalties.)

ABLÉ accounts feature other tax benefits, as well! Some states provide tax deductions for contributions to ABLÉ accounts by in-state residents, up to certain amounts (often \$2000 or so). As of 2017’s federal tax reform, all ABLÉ beneficiaries will also be eligible for the Saver’s Credit for a maximum annual contribution to his or her ABLÉ account, up to \$2,000 per individual with a credit rate that is adjusted based upon amount of the individual’s adjusted gross income level. This Credit will be available through December 31, 2025.

Is it hard to open an account?

Not at all! Some accounts can be opened online in a half 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 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 or Medicaid and that your disability occurred before age 26, or self-certifying that you have a qualifying disability and providing your doctor’s information in case the ABLÉ program needs to verify your situation. (This can be useful if you may apply for benefits later on and need to start saving in a place that won’t affect future asset limits – or if you just want to invest in a tax-advantaged account for more gains.) Then, you can transfer money to your ABLÉ account and choose your investment options – and you’re on your way!