

# Choosing and Using an ABLE Account

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# Why Is Able Important?

## Chris Blake's Story

- I heard about a training course at UConn called LEND, and enrolled because it was the next logical step in my journey of learning how to become a well versed and more rounded advocate. I was told that self advocates and parents in the course would be paid a stipend at the end of each semester.
- At the end of the first semester, I received more money than I expected. I knew that this money would affect my benefits, like Social Security and Medicaid.
- I knew about ABLE accounts but did not completely understand how they worked.

# Chris Blake's Story

- As I started to research and ask around, I spoke to several people that had already set up ABLE accounts. However, their information and advice was usually just a broad overview and I did not understand how they actually chose their accounts. The whole process was confusing and difficult.
- As I researched further, I realized that not every state offered an ABLE account, and the ones that did differed greatly.
- It took me about three months of research to find a state with an ABLE account that matched my needs. I found it confusing, frustrating, and time consuming. I learned the ABLE accounts were developed by accountants, attorneys, and policy makers. This led to a confusing and complicated process for anyone who does not understand banking, investments, and the different kinds of accounts offered through ABLE.

# Chris Blake's Story

- None of the material was really written for people like me—with limited reading ability and limited experience in the banking world.
- So when I had a chance to choose a project for my SARTAC fellowship, this seemed important.
- ABLE can really help people with disabilities and family members earn money and keep their benefits.
- And it can allow other family members to contribute to their support through an ABLE account tax free.
- I hope the training, the booklet and the table explaining the basics of the accounts is helpful to other people with disabilities and family members.

# What is an ABLA Account?

## Achieving a Better Life Experience

- ABLA accounts give people with disabilities or their families the ability to have tax free savings accounts that will not affect their eligibility to get or stay on government assistance like Medicaid, Social Security and other benefits.
- The ABLA Account lets you make your own decisions about how to spend your money.

# The Benefits of an ABLE account

- A person with a disability can set up an account with his or her own money instead of having to depend on a parent or other family member or the courts to set up a trust.
- A person with disabilities can manage their own funds in their ABLE account, making it easier to get and use their money.
- ABLE accounts are tax free and are not subject to gift tax restrictions as long as the funds are used for qualified disability expenses.
- They are easy to set up.

# Tax Benefits of an ABLÉ account

- Investments are the way you can earn money from the money deposited in your account. In a regular account, you would have to pay taxes on these earnings.
- Earnings on your ABLÉ Account grow free of federal and state income taxes. The earnings remain tax-free even when you take them out, so long as you spend the money on Qualified Disability Expenses.

# Limits of an ABLA Account

- ABLA accounts are only for people who developed their disability before turning 26 years old.
- You can only put \$15,000 per year into your ABLA account, unless you are working. If you are working you can put an additional \$12,240 a year into the account.
- You can only have up to \$100,000 without affecting your SSI eligibility.

# Will the state take the money left in your account after you pass on?

- This would be done to pay back Medicaid for state benefits you have received.
- States have to take money back from funds left in your account after you die if these funds become part of an estate. That means that after you pass on, if there are any funds left in your account after all bills and funeral arrangements and debts are paid, the state will take those funds up to the amount that the state paid for your Medicaid expenses. If you are part of a Medicaid buy-in states can choose whether to file a claim against the ABLE account.
- The state can only take funds to repay Medicaid for payments made AFTER you opened your ABLE account.

# Qualified Disability Expenses

- Money in your account can be used to pay for Qualified Disability Expenses. An expense is “qualified” if:
- (1) This cost happened at a time when you were considered an Eligible Individual
- (2) The expense relates to your disability; and
- (3) The expense helps you to maintain or improve your health, independence, or quality of life.
- Qualified Disability Expenses can cover many, many things. A list of possible expenses is in the workbook.

# Eligibility

- You must have a permanent disability that significantly limits you.
- When you open the account you will have to describe your disability.
- Your disability must have happened before the age of 26.

# Choosing Your Account

Things to look at when you are deciding where to  
open your account

# First Consideration: How much money will you put in the account?

- This includes all the money you think you will deposit for the whole time the account is open.
- How much money you have in your account will affect everything else. This includes fees the financial institution will charge you, investments, and your ability to have other benefits like Social Security.
- Deposits over \$100,000 will result in the loss of Social Security benefits regardless of where your ABLE account is located.

# Is there a limit on how much you can deposit?

- The standard amount you can deposit in your account is \$15,000 per year.
- If you are working you can deposit an additional \$12,240 a year for a total of \$27,240 a year.
- The maximum amount you can have in your account is different for each state's ABLE account. Lifetime limits range from \$235,000 to a maximum of \$529,000 in your account. Remember, you will lose Social Security if the total amount in your account is greater than \$100,000.
- Once you reach the cap on your account you will not be able to deposit any more money.

# Are there fees to open and maintain your account?

Fees might include:

- Fees to open the account.
- Fees for checks and fees for an ATM card.
- Yearly fee to keep the account open.
- Some states don't charge fees if you have a certain amount of money in your account.
- Every state is different. You are less likely to have fees charged, have lower fees if you use electronic statements, and get all your information by e-mail.

# What funds do you need to open an account?

- States may require certain fees to open an account and for your first deposit.
- Many charge \$25 to open and \$25 minimum for your first deposit.
- Many states don't charge a fee to open the account.
- Some states let you open the account with as little as \$1.00. It varies from state to state.

# Do you have to be a resident of the state where you open the account?

- Some states require that you live in the state where you open the account, but many states allow people from any state to open an ABLE account.
- The table in the workbook shows a list of states that allow anyone to open the account, and the states where you have to live in the state to open the account.
- Each person can only open one account. You cannot open multiple accounts in different states.

# Investment Choice

- When you open your account you can make an *investment choice*.
- You can choose a safe investment and earn less money, or a less safe investment and earn more money.
- *If you don't have a lot of money, you should probably choose a low risk, safe account.* Low risk protects your money, so you don't lose it.
- Low risk means low gain; High risk means high gain, but could also be a high loss.
- You can change your investment option choice twice per year.
- You can also choose a checking account option that is not an investment account.

# Investment Options

- Investing is a way to make money from your money.
- Your ABLE account can pay you interest to invest your money in other funds, like stocks or bonds. For example, if you had \$100 in an account and you had an investment option that would pay you 4% interest a month, you would earn \$4.00 a month on your account. If it was a 2% investment option, you would earn \$2.00.
- The higher the amount the account will pay, the greater the risk that you could lose your money if the stock market values drop. It's a gamble.

# Investment or Checking Option?

Whether you decide to place your money in an ABLÉ checking account, or to save for a disability-related expense in one of the investment options, there are some questions you should ask yourself when deciding what's best for you:

1. What disability expenses do I want to save for, like a van or a car?
2. When will I need the money? Am I saving for many years before I need the funds? Or do I need them fairly often? A checking account gives you access to a debit card, and an investment savings account does not.
3. Do I want to risk money? When you choose to invest, you might lose money or make money, and these funds are not insured. If you choose an ABLÉ Checking account option, your funds are insured and there is no risk.

# Things to Consider when Choosing a Checking Account

- Do you want a debit card for your account?
- Some states don't offer debit cards. It could be hard to use your money if you don't have a debit card and your account is in another state.
- Some states offer a pre-paid card, which sets a limit on how much you can spend and helps you save money.

# Looking at different state options

- Use the table in the Understanding ABLE account booklet.
- OR go to <https://specialneedsanswers.com/able-accounts>
- This is the directory of state ABLE accounts.
- Click on any state to look up the information about that state account.
- Each state is different.

# Opening your ABLE Account

# Opening your account

- Opening your ABLE account is EASY.
- It takes about 1-2 hours to set it up on your computer.

# Once you have chosen the state....

- Click on the link for the state (Go to <https://specialneedsanswers.com/able-accounts>)
- To enroll and open an account, you need the following information:
  - Your full legal name
  - Your address
  - Your social security number or your taxpayer id number
  - Your date of birth
  - Answer questions describing your disability.
- If you are going to be transferring funds from your personal checking or savings account to your ABLE account, you will also need to have those account numbers.
- Complete all the identification information that they ask for.

# Send the forms to open your account

- Follow the directions to send all the forms and information required by your state's ABLE account via overnight mail or certified, with the deposit you are sending to open the account.
- Once it is sent, it will take 2-3 weeks to activate.
- You will get an e-mail or a letter giving you instructions for the next steps to use your account.
- Every state process is different.

# Once your account is open

Go to the state ABLE Account institution's website:

- Order checks
- Set up online accounts
- Request a debit or prepaid card
- Transfer or deposit money into your ABLE account.

# Using your ABLE Account

# There are no limits to how you can spend money from your able account

You can use the funds in this account for anything related to:

- Education
- Health and wellness
- Housing
- Transportation
- Legal fees
- Financial management
- Employment training and support
- Assistive technology
- Personal support services
- Oversight and monitoring
- Funeral and burial expenses

# Using the Money in Your ABLE Account

- Keep receipts of everything you purchased with funds transferred from your ABLE account. This may not be looked at, but you should keep the information.
- Annually, the total amount of your withdrawals will be reported by the ABLE account to the IRS and the date and amount of each of your withdrawals will be reported to the Social Security Administration. If either the IRS or Social Security wants proof that these were disability related expenses, you will need those receipts!!
- Withdrawing enough cash to purchase or pay a large bill may take a few days.

# How to take out money from your ABLE Account

- Go online to your state online financial institution website for your ABLE account.
- Choose the amount of money you want to take out, and transfer to your personal, local checking account in your own bank.
- IT TAKES UP TO 24-48 HOURS TO APPROVE AND MOVE THE FUNDS.
- If you selected an ABLE checking account option, you can write a check from your ABLE account or use your debit card.

# Once the funds are moved from your ABLER account

- Any money transferred from your ABLER account to your personal bank account now counts as a cash asset. Don't take money out of your ABLER account unless you have something specific you are going to buy or spend it on.
- This can affect eligibility for other programs, so be sure to spend those funds quickly.
- If you are no longer going to spend those funds, transfer them back immediately to your ABLER account. Do not let large amounts of cash sit in your personal checking account.
- To transfer the funds back to your ABLER account, go online and transfer the funds back.

ABLE Accounts give people with disabilities more freedom to make choices that will help them with disability expenses!

**For More Information or to receive training about ABLE contact:**

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