

Achieving a Better Life Experience (ABLE) Act

Work Incentives Connection Fact Sheet # 24

January 2020

The Achieving a Better Life Experience (ABLE) Act allows some individuals with disabilities to save and invest for certain expenses without having that savings counted as an asset for federal benefit programs. You can use the savings to pay for expenses related to living with a disability including education, housing, assistive technology, healthcare expenses and more. ABLE accounts became available in Minnesota in January 2017.

Money saved in ABLE does not count as an asset for federal, needs-based programs. Supplemental Security Income and Medical Assistance have rules about how much you can have in countable assets. Using ABLE, you can save up to \$100,000 and it does not count as an asset for SSI. Savings of any amount in ABLE is excluded as an asset for federal Medical Assistance (called Medicaid).

Your health condition has to meet Social Security's definition of disabled before you turned 26 years old. If you were receiving SSI or SSDI at that time, you meet this requirement. If you did not, you can still use ABLE if you certify you have medical documentation that shows you met the SSA disability standards before age 26. You are expected to keep and be able to show medical documentation to prove you do meet this rule if you are audited by Social Security or the IRS.

You must use the savings for qualified expenses. Qualified expenses include, but are not limited to: education, health and wellness, housing, transportation, legal fees, employment training and support, assistive technology, personal support services, funeral and burial expenses.

You will need to show proof that the funds were spent appropriately if the IRS asks you for it. Money used for non-qualified expenses may be subject to federal income tax and a 10% penalty tax as well as applicable state and local taxes. We recommend you keep records and receipts for the purchases you make using ABLE funds.

ABLE accounts may have tax advantages for you or the people who care about you. You can deposit money into the account and so can your friends and family. You can set up a plan with as little as \$25, but there is an annual cap on deposits. The cap on annual deposits is \$15,000 in 2020. Gifts made to the account may not be taxed.

Working ABLE account owners who do not participate in an employer-sponsored retirement plan may contribute above the annual ABLE contribution limit.

Interest earned on the ABLE savings are federally tax-deferred and tax free

ABLE accounts may be more affordable than other savings programs. Supplemental and Special Needs Trusts can be expensive. ABLE may be more affordable. You will pay account maintenance fees and investment costs based on the investment options you select. Be sure to look carefully at plan costs to determine if it is a wise investment for you at this time.

Upon death of the account holder Medical Assistance may make a claim against the remaining savings in the account for Medical Assistance services covered after the ABLE plan was set up. This would only be after all qualified disability expenses have been paid from the ABLE account first.

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Questions to consider:

- 1) Am I using or do I expect to use programs that have asset limits? Do I currently have assets that are close to these limits?
- 2) Was I disabled and receiving Social Security before age 26 or can I prove that my disability was significant before age 26?
- 3) How much money do I have to put into an ABLE account? Do I have enough money to save that the cost of this plan would be worth it?
- 4) When and how do I expect to use those funds?
- 5) Am I comfortable picking my own investments, keeping records of my purchases, and providing documents needed if audited?

The Work Incentives Connection specializes in helping people understand how public benefit programs are affected by working, but we cannot advise you on ABLE investments. We recommend you discuss your personal situation with someone qualified to advise you on your investments.

For more information:

MINNESOTABLEplan

Minnesota's ABLE account information and registration can be done at this website:

<https://savewithable.com/mn/home.html>

Or call them with questions at 1-888-609-8872

Monday through Friday

8:00 am – 5:00 pm, Central time

The ABLE National Resource Center has a wealth of information about ABLE. You can explore various ABLE plan options, access webinars, learn how to set up an ABLE account and make investment choices, and learn about qualified expenses:

<http://www.ablenrc.org>

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For information about how work may affect your government benefits, contact the Work Incentives Connection at:

651-632-5113 or 1-800-976-6728

www.mnworkincentives.com

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